
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, D. C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2017

OR

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

For the transition period from to

Commission File Number 001-36713

LIBERTY BROADBAND CORPORATION

(Exact name of Registrant as specified in its charter)

State of Delaware
(State or other jurisdiction of
incorporation or organization)

47-1211994
(I.R.S. Employer
Identification No.)

12300 Liberty Boulevard
Englewood, Colorado
(Address of principal executive offices)

80112
(Zip Code)

Registrant's telephone number, including area code: **(720) 875-5700**

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company
(do not check if smaller reporting company) Smaller reporting company

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

Indicate by check mark whether the Registrant is a shell company as defined in Rule 12b-2 of the Exchange Act. Yes No

The number of outstanding shares of Liberty Broadband Corporation's common stock as of July 17, 2017 was:

Series A common stock	26,282,987
Series B common stock	2,467,509
Series C common stock	153,080,654

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LIBERTY BROADBAND CORPORATION**Condensed Consolidated Balance Sheets****(unaudited)**

	June 30, 2017	December 31, 2016
	(amounts in thousands)	
<i>Assets</i>		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 196,753	205,728
Trade and other receivables, net	1,455	878
Derivative instruments	51,086	49,019
Other current assets	3,901	2,794
Total current assets	<u>253,195</u>	<u>258,419</u>
Investment in Charter, accounted for using the equity method (note 4)	9,335,451	9,315,253
Property and equipment, net	515	710
Goodwill (note 5)	6,497	6,497
Intangible assets subject to amortization, net (note 5)	6,898	8,596
Other assets, at cost, net of accumulated amortization	243	1,485
Total assets	<u>\$ 9,602,799</u>	<u>9,590,960</u>
<i>Liabilities and Equity</i>		
<i>Current liabilities:</i>		
Accounts payable and accrued liabilities	\$ 8,184	7,931
Deferred revenue	8,604	2,171
Current portion of debt (note 6)	599,172	400,000
Other current liabilities	1,698	2,014
Total current liabilities	<u>617,658</u>	<u>412,116</u>
Debt (note 6)	—	198,512
Deferred income tax liabilities	504,593	504,644
Deferred revenue	2,405	2,596
Total liabilities	<u>1,124,656</u>	<u>1,117,868</u>
<i>Equity</i>		
Preferred stock, \$.01 par value. Authorized 50,000,000 shares; no shares issued	—	—
Series A common stock, \$.01 par value. Authorized 500,000,000 shares; issued and outstanding 26,282,832 shares at June 30, 2017 and 26,251,533 shares at December 31, 2016	262	262
Series B common stock, \$.01 par value. Authorized 18,750,000 shares; issued and outstanding 2,467,509 shares at June 30, 2017 and 2,467,509 shares at December 31, 2016	25	25
Series C common stock, \$.01 par value. Authorized 500,000,000 shares; issued and outstanding 153,080,326 shares at June 30, 2017 and 153,019,547 shares at December 31, 2016	1,531	1,530
Additional paid-in capital	7,950,620	7,945,883
Accumulated other comprehensive earnings, net of taxes	8,030	7,656
Retained earnings	517,675	517,736
Total equity	<u>8,478,143</u>	<u>8,473,092</u>
Commitments and contingencies (note 8)		
Total liabilities and equity	<u>\$ 9,602,799</u>	<u>9,590,960</u>

See accompanying notes to the condensed consolidated financial statements.

LIBERTY BROADBAND CORPORATION
Condensed Consolidated Statements of Operations
(unaudited)

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	(amounts in thousands, except per share amounts)			
Revenue	\$ 3,073	2,966	6,213	6,797
Operating costs and expenses				
Operating, including stock-based compensation (note 7)	707	649	1,322	1,317
Selling, general and administrative, including stock-based compensation (note 7)	6,366	9,131	11,910	17,937
Research and development, including stock-based compensation (note 7)	2,384	2,945	4,774	5,656
Depreciation and amortization	949	978	1,902	1,964
	<u>10,406</u>	<u>13,703</u>	<u>19,908</u>	<u>26,874</u>
Operating income (loss)	(7,333)	(10,737)	(13,695)	(20,077)
Other income (expense):				
Interest expense	(4,826)	(4,016)	(9,381)	(6,457)
Dividend and interest income	459	2,318	797	4,507
Share of earnings (losses) of affiliates (note 4)	11,467	621,410	30,389	551,132
Realized and unrealized gains (losses) on financial instruments, net (note 3)	1,370	47,985	2,351	92,990
Gain (loss) on dilution of investment in affiliate (note 4)	(6,659)	778,129	(38,797)	776,405
Other, net	3	36	2	107
Net earnings (loss) before income taxes	<u>(5,519)</u>	<u>1,435,125</u>	<u>(28,334)</u>	<u>1,398,607</u>
Income tax benefit (expense)	2,542	(544,971)	10,912	(530,694)
Net earnings (loss) attributable to Liberty Broadband shareholders	<u>\$ (2,977)</u>	<u>890,154</u>	<u>(17,422)</u>	<u>867,913</u>
Basic net earnings (loss) attributable to Series A, Series B and Series C Liberty Broadband shareholders per common share (note 2)	\$ (0.02)	6.31	(0.10)	7.10
Diluted net earnings (loss) attributable to Series A, Series B and Series C Liberty Broadband shareholders per common share (note 2)	\$ (0.02)	6.28	(0.10)	7.07

See accompanying notes to the condensed consolidated financial statements.

LIBERTY BROADBAND CORPORATION**Condensed Consolidated Statements of Comprehensive Earnings (Loss)****(unaudited)**

	Three months ended		Six months ended	
	June 30,		June 30,	
	2017	2016	2017	2016
	(amounts in thousands)			
Net earnings (loss)	\$ (2,977)	890,154	(17,422)	867,913
Other comprehensive earnings (loss), net of taxes:				
Unrealized holding gains (losses) arising during the period	—	(33)	—	(221)
Share of other comprehensive earnings (loss) of equity method affiliates	250	246	374	564
Other	—	(1,839)	—	(1,839)
Other comprehensive earnings (loss), net of taxes	250	(1,626)	374	(1,496)
Comprehensive earnings (loss) attributable to Liberty Broadband shareholders	<u>\$ (2,727)</u>	<u>888,528</u>	<u>(17,048)</u>	<u>866,417</u>

See accompanying notes to the condensed consolidated financial statements.

LIBERTY BROADBAND CORPORATION
Condensed Consolidated Statements of Cash Flows
(unaudited)

	Six months ended	
	June 30,	
	2017	2016
	(amounts in thousands)	
Cash flows from operating activities:		
Net earnings (loss)	\$ (17,422)	867,913
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Depreciation and amortization	1,902	1,964
Stock-based compensation	2,877	2,846
Share of (earnings) losses of affiliates	(30,389)	(551,132)
(Gain) loss on dilution of investment in affiliate	38,797	(776,405)
Realized and unrealized (gains) losses on financial instruments, net	(2,351)	(92,990)
Deferred income tax expense (benefit)	(10,921)	532,239
Other, net	129	(218)
Changes in operating assets and liabilities:		
Current and other assets	(442)	8,433
Payables and other liabilities	6,506	(352)
Net cash provided (used) by operating activities	(11,314)	(7,702)
Cash flows from investing activities:		
Capital expended for property and equipment	(9)	(35)
Purchases of short term investments and other marketable securities	—	(155,444)
Sales of short term investments and other marketable securities	—	164,458
Investment in equity method affiliate	—	(5,000,000)
Other investing activities, net	6	441
Net cash provided (used) by investing activities	(3)	(4,990,580)
Cash flows from financing activities:		
Borrowings of debt	—	200,000
Cash received from issuance of Series C Liberty Broadband common stock	—	4,400,000
Payments from issuances of financial instruments	(101,638)	—
Proceeds from settlements of financial instruments	101,921	—
Other financing activities, net	2,059	(487)
Net cash provided (used) by financing activities	2,342	4,599,513
Net decrease in cash	(8,975)	(398,769)
Cash and cash equivalents, beginning of period	205,728	655,079
Cash and cash equivalents, end of period	\$ 196,753	256,310

See accompanying notes to the condensed consolidated financial statements.

LIBERTY BROADBAND CORPORATION
Condensed Consolidated Statement of Equity
(unaudited)

	Preferred Stock	Common stock			Additional paid-in capital	Accumulated other comprehensive earnings	Retained earnings	Total equity
	Series A	Series B	Series C	(amounts in thousands)				
Balance at January 1, 2017	\$ —	262	25	1,530	7,945,883	7,656	517,736	8,473,092
Net earnings (loss)	—	—	—	—	—	—	(17,422)	(17,422)
Other comprehensive earnings	—	—	—	—	—	374	—	374
Stock-based compensation	—	—	—	—	2,679	—	—	2,679
Issuance of common stock upon exercise of stock options	—	—	—	1	2,058	—	—	2,059
Cumulative effect of accounting change at Charter (note 4)	—	—	—	—	—	—	17,361	17,361
Balance at June 30, 2017	<u>\$ —</u>	<u>262</u>	<u>25</u>	<u>1,531</u>	<u>7,950,620</u>	<u>8,030</u>	<u>517,675</u>	<u>8,478,143</u>

See accompanying notes to the condensed consolidated financial statements.

LIBERTY BROADBAND CORPORATION
Notes to Condensed Consolidated Financial Statements
(unaudited)

(1) Basis of Presentation

During May 2014, the board of directors of Liberty Media Corporation and its subsidiaries (“Liberty”) authorized management to pursue a plan to spin-off to its stockholders common stock of a wholly-owned subsidiary, Liberty Broadband Corporation (“Liberty Broadband” or the “Company”), and to distribute subscription rights to acquire shares of Liberty Broadband Series C common stock (the “Broadband Spin-Off”). At the time of the Broadband Spin-Off, Liberty Broadband was comprised of (i) Liberty’s former interest in Charter Communications, Inc. (“Legacy Charter”), (ii) Liberty’s former wholly-owned subsidiary TruePosition, Inc. (“TruePosition”), (iii) Liberty’s former minority equity investment in Time Warner Cable, Inc. (“Time Warner Cable”), (iv) certain deferred tax liabilities, as well as liabilities related to Time Warner Cable written call options and (v) initial indebtedness, pursuant to margin loans entered into prior to the completion of the Broadband Spin-Off. These financial statements refer to the combination of the aforementioned subsidiary, investments, and financial instruments as “Liberty Broadband,” “the Company,” “us,” “we” and “our” in the notes to the condensed consolidated financial statements.

On May 18, 2016, Time Warner Cable merged with Legacy Charter (the “Time Warner Cable Merger”). In connection with the Time Warner Cable Merger, Legacy Charter underwent a corporate reorganization, resulting in CCH I, LLC (“Charter”), a former subsidiary of Legacy Charter, becoming the new publicly traded parent company. Also on May 18, 2016, the previously announced acquisition of Bright House Networks, LLC from Advance/Newhouse Partnership (“A/N”) by Charter (the “Bright House Transaction”) was completed. In connection with the Time Warner Cable Merger and Bright House Transaction, Liberty Broadband entered into certain agreements with Legacy Charter, Charter (for accounting purposes a related party of the Company), Liberty Interactive Corporation (“Liberty Interactive,” for accounting purposes a related party of the Company) and Time Warner Cable. As a result of the Time Warner Cable Merger and Bright House Transaction (collectively, the “Transactions”), Liberty Broadband exchanged its shares of Time Warner Cable for shares of Charter and purchased additional shares of Charter. As a result, and pursuant to proxy agreements entered into with Liberty Interactive and A/N, Liberty Broadband controls 25.01% of the aggregate voting power of Charter. See note 4 for additional detail regarding these transactions and corresponding agreements.

The Company’s wholly owned subsidiary, Skyhook Holding, Inc. (formerly known as TruePosition, Inc.), was originally incorporated to provide technology for locating wireless phones and other mobile devices through a passive network overlay system using its patented U-TDOA technology (“U-TDOA service”). In February 2014, Skyhook Holding, Inc. acquired 100% of the outstanding common shares of Skyhook Wireless, Inc., which operates a global location network containing billions of geolocated Wi-Fi access points and cell towers that serve as the reference infrastructure for providing location services. In 2015, one of Skyhook Holding, Inc.’s customers, a wireless carrier utilizing the legacy U-TDOA service which accounted for approximately 80% - 90% of consolidated revenue at the time, gave notice that it planned to discontinue use of the U-TDOA service and did not intend to renew its contract, which expired on December 31, 2015. The loss of this customer had a material adverse effect on Skyhook Holding, Inc.’s business. As a result of the loss of this wireless carrier customer, further changes in the regulatory environment and a shift in the overall market for the legacy U-TDOA service, Skyhook Holding, Inc. ceased making further investment in its U-TDOA products. In 2016, Skyhook Holding, Inc. and Skyhook Wireless, Inc. combined operations in order to focus on the development and sale of the suite of location and context products, and are referred to collectively herein as “Skyhook.”

The accompanying (a) condensed consolidated balance sheet as of December 31, 2016, which has been derived from audited financial statements, and (b) interim unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X as promulgated by the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the results for such periods have been included. The results of operations for any interim period are not necessarily indicative of results for the full year. Additionally, certain prior period amounts have been reclassified for comparability with current period presentation. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in Liberty Broadband’s Annual Report on

LIBERTY BROADBAND CORPORATION
Notes to Condensed Consolidated Financial Statements
(unaudited)

Form 10-K for the year ended December 31, 2016. All significant intercompany accounts and transactions have been eliminated in the condensed consolidated financial statements.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The Company considers (i) the application of the equity method of accounting for investments in affiliates, (ii) the fair value of non-financial instruments, (iii) the fair value of financial instruments, (iv) revenue recognition and (v) accounting for income taxes to be its most significant estimates.

In February 2016, the FASB issued new accounting guidance on lease accounting. This guidance requires a company to recognize lease assets and lease liabilities arising from operating leases in the statement of financial position. The new guidance also simplifies the accounting for sale and leaseback transactions. The amendments in this update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and early adoption is permitted. We plan to adopt this guidance on January 1, 2019. Companies are required to use a modified retrospective approach to adopt this guidance. The Company is currently working with its consolidated subsidiary to evaluate the impact of the adoption of this new guidance on our consolidated financial statements, including identifying the population of leases, evaluating technology solutions and collecting lease data.

In May 2014, the FASB issued new accounting guidance on revenue from contracts with customers. The new guidance requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This new guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In March 2016, the FASB issued additional guidance which clarifies principal versus agent considerations, and in April 2016, the FASB issued further guidance which clarifies the identification of performance obligations and the implementation guidance for licensing. The updated guidance will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or modified retrospective transition method. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. We have identified the Company's various revenue streams and are working with our consolidated subsidiary to evaluate the quantitative effects of the new guidance. The Company anticipates adopting the modified retrospective method, however, this decision is not final and is subject to the completion of our analysis of the guidance. We will continue to provide updates as to the progress of our evaluation in our quarterly reports during 2017.

Liberty Broadband holds an investment in Charter that is accounted for using the equity method. Liberty Broadband does not control the decision making process or business management practices of this affiliate. Accordingly, Liberty Broadband relies on the management of this affiliate to provide it with accurate financial information prepared in accordance with GAAP that the Company uses in the application of the equity method. In addition, Liberty Broadband relies on audit reports that are provided by the affiliate's independent auditor on the financial statements of such affiliate. The Company is not aware, however, of any errors in or possible misstatements of the financial information provided by its equity affiliate that would have a material effect on Liberty Broadband's condensed consolidated financial statements.

Spin-Off Arrangements

Following the Broadband Spin-Off, Liberty and Liberty Broadband operate as separate, publicly traded companies, and neither has any stock ownership, beneficial or otherwise, in the other. In connection with the Broadband Spin-Off, Liberty and Liberty Broadband entered into certain agreements in order to govern certain of the ongoing relationships between the two companies after the Broadband Spin-Off and to provide for an orderly transition. These agreements include a reorganization agreement, a services agreement, a facilities sharing agreement and a tax sharing agreement.

LIBERTY BROADBAND CORPORATION
Notes to Condensed Consolidated Financial Statements
(unaudited)

The reorganization agreement provides for, among other things, the principal corporate transactions (including the internal restructuring) required to effect the Broadband Spin-Off, certain conditions to the Broadband Spin-Off and provisions governing the relationship between Liberty Broadband and Liberty with respect to and resulting from the Broadband Spin-Off. The tax sharing agreement provides for the allocation and indemnification of tax liabilities and benefits between Liberty and Liberty Broadband and other agreements related to tax matters. Among other things, pursuant to the tax sharing agreement, Liberty Broadband has agreed to indemnify Liberty, subject to certain limited exceptions, for losses and taxes resulting from the Broadband Spin-Off to the extent such losses or taxes result primarily from, individually or in the aggregate, the breach of certain restrictive covenants made by Liberty Broadband (applicable to actions or failures to act by Liberty Broadband and its subsidiaries following the completion of the Broadband Spin-Off). Pursuant to the services agreement, Liberty provides Liberty Broadband with general and administrative services including legal, tax, accounting, treasury and investor relations support. Under the facilities sharing agreement, Liberty Broadband shares office space with Liberty and related amenities at Liberty's corporate headquarters. Liberty Broadband will reimburse Liberty for direct, out-of-pocket expenses incurred by Liberty in providing these services and for costs that will be negotiated semi-annually. Under these various agreements, approximately \$806 thousand and \$696 thousand was reimbursable to Liberty for the three months ended June 30, 2017 and 2016, respectively, and \$1.6 million and \$1.7 million was reimbursable to Liberty for the six months ended June 30, 2017 and 2016, respectively.

(2) Earnings (Loss) per Share

Basic earnings (loss) per common share ("EPS") is computed by dividing net earnings (loss) attributable to Liberty Broadband shareholders by the weighted average number of common shares outstanding ("WASO") for the period. Diluted EPS presents the dilutive effect on a per share basis of potential common shares as if they had been converted at the beginning of the periods presented. The basic and diluted EPS calculations are based on the following weighted average number of shares of outstanding common stock.

	Liberty Broadband Common Stock			
	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
	(numbers of shares in thousands)			
Basic WASO	181,798	141,174	181,784	122,227
Potentially dilutive shares (1)	1,351	605	1,313	497
Diluted WASO	<u>183,149</u>	<u>141,779</u>	<u>183,097</u>	<u>122,724</u>

- (1) Potentially dilutive shares are excluded from the computation of diluted EPS during periods in which losses are reported since the result would be antidilutive.

(3) Assets and Liabilities Measured at Fair Value

For assets and liabilities required to be reported at fair value, GAAP provides a hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs, other than quoted market prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. As of June 30, 2017, the Company does not have any recurring assets or liabilities measured at fair value that would be considered Level 2 or Level 3.

LIBERTY BROADBAND CORPORATION
Notes to Condensed Consolidated Financial Statements
(unaudited)

The Company's assets and (liabilities) measured at fair value are as follows:

Description	June 30, 2017			December 31, 2016		
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
	(amounts in thousands)					
Cash equivalents	\$ 189,606	189,606	—	198,011	198,011	—
Derivative instruments (1)(2)	\$ 51,086	—	51,086	49,019	—	49,019

- (1) As of December 31, 2016, the Company had an outstanding zero-strike call option on 704,908 shares of Liberty Broadband Series C common stock which expired in March 2017. The Company prepaid a premium of \$47.9 million in December 2016. Liberty Broadband exercised its option to settle the contract in cash in March 2017 for cash proceeds of \$50.0 million. The Company accounted for the zero-strike call option as a financial instrument asset due to its settlement provisions.
- (2) In April 2017, the Company entered into another zero-strike call option on 600,242 shares of Liberty Broadband Series C common stock. The Company prepaid a premium of \$50.0 million in April 2017. Upon expiration in June 2017, the \$51.9 million of cash proceeds the Company received on the call option was used, in part, to prepay a premium of \$51.6 million on a new zero-strike call option on 600,242 shares of Liberty Broadband Series C common stock. The new zero-strike call option will expire in August 2017. Liberty Broadband has the option to settle in cash or shares of Liberty Broadband Series C common stock upon expiration of the contract. The Company accounted for the zero-strike call option as a financial instrument asset due to its settlement provisions.

The fair value of Level 2 derivative instruments were derived from a Black-Scholes model using observable market data as the significant inputs. The inputs used in the model during the period outstanding (exclusive of the applicable trading price of Series C Liberty Broadband common stock and the strike prices associated with the call options) were as follows:

Volatility	20.2%
Interest rate	1.3%
Dividend yield	0.0%

Other Financial Instruments

Other financial instruments not measured at fair value on a recurring basis include trade receivables, trade payables, accrued other current liabilities, current portion of debt and long-term debt. With the exception of long-term debt, the carrying amount approximates fair value due to the short maturity of these instruments as reported on our condensed consolidated balance sheets. The carrying value of our long-term debt bears interest at a variable rate and therefore is also considered to approximate fair value.

LIBERTY BROADBAND CORPORATION
Notes to Condensed Consolidated Financial Statements
(unaudited)

Realized and Unrealized Gains (Losses) on Financial Instruments

Realized and unrealized gains (losses) on financial instruments are comprised of changes in the fair value of the following:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2017	2016	2017	2016
	(amounts in thousands)			
Time Warner Cable investment (1)	\$ —	47,985	—	92,990
Derivative instruments (2) (3)	1,370	—	2,351	—
	<u>\$ 1,370</u>	<u>47,985</u>	<u>2,351</u>	<u>92,990</u>

- (1) As discussed in note 4, Time Warner Cable merged with Charter on May 18, 2016. Therefore the Company no longer has an investment in Time Warner Cable as of May 18, 2016, and the unrealized gain (loss) related to our investment in Time Warner Cable is recorded through this date. In connection with the merger, the Company exchanged, in a tax-free transaction, its shares of Time Warner Cable for shares of Charter Class A common stock.
- (2) As of December 31, 2016, the Company had an outstanding zero-strike call option on 704,908 shares of Liberty Broadband Series C common stock which expired in March 2017. Liberty Broadband exercised its option to settle the contract in cash in March 2017.
- (3) In April 2017, the Company entered into another zero-strike call option on 600,242 shares of Liberty Broadband Series C common stock. The Company prepaid a premium of \$50.0 million in April 2017. Upon expiration in June 2017, the call option was rolled into a new zero-strike call option on 600,242 shares of Liberty Broadband Series C common stock. The Company recognized a realized and unrealized gain on the option as of June 30, 2017.

(4) Investment in Charter Accounted for Using the Equity Method

In May 2013, Liberty acquired approximately 26.9 million shares of Legacy Charter common stock and approximately 1.1 million warrants to purchase shares of Legacy Charter common stock for approximately \$2.6 billion, which represented an approximate 27% beneficial ownership (including the warrants on an as if converted basis) in Legacy Charter at the time of purchase and price per share of \$95.50. Liberty funded the purchase with a combination of cash on hand of approximately \$1.2 billion and new margin loan arrangements. Liberty allocated the purchase price between the shares of common stock and the warrants acquired in the transaction by determining the fair value of the publicly traded warrants and allocating the remaining balance to the shares acquired, which resulted in an initial excess basis in the investment of \$2,532 million. The investment in Legacy Charter is accounted for as an equity method affiliate based on the ownership interest obtained and the board seats held by individuals appointed by Liberty.

During May 2014, Liberty purchased 897 thousand Legacy Charter shares for approximately \$124.5 million. During November 2014, subsequent to the Broadband Spin-Off, Liberty Broadband exercised all of its outstanding warrants to purchase shares of Legacy Charter common stock for approximately \$52 million.

On May 18, 2016, the Time Warner Cable Merger was completed, which resulted in Legacy Charter and Time Warner Cable becoming wholly owned subsidiaries of Charter. Also on May 18, 2016, the previously announced Bright House Transaction was completed. In connection with these transactions, Legacy Charter underwent a corporate reorganization, resulting in Charter, a former subsidiary of Legacy Charter, becoming the new publicly traded parent company. In connection with the Time Warner Cable Merger and the Bright House Transaction, Liberty Broadband completed the previously announced transactions described below:

LIBERTY BROADBAND CORPORATION
Notes to Condensed Consolidated Financial Statements
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Transactions Completed in Connection with the Time Warner Cable Merger

Charter Investment Agreement

On May 18, 2016, Liberty Broadband completed its previously announced investment in Charter in accordance with the investment agreement dated May 23, 2015 by and among Liberty Broadband, Legacy Charter and Charter (the “Charter Investment Agreement”). Pursuant to the Charter Investment Agreement, immediately following the consummation of the Time Warner Cable Merger, Liberty Broadband purchased from Charter \$4.3 billion of shares of Charter Class A common stock, par value \$0.001 per share, at a price per share of \$195.70 following adjustment by the applicable exchange ratio. As a result, Liberty Broadband received approximately 22.0 million shares of Charter Class A common stock. Liberty Broadband funded its purchase of these shares of Charter Class A common stock with proceeds from the issuance of Liberty Broadband Series C common stock.

Charter Contribution Agreement

Also on May 18, 2016, shares of Time Warner Cable common stock held by Liberty Broadband and Liberty Interactive were exchanged, in a tax-free transaction, for shares of Charter Class A common stock which resulted in each of Liberty Broadband and Liberty Interactive receiving one share of Charter Class A common stock for each share of Time Warner Cable common stock so exchanged. In the exchange, Liberty Broadband received approximately 2.4 million shares of Charter Class A common stock, with a fair value of \$531.9 million.

Liberty Interactive Proxy Agreement

Pursuant to the Proxy and Right of First Refusal Agreement, dated May 23, 2015, as amended (the “Liberty Interactive Proxy Agreement”), by and between Liberty Broadband and Liberty Interactive, Liberty Interactive granted Liberty Broadband an irrevocable proxy to vote all shares of Charter common stock owned beneficially or of record by Liberty Interactive following the closing of the Time Warner Cable Merger, for a five year term subject to extension upon the mutual agreement of both parties, subject to certain limitations. So long as the Liberty Interactive Proxy Agreement is in effect, Liberty Broadband also has a right of first refusal (“ROFR”) to purchase all or a portion of any shares of Charter common stock which Liberty Interactive proposes to transfer, subject to certain limitations.

Transactions Completed in Connection with the Bright House Transactions

Second Amended and Restated Stockholders Agreement

On May 18, 2016, pursuant to the Stockholders Agreement, upon the closing of the Bright House Transaction, Liberty Broadband purchased from Charter approximately 3.7 million additional shares of Charter Class A common stock at a price per share of \$191.33 following adjustment by the applicable exchange ratios, for an aggregate purchase price of \$700 million. Liberty Broadband funded its \$700 million purchase in shares of Charter through cash on hand and margin loan draws, as discussed in note 6.

Proxy and Right of First Refusal Agreement

In connection with the Bright House Transaction, on May 18, 2016, A/N and Liberty Broadband entered into a proxy and right of first refusal agreement, as amended (“A/N Proxy”), pursuant to which A/N granted Liberty Broadband a five-year proxy to vote shares of Charter held by A/N, capped at a number of shares representing 7% of the voting power of Charter’s outstanding shares. As a result of the A/N Proxy and the Liberty Interactive Proxy Agreement, Liberty Broadband controls 25.01% of the aggregate voting power of Charter following the completion of the Time Warner Cable Merger and the Bright House Transaction and is Charter’s largest stockholder.

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So long as the A/N Proxy is in effect, if A/N proposes to transfer common units of Charter Communications Holdings, LLC (which units are exchangeable into Charter shares and which will, under certain circumstances, result in the conversion of certain shares of Class B Common Stock into Charter shares) or Charter shares, in each case, constituting either (i) shares representing the first 7.0% of the outstanding voting power of Charter held by A/N or (ii) shares representing the last 7.0% of the outstanding voting power of Charter held by A/N, Liberty Broadband will have a ROFR to purchase all or a portion of any such securities A/N proposes to transfer. The purchase price per share for any securities sold to Liberty Broadband pursuant to the ROFR will be the volume-weighted average price of Charter shares for the two trading day period before the notice of a proposed sale by A/N, payable in cash. Certain transfers are permitted to affiliates of A/N, subject to the transferee entity entering into an agreement assuming the transferor's obligations under the A/N Proxy.

Investment in Charter

For discussion purposes the term "Charter" will be used to discuss both our previous and current holdings in Legacy Charter and Charter. It is noted that the ticker symbol for the Class A common stock of each of Legacy Charter and Charter are the same, and that in connection with the Time Warner Cable Merger, Legacy Charter underwent a corporate reorganization, resulting in Charter, a former subsidiary of Legacy Charter, becoming the new publicly traded parent company.

As of June 30, 2017, the carrying value of Liberty Broadband's ownership in Charter was approximately \$9,335 million. The market value of Liberty Broadband's ownership in Charter as of June 30, 2017 was approximately \$18,214 million, which represented an approximate economic ownership of 21% of the outstanding equity of Charter as of that date.

The excess basis is \$1,655 million as of June 30, 2017 and has been allocated within memo accounts used for equity accounting purposes as follows (amounts in millions):

Property and equipment	\$ 190
Customer relationships	357
Franchise fees	1,170
Trademarks	29
Goodwill	586
Debt	(22)
Deferred income tax liability	(655)
	<u>\$ 1,655</u>

Upon acquisition, Liberty Broadband ascribed remaining useful lives of 7 years and 13 years to property and equipment and customer relationships, respectively, and indefinite lives to franchise fees, trademarks and goodwill. The excess basis of outstanding debt is amortized over the contractual period using the effective interest rate method. The Company's Share of earnings (losses) of affiliates line item in the accompanying condensed consolidated statements of operations includes expenses of \$16.6 million and earnings of \$17.4 million, net of related taxes, for the three months ended June 30, 2017 and 2016, respectively, and expenses of \$28.7 million and \$4.7 million, net of related taxes, for the six months ended June 30, 2017 and 2016, respectively, due to the amortization of the excess basis related to assets with identifiable useful lives and debt.

The Company had a dilution loss of \$6.7 million and a dilution gain of \$778.1 million during the three months ended June 30, 2017 and 2016, respectively, and a dilution loss of \$38.8 million and a dilution gain of \$776.4 million during the six months ended June 30, 2017 and 2016, respectively. The dilution loss during the three and six months ended June 30, 2017 was attributable to stock option exercises by employees and other third parties at prices below Liberty Broadband's book basis per share. The dilution gains during the three and six months ended June 30, 2016 were attributable Liberty Broadband's investment basis in Charter at a price per share below the new equity issued in the Time Warner Cable Merger.

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Accounting Change

Charter adopted Accounting Standards Update (“ASU”) 2016-09 on January 1, 2017. Upon adoption of ASU 2016-09, Charter recognized excess tax benefits of approximately \$136 million in deferred tax assets that were previously not recognized in a cumulative-effect adjustment to retained earnings. The impact of this entry on the Company’s equity is reflected in the line item Cumulative effect of accounting change at Charter in the condensed consolidated statement of equity.

Summarized unaudited financial information for Charter is as follows (amounts in millions):

Charter condensed consolidated balance sheet

	June 30, 2017	December 31, 2016
Current assets	\$ 2,564	3,300
Property and equipment, net	32,948	32,963
Goodwill	29,554	29,509
Intangible assets, net	80,547	81,924
Other assets	1,347	1,371
Total assets	<u>\$ 146,960</u>	<u>149,067</u>
Current liabilities	8,123	9,572
Deferred income taxes	26,574	26,665
Long-term debt	63,248	59,719
Other liabilities	2,582	2,745
Equity	<u>46,433</u>	<u>50,366</u>
Total liabilities and shareholders’ equity	<u>\$ 146,960</u>	<u>149,067</u>

Charter condensed consolidated statement of operations

	Three months ended		Six months ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Revenue	\$ 10,357	6,161	20,521	8,691
Cost and expenses:				
Operating costs and expenses (excluding depreciation and amortization)	(6,575)	(4,004)	(13,154)	(5,675)
Depreciation and amortization	(2,595)	(1,436)	(5,145)	(1,975)
Other operating expenses, net	(135)	(551)	(229)	(569)
	<u>(9,305)</u>	<u>(5,991)</u>	<u>(18,528)</u>	<u>(8,219)</u>
Operating income	1,052	170	1,993	472
Interest expense, net	(749)	(593)	(1,462)	(1,047)
Other income (expense), net	(60)	358	(52)	350
Income tax benefit (expense)	(48)	3,179	(73)	3,151
Net income (loss)	195	3,114	406	2,926
Less: Net income attributable to noncontrolling interests	(56)	(47)	(112)	(47)
Net income (loss) attributable to Charter shareholders	<u>\$ 139</u>	<u>3,067</u>	<u>294</u>	<u>2,879</u>

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(5) Goodwill and Other Intangible Assets

There were no changes in the carrying amount of goodwill during the six months ended June 30, 2017.

Intangible assets subject to amortization are comprised of the following (amounts in thousands):

	June 30, 2017			December 31, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Acquired patents	\$ 10,823	(9,238)	1,585	10,823	(8,450)	2,373
Customer relationships	10,213	(6,122)	4,091	10,213	(5,440)	4,773
Tradenname	2,838	(1,716)	1,122	2,838	(1,528)	1,310
Capitalized software	850	(750)	100	850	(710)	140
	<u>\$ 24,724</u>	<u>(17,826)</u>	<u>6,898</u>	<u>24,724</u>	<u>(16,128)</u>	<u>8,596</u>

Skyhook's patents are amortized straight-line over three and a half years and Skyhook's tradenname and customer relationship are amortized straight-line over five and a half years. Capitalized software intangible assets are amortized over three to five years. Amortization expense was \$854 thousand and \$852 thousand for the three months ended June 30, 2017 and 2016, respectively, and \$1.7 million for each of the six months ended June 30, 2017 and 2016.

The estimated future amortization expense for the next five years related to intangible assets with definite lives as of June 30, 2017 is as follows (amounts in thousands):

Remainder of 2017	\$ 1,682
2018	\$ 2,573
2019	\$ 1,774
2020	\$ 869
2021	\$ —

(6) Debt

Outstanding debt at June 30, 2017 and December 31, 2016 is summarized as follows:

	June 30, 2017	December 31, 2016
	(amounts in thousands)	
2014 Margin Loans	400,000	400,000
2016 Margin Loans	200,000	200,000
Total	<u>\$ 600,000</u>	<u>600,000</u>

2014 Margin Loans

On October 30, 2014, in connection with and prior to the effectiveness of the Broadband Spin-Off, a wholly-owned special purpose subsidiary of the Company ("BroadbandSPV") entered into two margin loan agreements (the "2014 Margin Loan Agreements") with each of the lenders party thereto. The 2014 Margin Loan Agreements permit BroadbandSPV, subject to certain funding conditions, to borrow term loans up to an aggregate principal amount equal to \$400 million (the "2014 Margin Loans"). The maximum borrowing capacity of \$400 million under the 2014 Margin Loan Agreements was outstanding at June 30, 2017. The maturity date of the 2014 Margin Loans is October 30, 2017, accordingly the debt is

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classified as current as of June 30, 2017. Borrowings under the 2014 Margin Loan Agreements bear interest at the three-month LIBOR rate plus 1.55%, and have an unused commitment fee of 0.25% per annum based on the average daily unused portion of the 2014 Margin Loans. Borrowings outstanding under these margin loans bore interest at a rate of 2.85% per annum at June 30, 2017. Interest is payable quarterly in arrears beginning on December 31, 2014.

2016 Margin Loans

On March 21, 2016, a wholly-owned special purpose subsidiary of the Company ("Cheetah 5"), entered into two margin loan agreements (the "2016 Margin Loan Agreements" and together with the 2014 Margin Loan Agreements, the "Margin Loan Agreements") with each of the lenders party thereto. The 2016 Margin Loan Agreements permit Cheetah 5, subject to certain funding conditions, to borrow initial term loans up to an aggregate principal amount equal to \$200 million and delayed draw loans (the "Draw Loans") up to an aggregate principal amount equal to \$100 million, for an aggregate total of \$300 million (collectively the "2016 Margin Loans"). Cheetah 5 had borrowed \$200 million as of June 30, 2017 and had \$100 million available to be drawn until September 21, 2017. The maturity date of the 2016 Margin Loans is March 21, 2018, accordingly the debt is classified as current as of June 30, 2017. Borrowings under the 2016 Margin Loans bear interest at the applicable LIBOR rate plus 2.10% per annum and have an unused commitment fee of 0.5% per annum based on the average daily unused portion of the Draw Loans. Borrowings outstanding under these margin loans bore interest at a rate of 3.40% per annum at June 30, 2017. Interest is payable quarterly in arrears beginning on March 31, 2016. The proceeds of the 2016 Margin Loans were used for the Company's additional investment in Charter during May 2016, as discussed in note 4. Borrowings may also be used for distribution as a dividend or a return of capital, for the purchase of margin stock and for general corporate purposes.

The Margin Loan Agreements contain various affirmative and negative covenants that restrict the activities of BroadbandSPV and Cheetah 5. The Margin Loan Agreements do not include any financial covenants. The Margin Loan Agreements also contain restrictions related to additional indebtedness. In connection with Cheetah 5's execution of the 2016 Margin Loan Agreements, the 2014 Margin Loan Agreements were amended to, among other things, permit the transactions under the 2016 Margin Loan Agreements and conform certain of the terms in the 2014 Margin Loan Agreements to the 2016 Margin Loan Agreements.

BroadbandSPV and Cheetah 5's obligations under the Margin Loan Agreements, are guaranteed by the Company. In addition, BroadbandSPV and Cheetah 5's obligations are secured by first priority liens on a portion of the Company's ownership interest in Charter, sufficient for BroadbandSPV and Cheetah 5 to meet the loan to value requirements under the Margin Loan Agreements. Each agreement contains language that indicates that Liberty Broadband, transferor of underlying shares as collateral, has the right to exercise all voting, consensual and other powers of ownership pertaining to the transferred shares for all purposes, provided that Liberty Broadband agrees that it will not vote the shares in any manner that would reasonably be expected to give rise to transfer or other certain restrictions. Similarly, the Margin Loan Agreements indicate that no lender party shall have any voting rights with respect to the shares transferred, except to the extent that a lender party buys any shares in a sale or other disposition made pursuant to the terms of the loan agreements. As of June 30, 2017, 9.5 million shares of Charter with a value of \$3.2 billion were pledged as collateral pursuant to the 2014 Margin Loans and the 2016 Margin Loans.

(7) Stock-Based Compensation

Liberty Broadband grants, to certain of its directors, employees and employees of its subsidiaries, restricted stock and stock options to purchase shares of its common stock (collectively, "Awards"). The Company measures the cost of employee services received in exchange for an equity classified Award (such as stock options and restricted stock) based on the grant-date fair value ("GDFV") of the Award, and recognizes that cost over the period during which the employee is required to provide service (usually the vesting period of the Award). The Company measures the cost of employee services received in exchange for a liability classified Award based on the current fair value of the Award, and remeasures the fair value of the Award at each reporting date.

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Included in the accompanying condensed consolidated statements of operations are the following amounts of stock-based compensation for the three and six months ended June 30, 2017 and 2016 (amounts in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Operating expense	\$ 1	(4)	2	(2)
Selling, general and administrative	1,383	1,221	2,603	2,767
Research and development	45	7	272	81
	<u>\$ 1,429</u>	<u>1,224</u>	<u>2,877</u>	<u>2,846</u>

Liberty Broadband – Grants of Stock Options

There were no options to purchase shares of Series A, Series B or Series C common stock granted during the six months ended June 30, 2017.

The Company calculates the GDFV for all of its equity classified awards and any subsequent remeasurement of its liability classified awards using the Black-Scholes Model. The Company estimates the expected term of the Awards based on historical exercise and forfeiture data. Since Liberty Broadband common stock has not traded on the stock market for a significant length of time, the volatility used in the calculation for Awards is based on a blend of the historical volatility of Liberty Broadband and Charter common stock and the implied volatility of publicly traded Liberty Broadband and Charter options; as the most significant asset within Liberty Broadband, the volatility of Charter was considered in the overall volatility of Liberty Broadband. The Company uses a zero dividend rate and the risk-free rate for Treasury Bonds with a term similar to that of the subject option.

Liberty Broadband – Outstanding Awards

The following tables present the number and weighted average exercise price (“WAEP”) of Awards to purchase Liberty Broadband common stock granted to certain officers, employees and directors of the Company, as well as the weighted average remaining life and aggregate intrinsic value of the Awards.

	Series A (in thousands)	WAEP	Weighted average remaining contractual life (in years)	Aggregate intrinsic value (in millions)
Outstanding at January 1, 2017	454	\$ 32.47		
Granted	—	\$ —		
Exercised	(39)	\$ 25.48		
Forfeited/cancelled	—	\$ —		
Outstanding at June 30, 2017	<u>415</u>	<u>\$ 33.13</u>	2.5	\$ 22
Exercisable at June 30, 2017	<u>411</u>	<u>\$ 33.04</u>	2.5	\$ 22

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	Series C (in thousands)	WAEP	Weighted average remaining contractual life (in years)	Aggregate intrinsic value (in millions)
Outstanding at January 1, 2017	2,467	\$ 42.45		
Granted	—	\$ —		
Exercised	(81)	\$ 26.38		
Forfeited/cancelled	—	\$ —		
Outstanding at June 30, 2017	2,386	\$ 43.00	5.7	\$ 104
Exercisable at June 30, 2017	860	\$ 33.55	2.5	\$ 46

As of June 30, 2017, the total unrecognized compensation cost related to unvested Awards was approximately \$12 million. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 2 years.

As of June 30, 2017, Liberty Broadband reserved 2.8 million shares of Series A and Series C common stock for issuance under exercise privileges of outstanding stock Awards.

Skyhook Equity Incentive Plans

Skyhook issued 2.4 million phantom stock appreciation rights ("PARs") and no phantom stock units ("PSUs") during the six months ended June 30, 2017. As of June 30, 2017, the fair value of outstanding PARs and PSUs was approximately \$2.4 million. As of June 30, 2017, \$1.4 million (Level 3) is included in Other current liabilities in the accompanying condensed consolidated balance sheet for the fair value of Skyhook's vested long-term incentive plan obligations.

(8) Commitments and Contingencies

Leases

Skyhook leases various properties under operating leases expiring at various times through 2018. Skyhook's two principal facilities are under lease through December 2017 and December 2019, respectively. Including amounts due to Liberty under the facilities sharing agreement, the Company's total rental expense was \$275 thousand and \$304 thousand for each of the three months ended June 30, 2017 and 2016, respectively, and \$522 thousand and \$555 thousand for each of the six months ended June 30, 2017 and 2016, respectively.

General Litigation

In the ordinary course of business, the Company and its consolidated subsidiary are parties to legal proceedings and claims involving alleged infringement of third-party intellectual property rights, defamation, and other claims, including infringement of the intellectual property rights of the Company and its consolidated subsidiary by third parties. Although it is reasonably possible that the Company may incur losses upon conclusion of such matters, an estimate of any loss or range of loss cannot be made. In the opinion of management, it is expected that amounts, if any, which may be required to satisfy such contingencies will not be material in relation to the accompanying condensed consolidated financial statements.

Indemnification Claims

In the normal course of business, Skyhook provides indemnification to certain customers against specified claims that might arise against those customers from the use of Skyhook's products. To date, Skyhook has not made any significant reimbursements to any of its customers for any losses related to these indemnification provisions. However, four such claims

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are currently pending. Skyhook is unable to estimate the maximum potential impact of these indemnification provisions on its future results of operations, although Skyhook's liabilities in certain of those arrangements are customarily limited in various respects, including monetarily. Accordingly, no accrual was recorded related to indemnification claims as of June 30, 2017 or December 31, 2016.

Certain Risks and Concentrations

The Skyhook business is subject to certain risks and concentrations including dependence on relationships with its customers. The Company's largest customers, that accounted for greater than 10% of revenue, aggregated 61% and 61% of total revenue for the three months ended June 30, 2017 and 2016, respectively, and 58% and 68% of total revenue for the six months ended June 30, 2017 and 2016, respectively.

Off-Balance Sheet Arrangements

Liberty Broadband did not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the Company's financial condition, results of operations, liquidity, capital expenditures or capital resources.

(9) Segment Information

Liberty Broadband identifies its reportable segments as (A) those consolidated companies that represent 10% or more of its consolidated annual revenue, annual Adjusted OIBDA or total assets and (B) those equity method affiliates whose share of earnings represent 10% or more of Liberty Broadband's annual pre-tax earnings.

Liberty Broadband evaluates performance and makes decisions about allocating resources to its operating segments based on financial measures such as revenue and Adjusted OIBDA. In addition, Liberty Broadband reviews nonfinancial measures such as subscriber growth.

Liberty Broadband defines Adjusted OIBDA as revenue less operating expenses and selling, general and administrative expenses (excluding stock-based compensation). Liberty Broadband believes this measure is an important indicator of the operational strength and performance of its businesses, including each business's ability to service debt and fund capital expenditures. In addition, this measure allows management to view operating results and perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. This measure of performance excludes depreciation and amortization, stock-based compensation, separately reported litigation settlements and restructuring and impairment charges that are included in the measurement of operating income pursuant to GAAP. Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net earnings, cash flow provided by operating activities and other measures of financial performance prepared in accordance with GAAP. Liberty Broadband generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current prices.

For the six months ended June 30, 2017, Liberty Broadband has identified the following consolidated subsidiary and equity method investment as its reportable segments:

- Skyhook—a wholly owned subsidiary of the Company that provides a Wi-Fi based location platform focused on providing positioning technology and contextual location intelligence solutions.
- Charter—an equity method investment of the Company that is one of the largest providers of cable services in the United States, offering a variety of entertainment, information and communications solutions to residential and commercial customers.

Liberty Broadband's operating segments are strategic business units that offer different products and services. They are managed separately because each segment requires different technologies, distribution channels and marketing strategies.

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The accounting policies of the segments that are also consolidated companies are the same as those described in the Company's summary of significant accounting policies in the Company's annual financial statements. We have included amounts attributable to Charter in the tables below. Although Liberty Broadband owns less than 100% of the outstanding shares of Charter, 100% of the Charter amounts are included in the schedule below and subsequently eliminated in order to reconcile the account totals to the Liberty Broadband condensed consolidated financial statements.

Performance Measures

	Three months ended June 30,			
	2017		2016	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
	(amounts in thousands)			
Skyhook	\$ 3,073	(3,299)	2,966	(6,218)
Charter	10,357,000	3,712,000	6,161,000	1,669,000
Corporate and other	—	(1,656)	—	(2,317)
	<u>10,360,073</u>	<u>3,707,045</u>	<u>6,163,966</u>	<u>1,660,465</u>
Eliminate equity method affiliate	(10,357,000)	(3,712,000)	(6,161,000)	(1,669,000)
Consolidated Liberty Broadband	<u>\$ 3,073</u>	<u>(4,955)</u>	<u>2,966</u>	<u>(8,535)</u>

	Six months ended June 30,			
	2017		2016	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
	(amounts in thousands)			
Skyhook	\$ 6,213	(5,859)	6,797	(10,188)
Charter	20,521,000	7,272,000	8,691,000	2,534,000
Corporate and other	—	(3,057)	—	(5,079)
	<u>20,527,213</u>	<u>7,263,084</u>	<u>8,697,797</u>	<u>2,518,733</u>
Eliminate equity method affiliate	(20,521,000)	(7,272,000)	(8,691,000)	(2,534,000)
Consolidated Liberty Broadband	<u>\$ 6,213</u>	<u>(8,916)</u>	<u>6,797</u>	<u>(15,267)</u>

Other Information

	June 30, 2017		
	Total assets	Investments in affiliates	Capital expenditures
	(amounts in thousands)		
Skyhook	\$ 24,826	—	9
Charter	146,960,000	—	3,703,000
Corporate and other	9,577,973	9,335,451	—
	<u>156,562,799</u>	<u>9,335,451</u>	<u>3,703,009</u>
Eliminate equity method affiliate	(146,960,000)	—	(3,703,000)
Consolidated Liberty Broadband	<u>\$ 9,602,799</u>	<u>9,335,451</u>	<u>9</u>

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The following table provides a reconciliation of segment Adjusted OIBDA to operating income (loss) and earnings (loss) before income taxes:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	(amounts in thousands)			
Consolidated segment Adjusted OIBDA	\$ (4,955)	(8,535)	(8,916)	(15,267)
Stock-based compensation	(1,429)	(1,224)	(2,877)	(2,846)
Depreciation and amortization	(949)	(978)	(1,902)	(1,964)
Operating income (loss)	<u>(7,333)</u>	<u>(10,737)</u>	<u>(13,695)</u>	<u>(20,077)</u>
Interest expense	(4,826)	(4,016)	(9,381)	(6,457)
Dividend and interest income	459	2,318	797	4,507
Share of earnings (loss) of affiliates	11,467	621,410	30,389	551,132
Realized and unrealized gains (losses) on financial instruments, net	1,370	47,985	2,351	92,990
Gain (loss) on dilution of investment in affiliate	(6,659)	778,129	(38,797)	776,405
Other, net	3	36	2	107
Earnings (loss) before income taxes	<u>\$ (5,519)</u>	<u>1,435,125</u>	<u>(28,334)</u>	<u>1,398,607</u>

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

Certain statements in this Quarterly Report on Form 10-Q constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our business, product and marketing strategies; new service offerings; the return on our investment in, and performance of, Charter Communications, Inc. ("Charter"); the ongoing integration of Charter, Time Warner Cable and Bright House's operations; the recoverability of our goodwill and other long-lived assets; our projected sources and uses of cash; and the anticipated non-material impact of certain contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. The following include some but not all of the factors (as they relate to our consolidated subsidiary and equity affiliate) that could cause actual results or events to differ materially from those anticipated:

- the ability of Charter to sustain and grow revenue and cash flow from operations by offering video, Internet, voice, advertising and other services to residential and commercial customers, to adequately meet the customer experience demands in its markets and to maintain and grow its customer base, particularly in the face of increasingly aggressive competition, the need for innovation and the related capital expenditures;
- the impact of competition from other market participants, including but not limited to incumbent telephone companies, direct broadcast satellite operators, wireless broadband and telephone providers, digital subscriber line providers, fiber to the home providers, video provided over the Internet by (i) market participants that have not historically competed in the multichannel video business, (ii) traditional multichannel video distributors, and (iii) content providers that have historically licensed cable networks to multichannel video distributors, and providers of advertising over the Internet;
- general business conditions, economic uncertainty or downturn, high unemployment levels and the level of activity in the housing sector;
- Charter's ability to obtain programming at reasonable prices or to raise prices to offset, in whole or in part, the effects of higher programming costs (including retransmission consents);
- the development and deployment of new products and technologies, including wireless products, Charter's cloud-based user interface, Spectrum Guide®, and downloadable security for set top boxes and any other cloud-based consumer services and service platforms;
- failure to protect the security of personal information about the customers of our operating subsidiary and equity affiliate, subjecting us to costly government enforcement actions or private litigation and reputational damage;
- changes in, or failure or inability to comply with, government regulations, including, without limitation, regulations of the Federal Communications Commission, and adverse outcomes from regulatory proceedings;
- the effects of governmental regulation on our business or potential business combination transactions including costs, disruptions and possible limitations on Charter's operating flexibility related to, and its ability to comply with, regulatory conditions applicable to Charter as a result of the Time Warner Cable Merger and the Bright House Transaction (each as defined below and collectively, the "Transactions");
- any events that disrupt Charter's networks, information systems or properties and impair its operating activities and negatively impact its reputation;
- the ability of suppliers and vendors to deliver products, equipment, software and services;
- the outcome of any pending or threatened litigation;

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- changes in the nature of key strategic relationships with partners, vendors and joint venturers;
- the availability and access, in general, of funds to meet debt obligations prior to or when they become due and to fund operations and necessary capital expenditures, either through (i) cash on hand, (ii) free cash flow, or (iii) access to the capital or credit markets;
- the ability of Charter and our company to comply with all covenants in our respective debt instruments, any violation of which, if not cured in a timely manner, could trigger a default of other obligations under cross-default provisions;
- our ability to successfully monetize certain of our assets; and
- the ability to retain and hire key personnel.

For additional risk factors, please see Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2016. These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Quarterly Report, and we expressly disclaim any obligation with or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based.

The following discussion and analysis provides information concerning our results of operations and financial condition. This discussion should be read in conjunction with our accompanying condensed consolidated financial statements and the notes thereto. Additionally, see note 1 to the accompanying condensed consolidated financial statements for an overview of new accounting standards that we have adopted or that we plan to adopt that have had or may have an impact on our financial statements.

Overview

During May 2014, the board of directors of Liberty Media Corporation and its subsidiaries (“Liberty”) authorized management to pursue a plan to spin-off to its stockholders common stock of a wholly-owned subsidiary, Liberty Broadband Corporation (“Liberty Broadband”), and to distribute subscription rights to acquire shares of Liberty Broadband’s Series C common stock (the “Broadband Spin-Off”). At the time of the Broadband Spin-Off, Liberty Broadband was comprised of (i) Liberty’s former interest in Charter Communications, Inc. (“Legacy Charter”), (ii) Liberty’s former wholly-owned subsidiary TruePosition, Inc. (“TruePosition”), (iii) Liberty’s former minority equity investment in Time Warner Cable, Inc. (“Time Warner Cable”, “TWC”, “Legacy Time Warner” or “Legacy TWC”), (iv) certain deferred tax liabilities, as well as liabilities related to the Time Warner Cable written call options and (v) initial indebtedness, pursuant to margin loans entered into prior to the completion of the Broadband Spin-Off. The Broadband Spin-Off was accounted for at historical cost due to the pro rata nature of the distribution to holders of Liberty common stock.

On May 18, 2016, Time Warner Cable merged with Legacy Charter (the “Time Warner Cable Merger”). In connection with the Time Warner Cable Merger, Legacy Charter underwent a corporate reorganization, resulting in CCH I, LLC, a former subsidiary of Legacy Charter (“Charter”), becoming the new publicly traded parent company. Also on May 18, 2016, the previously announced acquisition of Bright House Networks, LLC (“Bright House” or “Legacy Bright House”) from Advance/Newhouse Partnership (“A/N”) by Charter (the “Bright House Transaction”) was completed. In connection with the Time Warner Cable Merger and Bright House Transaction, Liberty Broadband entered into certain agreements with Legacy Charter, Charter, Liberty Interactive Corporation (“Liberty Interactive”) and Time Warner Cable. In connection with the Time Warner Cable Merger and Bright House Transaction, Liberty Broadband exchanged its shares of Time Warner Cable for shares of Charter and purchased additional shares of Charter. As a result, and pursuant to proxy agreements entered into with Liberty Interactive and A/N, Liberty Broadband controls 25.01% of the aggregate voting power of Charter. In addition, in connection with the Time Warner Cable Merger, Liberty Broadband funded its purchase of shares of Charter Class A common stock using proceeds of \$4.4 billion related to subscriptions for approximately 78.3 million newly issued shares of Liberty Broadband Series C common stock.

The Company’s wholly owned subsidiary, Skyhook Holding, Inc. (formerly known as TruePosition, Inc.), was originally incorporated to provide technology for locating wireless phones and other mobile devices through a passive network overlay system using its patented U-TDOA technology (“U-TDOA service”). In February 2014, Skyhook Holding, Inc. acquired 100% of the outstanding common shares of Skyhook Wireless, Inc., which operates a global location network containing billions of geolocated Wi-Fi access points (“Wi-Fi location software solution”) and cell towers that serve as the

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reference infrastructure for providing location services. In 2015, one of Skyhook Holding, Inc.'s customers, a wireless carrier utilizing the legacy U-TDOA service which accounted for approximately 80% - 90% of consolidated revenue at the time, gave notice that it planned to discontinue use of the U-TDOA service and did not intend to renew its contract, which expired on December 31, 2015. The loss of this customer had a material adverse effect on Skyhook Holding, Inc.'s business. As a result of the loss of this wireless carrier customer, further changes in the regulatory environment and a shift in the overall market for the legacy U-TDOA service, Skyhook Holding, Inc. ceased making further investment in its U-TDOA products. In 2016, Skyhook Holding, Inc. and Skyhook Wireless, Inc. combined operations in order to focus on the development and sale of the suite of location and context products, and are referred to collectively herein as "Skyhook."

The financial information represents a consolidation of the historical financial information of Skyhook, Liberty Broadband's interest in Charter, Liberty Broadband's former minority equity investment in Time Warner Cable and certain deferred tax liabilities. This financial information refers to the consolidation of the aforementioned subsidiary, investments, and financial instruments, as "Liberty Broadband," "the Company," "us," "we" and "our" here and in the notes to the accompanying condensed consolidated financial statements.

Results of Operations—Consolidated—June 30, 2017 and 2016

Consolidated operating results:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2017	2016	2017	2016
	(amounts in thousands)			
Revenue	\$ 3,073	2,966	6,213	6,797
Operating expense	706	653	1,320	1,319
Research and development	2,339	2,938	4,502	5,575
Selling, general and administrative	4,983	7,910	9,307	15,170
Stock-based compensation	1,429	1,224	2,877	2,846
Depreciation and amortization	949	978	1,902	1,964
Operating income (loss)	(7,333)	(10,737)	(13,695)	(20,077)
Less impact of stock-based compensation and depreciation and amortization	2,378	2,202	4,779	4,810
Adjusted OIBDA	<u>\$ (4,955)</u>	<u>(8,535)</u>	<u>(8,916)</u>	<u>(15,267)</u>

Revenue

Revenue increased \$107 thousand and decreased \$584 thousand for the three and six months ended June 30, 2017, respectively, as compared to the same periods in the prior year. The increase in revenue for the three months ended June 30, 2017, as compared to the same period in the prior year, was due to growth in Skyhook's Wi-Fi location software solution offerings, partially offset by a decline in revenue from Skyhook's legacy U-TDOA service offerings as the contracts for that service wind-down and terminate. The decrease in revenue for the six months ended June 30, 2017, as compared to the same period in the prior year, was due to a decline in revenue from Skyhook's U-TDOA service offerings, partially offset by growth in Skyhook's Wi-Fi location software solution offerings.

Operating expense, research and development, and selling, general and administrative expenses

Operating expense increased by \$53 thousand and remained flat for the three and six months ended June 30, 2017, respectively, as compared to the same periods in the prior year. Research and development expense decreased by \$599 thousand and \$1.1 million for the three and six months ended June 30, 2017, respectively, as compared to the same periods in the prior year, primarily as a result of headcount reductions and other cost containment measures taken by Skyhook related to the run-off of the U-TDOA business. Selling, general, and administrative expense decreased by \$2.9 million and \$5.9 million for the three and six months ended June 30, 2017, respectively, as compared to the same periods in the prior year primarily as a result of headcount reductions and other cost containment measures taken by Skyhook related to the run-off of the U-TDOA business coupled with reduced legal expenses of \$830 thousand and \$2.2 million, respectively, compared to the same periods in the prior year. Legal expenses decreased in the current year due to legal expenses associated with the Transactions in 2016.

Stock-based compensation

The increase in stock-based compensation expense of \$205 thousand and \$31 thousand for the three and six months ended June 30, 2017, respectively, as compared to the corresponding periods in the prior year, were due to adjustments made to certain outstanding awards in 2016 which increased their value, additional grants of awards, and the ongoing vesting of outstanding grants, partially offset by a decrease in the number of vested outstanding awards as a result of headcount reductions in 2016.

Depreciation and amortization

Depreciation and amortization expense decreased by \$29 thousand and \$62 thousand during the three and six months ended June 30, 2017, respectively, as compared to the corresponding periods in the prior year, due to certain assets becoming fully depreciated.

[Table of Contents](#)**Operating income (loss)**

Operating loss decreased \$3.4 million and \$6.4 million for the three and six months ended June 30, 2017, respectively, as compared to the same periods in the prior year due to the items discussed above.

Adjusted OIBDA

We define Adjusted OIBDA as revenue less operating expenses and selling, general and administrative expenses (excluding stock compensation). Our chief operating decision maker and management team use this measure of performance in conjunction with other measures to evaluate our businesses and make decisions about allocating resources among our businesses. We believe this is an important indicator of the operational strength and performance of our businesses, including each business's ability to service debt and fund capital expenditures. In addition, this measure allows us to view operating results, perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. This measure of performance excludes such costs as depreciation and amortization, stock-based compensation, separately reported litigation settlements and restructuring and impairment charges that are included in the measurement of operating income pursuant to generally accepted accounting principles in the United States ("GAAP"). Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with GAAP. See note 9 to the accompanying condensed consolidated financial statements for a reconciliation of Adjusted OIBDA to Operating income (loss) and Earnings (loss) before income taxes.

Adjusted OIBDA increased \$3.6 million and \$6.4 million during the three and six months ended June 30, 2017, respectively, as compared to the same periods in the prior year. Adjusted OIBDA for the three months ended June 30, 2017 and 2016, includes \$1.7 million and \$2.3 million of corporate selling, general and administrative costs, respectively. Adjusted OIBDA for the six months ended June 30, 2017 and 2016, includes \$3.1 million and \$5.1 million of corporate selling, general and administrative costs, respectively. The decrease in corporate selling, general and administrative costs, as compared to prior year, was primarily due to the decreased legal expenses discussed above. The increase in Skyhook Adjusted OIBDA for the three and six months ended June 30, 2017, as compared to the corresponding periods in the prior year, was due to reduced expenses resulting primarily from headcount reductions and other cost containment measures as discussed above. For the three months ended June 30, 2017, as compared to the same period in the prior year, a slight increase in revenue also contributed to the increase in Skyhook's Adjusted OIBDA, as discussed above. For the six months ended June 30, 2017, as compared to prior year, the decrease in expenses was partially offset by decreased revenue, as discussed above.

Other Income and Expense

Components of Other income (expense) are presented in the table below.

	Three months ended		Six months ended	
	June 30,		June 30,	
	2017	2016	2017	2016
	(amounts in thousands)			
Other income (expense):				
Interest expense	\$ (4,826)	(4,016)	(9,381)	(6,457)
Dividend and interest income	459	2,318	797	4,507
Share of earnings (losses) of affiliates	11,467	621,410	30,389	551,132
Realized and unrealized gains (losses) on financial instruments, net	1,370	47,985	2,351	92,990
Gain (loss) on dilution of investment in affiliate	(6,659)	778,129	(38,797)	776,405
Other, net	3	36	2	107
	<u>\$ 1,814</u>	<u>1,445,862</u>	<u>(14,639)</u>	<u>1,418,684</u>

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Interest expense

Interest expense increased \$810 thousand and \$2.9 million during the three and six months ended June 30, 2017, respectively, as compared to the corresponding periods in the prior year. The increase was primarily due to additional amounts outstanding on the 2014 Margin Loan Agreements and 2016 Margin Loan Agreements (as defined in note 6 to the accompanying condensed consolidated financial statements) during the current period as compared to corresponding period in the prior year.

Dividend and interest income

Dividend and interest income decreased \$1.9 million and \$3.7 million during the three and six months ended June 30, 2017, respectively, as compared to the corresponding periods in the prior year. The decrease in dividend and interest income for the three and six months ended June 30, 2017, as compared to the same periods in the prior year, was the result of a loss of dividend income due to the Time Warner Cable Merger during May 2016.

Share of earnings (losses) of affiliates

Share of earnings of affiliates decreased \$609.9 million and \$520.7 million during the three and six months ended June 30, 2017, respectively, as compared to the corresponding periods in the prior year. The Company's Share of earnings (losses) of affiliates line item in the accompanying condensed consolidated statements of operations includes expenses of \$16.6 million and earnings of \$17.4 million, net of related taxes, for the three months ended June 30, 2017 and 2016, respectively, and expenses of \$28.7 million and \$4.7 million for the six months ended June 30, 2017 and 2016, respectively, due to the amortization related to the excess basis of assets with identifiable useful lives and debt. The decrease in the share of earnings of affiliates in the three and six months ended June 30, 2017, as compared to the same periods in the prior year, was primarily the result of the Time Warner Cable Merger and related transactions (see note 1 to the accompanying condensed consolidated financial statements).

The following is a discussion of Charter's results of operations. In order to provide a better understanding of Charter's operations, we have included a summarized presentation of Charter's results from operations, as well as pro forma information for the period ended June 30, 2017 as if the Transactions had been completed on January 1, 2015.

	Three months ended		Six months ended		Pro Forma	Pro Forma
	June 30,		June 30,		Three	Six months
	2017	2016	2017	2016	months ended	ended
	(amounts in millions)				June 30,	June 30,
	2016	2016	2016	2016	2016	2016
Revenue	\$ 10,357	6,161	20,521	8,691	9,969	19,711
Operating expenses, excluding stock-based compensation	(6,645)	(4,492)	(13,249)	(6,157)		
Adjusted OIBDA	3,712	1,669	7,272	2,534	3,253	6,663
Depreciation and amortization	(2,595)	(1,436)	(5,145)	(1,975)		
Stock-based compensation	(65)	(63)	(134)	(87)		
Operating income	1,052	170	1,993	472	843	1,902
Other expenses, net	(809)	(235)	(1,514)	(697)		
Net earnings (loss) before income taxes	243	(65)	479	(225)		
Income tax benefit (expense)	(48)	3,179	(73)	3,151		
Net earnings (loss)	\$ 195	3,114	406	2,926		

Charter net earnings decreased \$2,919 million and \$2,520 million for the three and six months ended June 30, 2017, respectively, as compared to the corresponding periods in the prior year.

Charter's revenue increased \$4,196 million and \$11,830 million for the three and six months ended June 30, 2017, respectively, as compared to the corresponding periods in the prior year. Revenue growth primarily reflects the Transactions and increases in the number of residential Internet and triple play customers and in commercial business customers, growth

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in rates driven by rate increases offset by a decrease in basic video customers. The Transactions increased revenue for the three and six months ended June 30, 2017 as compared to the three and six months ended June 30, 2016 by approximately \$3.9 billion and \$11.4 billion, respectively. On a pro forma basis, assuming the Transactions occurred as of January 1, 2015, total revenue growth was 3.9% and 4.1% for the three and six months ended June 30, 2017 compared to the corresponding periods in 2016, respectively, primarily due to growth in Charter's Internet and commercial businesses. For the six months ended June 30, 2017, compared to the corresponding prior period, the growth was offset by an early contract termination benefit at Legacy TWC and Legacy Bright House in 2016 and lower advertising sales revenue due to a decrease in political and local advertising.

The increase in revenue during the three and six months ended June 30, 2017 was partially offset by the net impact of an increase in operating expenses, excluding stock-based compensation of \$2,153 million and \$7,092 million, respectively. The increase in operating expenses was primarily attributable to the Transactions. Operating costs also increased due to an increase in programming costs as a result of contractual rate adjustments, including renewals and increases in amounts paid for retransmission consents offset by synergies as a result of the Transactions. Charter expects pro forma programming expenses to continue to increase in future periods, and does not expect to be able to pass the cost increases on to its customers without a potential loss of customers.

Depreciation and amortization increased \$1,159 million and \$3,170 million during the three and six months ended June 30, 2017, respectively, compared to the same periods in the prior year. The increase in depreciation and amortization expense was primarily the result of additional depreciation and amortization related to the Transactions, inclusive of the incremental amounts as a result of the higher fair values recorded in acquisition accounting. Stock compensation expense increased \$2 million and \$47 million during the three and six months ended June 30, 2017, respectively, compared to the same periods in the prior year primarily due to the Transactions.

Charter's Adjusted OIBDA for the three and six months ended June 30, 2017 increased as a result of the discussion above. On a pro forma basis, Charter's Adjusted OIBDA increased by \$459 million and \$609 million for the three and six month periods ended June 30, 2017, respectively, as a result of the discussion above, offset by increases in programming costs and transition costs which was offset by decreases in all other operating expense categories.

Charter's results were also impacted by an increase in other expenses, net of \$574 million and \$817 million for the three and six months ended June 30, 2017, respectively. The increase in other expenses, net was primarily due to (i) decreases of \$507 million and \$494 million in other pension benefits for the three months and six months ended June 30, 2017 and 2016, respectively, as a result of a \$675 million pension curtailment gain offset by an \$157 million net remeasurement loss recognized in 2016 that resulted from an amendment to the plans made subsequent to the TWC Merger and (ii) \$118 million and \$360 million of additional interest expense that was recognized during the three and six months ended June 30, 2017, respectively, as compared to the same period in the prior year, associated with debt assumed from Legacy TWC, an increase in weighted average debt outstanding primarily due to the issuance of notes in April 2017 as well as a decrease in interest income.

Income tax benefit decreased \$3,227 million and \$3,224 million for the three and six months ended June 30, 2017, respectively, as compared to the corresponding periods in the prior year. Income tax expense for the three and six months ended June 30, 2017, was reduced by approximately \$15 million and \$71 million, respectively, due to the recognition of excess tax benefits resulting from share based compensation as a component of the provision for income taxes following the prospective application of ASU 2016-09. Income tax benefit for the three and six months ended June 30, 2016 was the result of a reduction of substantially all of Legacy Charter's preexisting valuation allowance associated with its deferred tax assets of approximately \$3.3 billion as certain of the deferred tax liabilities that were assumed in connection with the closing of the Time Warner Cable Merger will reverse and provide a source of future taxable income.

Realized and unrealized gains (losses) on financial instruments, net

Realized and unrealized gains on financial instruments, net declined \$47 million and \$91 million for the three and six months ended June 30, 2017, respectively, as compared to the corresponding periods in the prior year. The realized gains during the three and six months ended June 30, 2017 were related to the zero-strike call options (see discussion in note 3 to the accompanying condensed consolidated financial statements). The net realized and unrealized gains of \$48 million and

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\$93 million during the three and six months ended June 30, 2016, respectively, were attributable to gains in the fair value of our investment in Time Warner Cable, due to increases in the Time Warner Cable stock price during the period.

Gain (loss) on dilution of investment in affiliate

The loss on dilution of investment in affiliate declined \$784.8 million and \$815.2 million during the three and six months ended June 30, 2017, respectively, as compared to the same periods in the prior year, primarily due to the Company's increased basis in Charter as a result of the Transactions, along with an increase in issuance of Charter common stock from the exercise of stock options held by employees and other third parties, at prices below Liberty Broadband's book basis per share. As Liberty Broadband's ownership in Charter changes due to exercises of Charter warrants and stock options, a loss is recorded with the effective sale of common stock, because the exercise price of Charter warrants or stock options is typically lower than the book value of the Charter shares held by Liberty Broadband.

Other, net

Other, net during the three and six months ended June 30, 2017 is primarily attributable to tax penalties. Other, net during the three and six months ended June 30, 2016 was attributable to a gain on the sale of shares of a certain Skyhook cost investment.

Income tax benefit (expense)

During the three and six months ended June 30, 2017, we had an income tax benefit of \$2.5 million and \$10.9 million, respectively, and the effective rate was approximately 46.1% and 38.5%, respectively. For the three and six months ended June 30, 2016 we had an income tax expense of \$545.0 million and \$530.7 million, respectively, and the effective tax rate was approximately 38.0% for both periods. The difference between the effective income tax rate of 46.1% and the U.S. Federal income tax rate of 35% for the three and six months ended June 30, 2017 is primarily due to unrealized gain attributable to the Company's own stock which is not recognized for tax purposes. The difference between the effective income tax rate of 38.5% and the U.S. Federal income tax rate of 35% for the six months ended June 30, 2017 is primarily due to unrealized gain attributable to the Company's own stock which is not recognized for tax purposes. The difference between the effective income tax rate of 38% and the U.S. Federal income tax rate of 35% for both the three and six months ended June 30, 2016 was primarily due to the effect of state income taxes.

Liquidity and Capital Resources

As of June 30, 2017 substantially all of our cash and cash equivalents are invested in U.S. Treasury securities, other government securities or government guaranteed funds, AAA rated money market funds and other highly rated financial and corporate debt instruments.

The following are potential sources of liquidity: available cash balances, cash generated by the operating activities of our subsidiaries (to the extent such cash exceeds the working capital needs of the subsidiaries), proceeds from asset sales, monetization of our investments, debt borrowings, equity issuances, and dividend and interest receipts.

As of June 30, 2017 Liberty Broadband had a cash balance of \$197 million.

	Six months ended June 30,	
	2017	2016
(amounts in thousands)		
Cash flow information		
Net cash provided (used) by operating activities	\$ (11,314)	(7,702)
Net cash provided (used) by investing activities	\$ (3)	(4,990,580)
Net cash provided (used) by financing activities	\$ 2,342	4,599,513

The increase in cash used by operating activities in the six months ended June 30, 2017, as compared to the same period in the prior year, was primarily the result of timing differences in cash receipts and payments.

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During the six months ended June 30, 2016, net cash flows from investing activities were primarily related to transactions in connection with the Time Warner Cable Merger and the Bright House Transactions, as discussed in note 4 of the accompanying condensed consolidated financial statements.

During the six months ended June 30, 2017, net cash flows from financing activities were primarily related to the settlement of the zero-strike call options (see note 3 to the accompanying condensed consolidated financial statements). During the six months ended June 30, 2016, net cash flows from financing activities were primarily related to the Company's issuance of \$4.4 billion in additional shares of Liberty Broadband Series C common stock to purchase \$4.3 billion in shares of New Charter, in addition to net borrowings of \$197.9 million under two margin loan agreements, entered into on March 21, 2016, between a subsidiary of the Company and the lenders thereto.

The projected use of our cash will be primarily to fund any operational needs of our subsidiary, to service debt, to fund potential investment opportunities, and refinance Liberty Broadband's margin loans that come due in 2017 and 2018. We expect our potential sources of liquidity (discussed above) and corporate cash to cover corporate expenses and future obligations.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk in the normal course of business due to our ongoing investing and financial activities. Market risk refers to the risk of loss arising from adverse changes in stock prices and interest rates. The risk of loss can be assessed from the perspective of adverse changes in fair values, cash flows and future earnings. We have established policies, procedures and internal processes governing our management of market risks and the use of financial instruments to manage our exposure to such risks.

We are exposed to changes in interest rates primarily as a result of our borrowing and investment activities, which include investments in fixed and floating rate debt instruments and borrowings used to maintain liquidity and to fund business operations. The nature and amount of our long-term and short-term debt are expected to vary as a result of future requirements, market conditions and other factors. We expect to manage our exposure to interest rates by achieving what we believe is an appropriate mix of fixed and variable rate debt. We believe this best protects us from interest rate risk. We anticipate achieving this mix by (i) issuing fixed rate debt that we believe has a low stated interest rate and significant term to maturity, (ii) issuing variable rate debt with appropriate maturities and interest rates and/or (iii) entering into interest rate swap arrangements when we deem appropriate. As of June 30, 2017, our debt is comprised of the following amounts:

Variable rate debt		Fixed rate debt	
Principal amount	Weighted avg interest rate	Principal amount	Weighted avg interest rate
(dollar amounts in millions)			
\$ 600	3.0%	\$ —	NA

Our stock in Charter (our equity method affiliate) is publicly traded and not reflected at fair value in our balance sheet. Our investment in Charter is also subject to market risk that is not directly reflected in our financial statements.

We are exposed to changes in stock prices primarily as a result of our significant holdings in publicly traded securities. We continually monitor changes in stock markets, in general, and changes in the stock prices of our holdings, specifically. We believe that changes in stock prices can be expected to vary as a result of general market conditions, technological changes, specific industry changes and other factors. We periodically use equity collars and other financial instruments to manage market risk associated with certain investment positions. These instruments are recorded at fair value based on option pricing models.

Item 4. Controls and Procedures

In accordance with Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company carried out an evaluation, under the supervision and with the participation of management, including its chief executive officer and its principal accounting and financial officer (the "Executives"), of the effectiveness of its disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Executives concluded that the Company's disclosure controls and procedures were effective as of June 30, 2017 to provide reasonable assurance that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There has been no change in the Company's internal control over financial reporting that occurred during the three and six months ended June 30, 2017 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

Our Annual Report on Form 10-K for the year ended December 31, 2016 includes "Legal Proceedings" under Item 3 of Part I. Other than as described below, there have been no material changes from the legal proceedings described in our Form 10-K.

In connection with the formerly proposed Comcast-Time Warner Cable merger, eight putative class action complaints were filed on behalf of purported Time Warner Cable stockholders in the New York Supreme Court (the "NY Actions") and the Court of Chancery of the State of Delaware. These complaints named as defendants Time Warner Cable, Comcast Tango Acquisition Sub, Inc. and their respective officers and directors. The complaints generally alleged, among other things, that the members of the Time Warner Cable and Comcast boards of directors breached their fiduciary duties to their respective stockholders during merger negotiations by entering into the merger agreement and approving the merger, and that Time Warner Cable, Comcast and the holding company created to merge the companies aided and abetted such breaches of fiduciary duties. The complaints further alleged that the joint proxy statement/prospectus filed by Comcast with the SEC on March 20, 2014 was misleading or omitted certain material information. The complaints sought unspecified declaratory and equitable relief, compensatory damages in an unspecified amount, injunctive relief and costs and fees. The parties entered into a settlement agreement, conditioned on the consummation of the Comcast-Time Warner Cable merger. Now that the Comcast-Time Warner Cable merger agreement has been terminated, this settlement agreement is no longer operative.

On June 29, 2015, the parties in the NY Actions filed a stipulation agreeing that plaintiffs could file a Second Consolidated Class Action Complaint (the "Second Amended Complaint"), and dismissing the actions with prejudice as to Comcast and Tango Acquisition Sub, Inc. After the court so ordered the stipulation, the plaintiffs in the NY Actions filed the Second Amended Complaint on July 1, 2015. The Second Amended Complaint named as defendants Time Warner Cable, the members of the Time Warner Cable board of directors, Charter and the merger subsidiaries. The Second Amended Complaint generally alleged, among other things, that the members of the Time Warner Cable board of directors breached their fiduciary duties to Time Warner Cable stockholders during the Charter merger negotiations and by entering into the merger agreement and approving the mergers, and that Charter and its subsidiaries aided and abetted such breaches of fiduciary duties. The complaint sought, among other relief, an injunction against the stockholder vote on the mergers, compensatory damages in an unspecified amount, unspecified declaratory and equitable relief and costs and attorneys' fees.

On September 9, 2015, the parties entered into a memorandum of understanding ("MOU") to settle the action. Pursuant to the MOU, defendants issued certain supplemental disclosures relating to the mergers on a Form 8-K, and plaintiffs agreed to release with prejudice all claims that could have been asserted against defendants in connection with the mergers. The settlement is conditioned on, among other things, approval by the New York Supreme Court. That court gave preliminary approval to the settlement in October 2016 and granted final approval in March 2017. The settlement became final in May 2017.

In August 2015, a purported stockholder of Charter, Matthew Sciabacucchi, filed a lawsuit in the Delaware Court of Chancery, on behalf of a putative class of Charter stockholders, challenging the transactions between Charter, TWC, A/N, and Liberty Broadband announced by Charter on May 26, 2015 (collectively, the "Transactions"). The lawsuit names as defendants Liberty Broadband, Charter, the board of directors of Charter, and New Charter. Plaintiff alleged that the Transactions improperly benefit Liberty Broadband at the expense of other Charter shareholders, and that Charter issued a false and misleading proxy statement in connection with the Transactions. Plaintiff requested, among other things, that the Delaware Court of Chancery enjoin the September 21, 2015 special meeting of Charter stockholders at which Charter stockholders were asked to vote on the Transactions until the defendants disclosed certain information relating to Charter and the Transactions. The disclosures demanded by the plaintiff included (i) certain unlevered free cash flow projections for Charter and (ii) a Form of Proxy and Right of First Refusal Agreement ("Proxy") by and among Liberty Broadband, A/N, Charter and New Charter, which was referenced in the description of the Second Amended and Restated Stockholders Agreement, dated May 23, 2015, among Charter, New Charter, Liberty Broadband and A/N. On September 9, 2015, Charter

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issued supplemental disclosures containing unlevered free cash flow projections for Charter. In return, the plaintiff agreed its disclosure claims were moot and withdrew its application to enjoin the Charter stockholder vote on the Transactions. Charter filed a motion to dismiss this litigation and on May 31, 2017, the court issued an opinion, concluding a number of issues but reserving ruling on Charter's motion until further briefing can be done regarding whether plaintiff's claims are direct or derivative. Charter denies any liability, believes that it has substantial defenses, and intends to vigorously defend this suit.

On December 19, 2011, Sprint Communications Company L.P. ("Sprint") filed a complaint in the U.S. District Court for the District of Kansas alleging that Legacy TWC infringes 12 U.S. patents purportedly relating to Voice over Internet Protocol services. Over the course of the litigation Sprint dismissed its claims relating to five of the asserted patents, and shortly before trial Sprint dropped its claims with respect to two additional patents. A trial on the remaining five patents began on February 13, 2017. On March 3, 2017 the jury returned a verdict of \$140 million against Legacy TWC and further concluded that Legacy TWC had willfully infringed Sprint's patents. The court subsequently declined to enhance the damage award as a result of the purported willful infringement. On May 30, 2017, the court awarded Sprint an additional \$6 million, representing pre-judgment interest on the damages award. On June 28, 2017, Charter filed its notice of appeal with the United States Court of Appeals for the Federal Circuit. In addition to its appeal, Charter will continue to pursue indemnity from one of its vendors. Charter does not expect that the outcome of this litigation will have a material adverse effect on its operations or financial condition. The ultimate outcome of this litigation or the pursuit of indemnity against Charter's vendor cannot be predicted.

On October 23, 2015, the New York Office of the Attorney General (the "NY AG") began an investigation of Legacy TWC's advertised Internet speeds and other Internet product advertising. On February 1, 2017, the NY AG filed suit in the Supreme Court for the State of New York alleging that Legacy TWC's advertising of Internet speeds was false and misleading. The suit seeks restitution and injunctive relief. On May 26, 2017, Charter moved to dismiss the NY AG's complaint. Charter denies that Legacy TWC engaged in any wrongdoing and intends to defend itself vigorously. However, no assurances can be made that such defenses would ultimately be successful. At this time, Charter does not expect that the outcome of this litigation will have a material adverse effect on its operations, financial condition or cash flows.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no repurchases of Liberty Broadband Series A, B or C common stock during the period.

During the three months ended June 30, 2017, 87 shares of Liberty Broadband Series A common stock and 174 shares of Liberty Broadband Series C common stock were surrendered by certain of our officers and employees to pay withholding taxes and other deductions in connection with the vesting of their restricted stock.

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Item 6. Exhibits

(a) Exhibits

Listed below are the exhibits which are filed as a part of this Report (according to the number assigned to them in Item 601 of Regulation S-K):

31.1	Rule 13a-14(a)/15d-14(a) Certification*
31.2	Rule 13a-14(a)/15d-14(a) Certification*
32	Section 1350 Certification**
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Calculation Linkbase Document*
101.LAB	XBRL Taxonomy Label Linkbase Document*
101.PRE	XBRL Taxonomy Presentation Linkbase Document*
101.DEF	XBRL Taxonomy Definition Document*

*Filed herewith

**Furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LIBERTY BROADBAND CORPORATION

Date: August 2, 2017

By: /s/ GREGORY B. MAFFEI
Gregory B. Maffei
President and Chief Executive Officer

Date: August 2, 2017

By: /s/ MARK D. CARLETON
Mark D. Carleton
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

EXHIBIT INDEX

Listed below are the exhibits which are filed as a part of this Report (according to the number assigned to them in Item 601 of Regulation S-K):

31.1	Rule 13a-14(a)/15d-14(a) Certification*
31.2	Rule 13a-14(a)/15d-14(a) Certification*
32	Section 1350 Certification**
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Calculation Linkbase Document*
101.LAB	XBRL Taxonomy Label Linkbase Document*
101.PRE	XBRL Taxonomy Presentation Linkbase Document*
101.DEF	XBRL Taxonomy Definition Document*

*Filed herewith

**Furnished herewith

CERTIFICATION

I, Gregory B. Maffei, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Liberty Broadband Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements and other financial information included in this quarterly report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this quarterly report based on such evaluation; and
 - d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2017

/s/ GREGORY B. MAFFEI

Gregory B. Maffei
President and Chief Executive Officer

CERTIFICATION

I, Mark D. Carleton, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Liberty Broadband Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements and other financial information included in this quarterly report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this quarterly report based on such evaluation; and
 - d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2017

/s/ MARK D. CARLETON

Mark D. Carleton
Chief Financial Officer

Certification

**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Liberty Broadband Corporation, a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the period ended June 30, 2017 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 2, 2017

/s/ GREGORY B. MAFFEI
Gregory B. Maffei
President and Chief Executive Officer

Dated: August 2, 2017

/s/ MARK D. CARLETON
Mark D. Carleton
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Form 10-Q or as a separate disclosure document.
