

# Section 1: 10-Q (FORM 10-Q)

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

## FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2018

or

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

Commission File Number: 001-36863

### Cable One, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

13-3060083

(I.R.S. Employer Identification No.)

210 E. Earll Drive, Phoenix, Arizona

(Address of Principal Executive Offices)

85012

(Zip Code)

(602) 364-6000

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date:

**Description of Class**

Common stock, par value \$0.01

**Shares Outstanding as of November 2, 2018**

5,703,524

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## PART I: FINANCIAL INFORMATION

## ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CABLE ONE, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Unaudited)

<u>(in thousands, except par value and share data)</u>	<u>September 30,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 236,901	\$ 161,752
Accounts receivable, net	28,168	29,930
Income taxes receivable	8,566	21,331
Prepaid and other current assets	16,694	10,898
Total Current Assets	290,329	223,911
Property, plant and equipment, net	837,206	831,892
Intangible assets, net	956,832	965,745
Goodwill	172,129	172,129
Other noncurrent assets	11,452	10,955
Total Assets	<u>\$ 2,267,948</u>	<u>\$ 2,204,632</u>
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 101,565	\$ 117,855
Deferred revenue	18,681	15,008
Current portion of long-term debt	19,063	14,375
Total Current Liabilities	139,309	147,238
Long-term debt	1,147,048	1,160,682
Deferred income taxes	225,780	207,154
Other noncurrent liabilities	10,476	13,111
Total Liabilities	<u>1,522,613</u>	<u>1,528,185</u>
Commitments and contingencies (refer to note 14)		
Stockholders' Equity		
Preferred stock (\$0.01 par value; 4,000,000 shares authorized; none issued or outstanding)	-	-
Common stock (\$0.01 par value; 40,000,000 shares authorized; 5,887,899 shares issued; and 5,705,059 and 5,731,442 shares outstanding as of September 30, 2018 and December 31, 2017, respectively)	59	59
Additional paid-in capital	35,674	28,412
Retained earnings	819,687	728,386
Accumulated other comprehensive loss	(350)	(352)
Treasury stock, at cost (182,840 and 156,457 shares held as of September 30, 2018 and December 31, 2017, respectively)	(109,735)	(80,058)
Total Stockholders' Equity	745,335	676,447
Total Liabilities and Stockholders' Equity	<u>\$ 2,267,948</u>	<u>\$ 2,204,632</u>

See accompanying notes to the condensed consolidated financial statements.

**CABLE ONE, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
(Unaudited)

(in thousands, except per share and share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues	\$ 268,268	\$ 253,833	\$ 802,443	\$ 702,258
Costs and expenses				
Operating (excluding depreciation and amortization)	91,956	91,894	278,478	245,026
Selling, general and administrative	59,439	51,806	164,584	149,156
Depreciation and amortization	50,414	46,712	148,225	134,270
(Gain) loss on asset disposals, net	3,140	2,506	12,508	(3,180)
Total costs and expenses	204,949	192,918	603,795	525,272
Income from operations	63,319	60,915	198,648	176,986
Interest expense	(15,460)	(14,019)	(45,136)	(33,408)
Other income, net	1,503	278	3,002	243
Income before income taxes	49,362	47,174	156,514	143,821
Income tax provision	11,048	16,269	33,762	52,943
Net income	<u>\$ 38,314</u>	<u>\$ 30,905</u>	<u>\$ 122,752</u>	<u>\$ 90,878</u>
Net income per common share:				
Basic	<u>\$ 6.75</u>	<u>\$ 5.44</u>	<u>\$ 21.58</u>	<u>\$ 16.00</u>
Diluted	<u>\$ 6.70</u>	<u>\$ 5.37</u>	<u>\$ 21.44</u>	<u>\$ 15.82</u>
Weighted average common shares outstanding:				
Basic	5,674,224	5,680,600	5,687,849	5,678,485
Diluted	5,717,575	5,753,910	5,725,520	5,745,783
Other comprehensive income, net of tax	1	1	2	5
Comprehensive income	<u>\$ 38,315</u>	<u>\$ 30,906</u>	<u>\$ 122,754</u>	<u>\$ 90,883</u>
Dividends declared per common share	\$ 2.00	\$ 1.75	\$ 5.50	\$ 4.75

See accompanying notes to the condensed consolidated financial statements.

**CABLE ONE, INC.**  
**CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**  
(Unaudited)

(in thousands, except per share and share data)	<u>Common Stock</u>		Additional	Retained	Treasury	Accumulated	Total
	Shares	Amount	Paid-In	Earnings	Stock, at cost	Other Comprehensive Loss	Stockholders' Equity
<b>Balance at December 31, 2017</b>	5,731,442	\$ 59	\$ 28,412	\$ 728,386	\$ (80,058)	\$ (352)	\$ 676,447
Net income	-	-	-	122,752	-	-	122,752
Changes in pension, net of tax	-	-	-	-	-	2	2
Equity-based compensation	-	-	7,262	-	-	-	7,262
Issuance of equity awards, net of forfeitures	17,635	-	-	-	-	-	-
Repurchases of common stock	(34,028)	-	-	-	(22,556)	-	(22,556)
Withholding tax for equity awards	(9,990)	-	-	-	(7,121)	-	(7,121)
Dividends paid to stockholders (\$5.50 per common share)	-	-	-	(31,451)	-	-	(31,451)
<b>Balance at September 30, 2018</b>	<u>5,705,059</u>	<u>\$ 59</u>	<u>\$ 35,674</u>	<u>\$ 819,687</u>	<u>\$ (109,735)</u>	<u>\$ (350)</u>	<u>\$ 745,335</u>

See accompanying notes to the condensed consolidated financial statements.

**CABLE ONE, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

(in thousands)	Nine Months Ended September 30,	
	2018	2017
<b>Cash flows from operating activities:</b>		
Net income	\$ 122,752	\$ 90,878
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	148,225	134,270
Amortization of debt issuance cost	3,088	2,183
Equity-based compensation	7,262	7,921
Write-off of debt issuance costs	110	613
Increase in deferred income taxes	18,626	9,820
(Gain) loss on asset disposals, net	12,508	(3,180)
Changes in operating assets and liabilities, net of effects from acquisitions:		
(Increase) decrease in accounts receivable	1,762	(6,009)
(Increase) decrease in income taxes receivable	12,765	(13,580)
(Increase) decrease in prepaid and other current assets	(5,796)	884
Decrease in accounts payable and accrued liabilities	(14,437)	(6,618)
Increase in deferred revenue	3,673	119
Change in other noncurrent assets and liabilities, net	(2,921)	2,487
Net cash provided by operating activities	307,617	219,788
<b>Cash flows from investing activities:</b>		
Purchase of business, net of cash acquired	-	(727,947)
Capital expenditures	(159,170)	(128,830)
Increase (decrease) in accrued expenses related to capital expenditures	1,740	1,982
Proceeds from sales of property, plant and equipment	1,827	11,334
Net cash used in investing activities	(155,603)	(843,461)
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of long-term debt	-	750,000
Payment of debt issuance costs	(2,131)	(15,224)
Payments on long-term debt	(10,013)	(97,825)
Repurchases of common stock	(22,556)	(399)
Payment of withholding tax for equity awards	(7,121)	(2,531)
Dividends paid to stockholders	(31,451)	(27,188)
Decrease in cash overdraft	(3,593)	(2,499)
Net cash provided by (used in) financing activities	(76,865)	604,334
Increase (decrease) in cash and cash equivalents	75,149	(19,339)
Cash and cash equivalents, beginning of period	161,752	138,040
Cash and cash equivalents, end of period	\$ 236,901	\$ 118,701
<b>Supplemental cash flow disclosures:</b>		
Cash paid for interest, net of capitalized interest	\$ 35,571	\$ 20,437
Cash paid for income taxes, net of refunds received	\$ 2,366	\$ 57,397

See accompanying notes to the condensed consolidated financial statements.

**CABLE ONE, INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION**

**Description of Business.** Cable One, Inc. (“Cable One”) owns and operates cable systems that provide data, video and voice services to residential and commercial subscribers in 21 Western, Midwestern and Southern states of the United States. As of September 30, 2018, Cable One provided service to 801,179 residential and business customers, of which 660,799 subscribed to data services, 328,921 subscribed to video services and 127,972 subscribed to voice services.

On May 1, 2017, Cable One completed the acquisition of all the outstanding equity interests of RBI Holding LLC (“NewWave”), which became a wholly owned subsidiary of Cable One. Refer to note 4 for details on the transaction and note 8 for details on the related financing.

Unless otherwise stated or the context otherwise indicates, all references in this Quarterly Report on Form 10-Q to “Cable One,” “us,” “our,” “we” or the “Company” refer to Cable One, Inc. and its wholly owned subsidiaries.

**Basis of Presentation.** The condensed consolidated financial statements and accompanying notes thereto have been prepared in accordance with: (i) generally accepted accounting principles in the United States (“GAAP”) for interim financial information; and (ii) the guidance of Rule 10-01 of Regulation S-X under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), for financial statements required to be filed with the Securities and Exchange Commission (the “SEC”). As permitted under such guidance, certain notes and other financial information normally required by GAAP have been omitted. Management believes the condensed consolidated financial statements reflect all normal and recurring adjustments necessary for a fair statement of the Company’s financial position, results of operations and cash flows as of and for the periods presented herein. These condensed consolidated financial statements are unaudited and should be read in conjunction with the Company’s audited consolidated financial statements and the notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (the “2017 Form 10-K”).

The December 31, 2017 year-end balance sheet data presented herein was derived from the Company’s audited consolidated financial statements included in the 2017 Form 10-K, but does not include all disclosures required by GAAP. The Company’s interim results of operations may not be indicative of its future results.

**Principles of Consolidation.** The condensed consolidated financial statements include the accounts of the Company, including its subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

**Segment Reporting.** Accounting Standard Codification (“ASC”) 280 - *Segment Reporting* requires the disclosure of factors used to identify an entity’s reportable segments. The Company’s operations are organized and managed on the basis of cable systems within its geographic regions. Each cable system derives revenues from the delivery of similar products and services to a customer base that is also similar. Each cable system deploys similar technology to deliver the Company’s products and services, operates within a similar regulatory environment, has similar economic characteristics and is managed by the Company’s chief operating decision maker as part of an aggregate of all cable systems. Management evaluated the criteria for aggregation under ASC 280 and has concluded that the Company meets each of the respective criteria set forth therein. Accordingly, management has identified one reportable segment.

**Use of Estimates.** The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the amounts reported herein. Management bases its estimates and assumptions on historical experience and on various other factors that are believed to be reasonable under the circumstances. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be affected by changes in those estimates and underlying assumptions.

**Revenue Recognition.** The Company recognizes revenue in accordance with ASC 606 - *Revenue from Contracts with Customers*. Residential revenues are generated through individual and bundled subscriptions for data, video and voice services on month to month terms, without penalty for cancellation. As bundled subscriptions are typically offered at discounted rates, the sales price is allocated amongst the respective product lines based on the relative selling price at which each service is sold under standalone service agreements. Business revenues are generated through individual and bundled subscriptions for data, video and voice services under contracts with terms ranging from one month to several years.

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The Company also generally receives an allocation of scheduled advertising time as part of its distribution agreements with cable and broadcast networks, which the Company sells to local, regional and national advertisers under contracts with terms that are typically less than one year. In most instances, the available advertising time is sold directly by the Company's internal sales force. As the Company is acting as principal in these arrangements, the advertising that is sold is reported as revenue on a gross basis. In instances where advertising time is sold by contracted third-party agencies, the Company is not acting as principal and the advertising sold is therefore reported net of agency fees. Advertising revenues are recognized when the related advertisements are aired.

The unit of account for revenue recognition is a performance obligation, which is a requirement to transfer a distinct good or service to a customer. Customers are billed for the services to which they subscribe based upon published or contracted rates, with the sales price being allocated to each performance obligation. For arrangements with multiple performance obligations, the sales price is allocated based on the relative standalone selling price for each subscribed service. Generally performance obligations are satisfied, and revenue is recognized, over the period of time in which customers simultaneously receive and consume the Company's defined performance obligations, which are delivered in a similar pattern of transfer. Advertising revenue is recognized at the point in time when the underlying performance obligation is complete.

The Company also incurs certain incremental costs to acquire residential and business customers, such as commission costs and third-party costs to service specific customers. These costs are capitalized as contract assets and amortized over the applicable period. For commissions, the amortization period is the average customer tenure, which is approximately five years for both residential and business customers. All other costs are amortized over the requisite contract period.

**Recently Adopted Accounting Pronouncements.** In May 2017, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2017-09, *Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting*. ASU 2017-09 provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in accordance with ASC 718. The ASU was effective January 1, 2018. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements, but may have an impact in the future.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. ASU 2017-04 removes step two of the previous goodwill impairment test under ASC 350 and replaces it with a simplified model. Under the simplified model, goodwill impairment will be calculated as the difference between the carrying amount of a reporting unit and its fair value, but not to exceed the carrying amount of goodwill. The amount of any impairment under the simplified model may differ from what would have been recognized under the previous two-step test. The ASU is effective for annual and any interim impairment tests performed for periods beginning after December 15, 2019, with early adoption permitted. The Company elected to early adopt the standard on January 1, 2018. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements, but may have an impact in the future.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*. The purpose of the amendment is to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The ASU was effective January 1, 2018. The adoption of this guidance did not have an impact on the Company's consolidated financial statements as no asset acquisitions or business combinations have occurred since the effective date, but may have an impact in the future.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The guidance clarifies the way in which certain cash receipts and cash payments should be classified within the consolidated statements of cash flows and also how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows. ASU 2016-15 was effective January 1, 2018. The adoption of this guidance did not have a material impact on the classification of any cash flows within the Company's consolidated statements of cash flows, but may have an impact in the future.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 provides new guidance related to how an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard provides a single principles-based, five step model to be applied to all contracts with customers: (i) identify the contract(s) with the customer, (ii) identify the performance obligation(s) in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligation(s) in the contract and (v) recognize revenue when each performance obligation is satisfied. The updated guidance also requires additional disclosures regarding the nature and timing of revenue recognition as well as any uncertainty surrounding potential revenue recognition. The Company adopted the updated guidance on January 1, 2018 on a full retrospective basis, which required all periods presented to reflect the impact of the updated guidance. Upon adoption, the Company also implemented changes in the presentation of certain revenues and expenses, which resulted in the deferral of all business installation revenues and residential and business customer acquisition costs, to be recognized over a period of time instead of immediately. The adoption of the new standard did not have a material impact on the Company's consolidated financial statements for any period presented. Refer to note 3 for further details of the impact on the Company's 2017 consolidated financial statements and the requisite disclosures pertaining to the transition to the new standard.

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**Recently Issued But Not Yet Adopted Accounting Pronouncements.** In August 2018, the FASB issued ASU No. 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*. ASU 2018-15 aligns the requirements for capitalizing implementation, setup and other upfront costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing such costs incurred to develop or obtain internal-use software. The update specifies which costs are to be expensed and which are to be capitalized, the period over which capitalized costs are to be amortized, the process for identifying and recognizing impairment and the proper presentation of such costs within the consolidated financial statements. ASU 2018-15 is effective for annual and interim periods beginning after December 15, 2019, with early adoption permitted, and may be adopted either retrospectively or prospectively. The Company is currently evaluating the timing and method of adoption, as well as the expected impact on its consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*. ASU 2018-07 expands the scope of ASC 718 to include share-based payment transactions for acquiring goods and services from nonemployees. The update is effective for the first quarter of 2019, with early adoption permitted. The Company does not expect ASU 2018-07 to have a material impact on the Company’s consolidated financial statements upon adoption, but it may have an impact in the future.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 requires companies to recognize an allowance for expected lifetime credit losses through earnings concurrent with the recognition of a financial asset measured at amortized cost. The estimate of expected credit losses is required to be adjusted each reporting period over the life of the financial asset. The update is effective for annual and interim periods beginning after December 15, 2019, with early adoption permitted after December 15, 2018, and requires a modified retrospective adoption approach. The Company does not expect ASU 2016-13 to have a material impact on its consolidated financial statements upon adoption, but it may have an impact in the future.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires lessees to record most of their leases on the balance sheet as a right-of-use asset and a corresponding lease liability. The Company will be required to classify each separate lease component as an operating or finance lease at the lease commencement date. Initial measurement of the right-of-use asset and lease liability is the same for both operating and finance leases, however, expense recognition and amortization of the right-of-use asset differs. Operating leases will reflect lease expense on a straight-line basis similar to current operating leases while finance leases will reflect a front-loaded expense pattern similar to current capital leases. The Company has identified several different categories of leases, such as buildings, land, towers, fiber and colocation sites. Various other categories have been or are currently being evaluated as to whether an actual or embedded lease exists. The Company’s adoption process of ASU 2016-02 is ongoing, including evaluating and quantifying the impact on its consolidated financial statements, implementing a selected technology solution and collecting and validating lease data. The Company will adopt the updated accounting guidance in the first quarter of 2019.

## **2. REVISION OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS**

As previously disclosed in note 2 to the Company’s consolidated financial statements included in the 2017 Form 10-K, the Company changed its accounting for the capitalization of certain internal labor and related costs associated with construction and customer installation activities commencing in the first quarter of 2017. The Company initially classified the entire change as a change in accounting estimate. During the fourth quarter of 2017, the Company determined that a portion of what had previously been reflected as a change in estimate should have been categorized as a change in accounting principle, a portion was determined to be a correction of an error and a portion remained a change in estimate. The changes determined to be a change in estimate or change in accounting principle were applied prospectively for all of 2017.

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The Company estimates that the change in principle resulted in a decrease in operating expenses (excluding depreciation and amortization) of approximately \$4.3 million and \$3.8 million, a decrease in selling, general and administrative expenses of approximately \$0.1 million and \$0.1 million and an increase in depreciation and amortization expense of \$0.8 million and \$0.2 million for the three months ended September 30, 2018 and 2017, respectively, compared to the results under the prior principle. The Company estimates that the change in principle resulted in a decrease in operating expenses (excluding depreciation and amortization) of approximately \$11.8 million and \$11.5 million, a decrease in selling, general and administrative expenses of approximately \$0.2 million and \$0.2 million and an increase in depreciation and amortization expense of \$2.2 million and \$0.7 million for the nine months ended September 30, 2018 and 2017, respectively, compared to the results under the prior principle.

Although the Company determined the error to be immaterial to its previously issued financial statements, the cumulative effect of the error would have been material if corrected in 2017. Therefore, as disclosed in the 2017 Form 10-K, the Company revised its historical consolidated financial statements to properly reflect the impact of the labor capitalization, including the related impact to depreciation expense and income taxes. In connection with this revision, the Company also corrected for other previously identified immaterial errors. The condensed consolidated financial statements for the three and nine months ended September 30, 2017 included in this Quarterly Report on Form 10-Q have been similarly revised to reflect the correction of these errors and should be read in conjunction with note 2 and note 17 in the 2017 Form 10-K.

The following tables present the effect of the revision on the condensed consolidated financial statements for the three and nine months ended September 30, 2017 (in thousands, except per share data):

	<b>Three Months Ended September 30, 2017</b>		
	<b>As Reported</b>	<b>Adjustment</b>	<b>As Revised</b>
<b>Condensed Consolidated Statement of Operations and Comprehensive Income Information</b>			
Costs and expenses			
Depreciation and amortization	\$ 45,580	\$ 1,132	\$ 46,712
Total costs and expenses	191,948	1,132	193,080
Income from operations	61,898	(1,132)	60,766
Income before income taxes	48,157	(1,132)	47,025
Income tax provision	16,643	(430)	16,213
Net income	\$ 31,514	\$ (702)	\$ 30,812
Net income per common share:			
Basic	\$ 5.55	\$ (0.13)	\$ 5.42
Diluted	\$ 5.48	\$ (0.13)	\$ 5.35
Comprehensive income	\$ 31,515	\$ (702)	\$ 30,813

	<b>Nine Months Ended September 30, 2017</b>		
	<b>As Reported</b>	<b>Adjustment</b>	<b>As Revised</b>
<b>Condensed Consolidated Statement of Operations and Comprehensive Income Information</b>			
Costs and expenses			
Selling, general and administrative	\$ 148,695	\$ 523	\$ 149,218
Depreciation and amortization	130,875	3,395	134,270
Total costs and expenses	521,416	3,918	525,334
Income from operations	180,899	(3,918)	176,981
Income before income taxes	147,734	(3,918)	143,816
Income tax provision	54,430	(1,489)	52,941
Net income	\$ 93,304	\$ (2,429)	\$ 90,875
Net income per common share:			
Basic	\$ 16.43	\$ (0.43)	\$ 16.00
Diluted	\$ 16.24	\$ (0.42)	\$ 15.82
Comprehensive income	\$ 93,309	\$ (2,429)	\$ 90,880

<b>Condensed Consolidated Statement of Cash Flows Information</b>			
Net income	\$ 93,304	\$ (2,429)	\$ 90,875
Depreciation and amortization	130,875	3,395	134,270
Increase in deferred income taxes	11,307	(1,489)	9,818
Increase in accounts receivable, net	(6,532)	523	(6,009)
Net cash provided by operating activities	\$ 219,788	\$ -	\$ 219,788

### 3. ADOPTION OF NEW REVENUE RECOGNITION STANDARD

The Company adopted ASC 606 on January 1, 2018 using the full retrospective method, resulting in a recasting of prior period consolidated financial statements. The adoption resulted in the deferral of all business installation revenues and residential and business customer acquisition costs, to be recognized over a period of time, instead of immediately. The impact of the ASC 606 adoption on the comparative 2017 condensed consolidated financial statements was as follows (in thousands, except per share data):

	December 31, 2017		
	As Reported	ASC 606 Adjustment	As Recasted
<b>Condensed Consolidated Balance Sheet Information</b>			
<b>Assets</b>			
Current Assets:			
Accounts receivable, net	\$ 51,141	\$ (21,211)	\$ 29,930
Prepaid and other current assets	8,160	2,738	10,898
Total Current Assets	242,384	(18,473)	223,911
Other noncurrent assets	6,179	4,776	10,955
Total Assets	\$ 2,218,329	\$ (13,697)	\$ 2,204,632
<b>Liabilities and Stockholders' Equity</b>			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 117,963	\$ (108)	\$ 117,855
Deferred revenue	38,266	(23,258)	15,008
Total Current Liabilities	170,604	(23,366)	147,238
Deferred income taxes	205,636	1,518	207,154
Other noncurrent liabilities	9,991	3,120	13,111
Total Liabilities	1,546,913	(18,728)	1,528,185
Stockholders' Equity			
Retained earnings	723,354	5,032	728,386
Total Stockholders' Equity	671,416	5,031	676,447
Total Liabilities and Stockholders' Equity	\$ 2,218,329	\$ (13,697)	\$ 2,204,632
<b>Three Months Ended September 30, 2017</b>			
	As Reported / Revised <sup>(1)</sup>	ASC 606 Adjustment	As Recasted
<b>Condensed Consolidated Statement of Operations and Comprehensive Income Information</b>			
Revenues	\$ 253,846	\$ (13)	\$ 253,833
Costs and expenses			
Selling, general and administrative	51,968	(162)	51,806
Total costs and expenses	193,080	(162)	192,918
Income from operations	60,766	149	60,915
Income before income taxes	47,025	149	47,174
Income tax provision	16,213	56	16,269
Net income	\$ 30,812	\$ 93	\$ 30,905
Net income per common share:			
Basic	\$ 5.42	\$ 0.02	\$ 5.44
Diluted	\$ 5.35	\$ 0.02	\$ 5.37
Comprehensive income	\$ 30,813	\$ 93	\$ 30,906

<sup>(1)</sup> Refer to note 2 for details regarding the revision.

	Nine Months Ended September 30, 2017		
	As Reported/ Revised <sup>(1)</sup>	ASC 606 Adjustment	As Recasted
<b>Condensed Consolidated Statement of Operations and Comprehensive Income Information</b>			
Revenues	\$ 702,315	\$ (57)	\$ 702,258
Costs and expenses			
Selling, general and administrative	149,218	(62)	149,156
Total costs and expenses	525,334	(62)	525,272
Income from operations	176,981	5	176,986
Income before income taxes	143,816	5	143,821
Income tax provision	52,941	2	52,943
Net income	\$ 90,875	\$ 3	\$ 90,878
Net income per common share:			
Basic	\$ 16.00	\$ -	\$ 16.00
Diluted	\$ 15.82	\$ -	\$ 15.82
Comprehensive income	\$ 90,880	\$ 3	\$ 90,883
<b>Condensed Consolidated Statement of Cash Flows Information</b>			
Net income	\$ 90,875	\$ 3	\$ 90,878
Increase in deferred income taxes	9,818	2	9,820
Increase in deferred revenue	452	(333)	119
Change in other noncurrent assets and liabilities, net	2,159	328	2,487
Net cash provided by operating activities	\$ 219,788	\$ -	\$ 219,788

<sup>(1)</sup> Refer to note 2 for details regarding the revision.

The adoption of ASC 606 did not result in any changes to previously reported total net cash flows from operating, financing or investing activities.

A summary of changes in timing and presentation to the Company's historical consolidated financial statements is presented below:

- The net decrease in total assets reflects a decrease in accounts receivable to remove amounts billed to customers for which the associated performance obligations have not yet been satisfied, partially offset by the deferral of incremental costs incurred to obtain customers, which were historically expensed immediately.
- The net decrease in total liabilities reflects a decrease in deferred revenue to remove amounts billed to customers for which the associated performance obligations have not yet been satisfied, partially offset by the recognition of deferred revenue related to certain up-front and installation fees collected from business customers, which were historically recognized when billed and the net tax effect of establishing additional deferred assets and liabilities.
- The changes in revenues and expenses are a result of the deferred recognition of incremental customer acquisition costs and up-front and installation business services fees over a period of time, compared to the historical treatment of immediate recognition.

#### 4. NEWWAVE ACQUISITION

On May 1, 2017, the Company acquired all the outstanding equity interests in NewWave for \$740.2 million in cash on a debt-free basis. Refer to note 8 for details regarding the financing of the transaction. NewWave was a cable operator providing data, video and voice services to residential and business customers throughout non-urban areas of Arkansas, Illinois, Indiana, Louisiana, Mississippi, Missouri and Texas. Cable One and NewWave shared similar strategies, customer demographics, and products. Accordingly, the acquisition of NewWave offers the Company opportunities for revenue growth and adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") margin expansion as well as the potential to realize cost synergies.

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The following table summarizes the allocation of the purchase price consideration as of the acquisition date, reflecting all measurement period adjustments recorded in 2017 (in thousands):

	<b>Purchase Price Allocation</b>
<b>Assets Acquired</b>	
Cash and cash equivalents	\$ 12,220
Accounts receivable	15,027
Prepaid and other current assets	2,286
Property, plant and equipment	192,234
Intangible assets	476,300
Other noncurrent assets	1,184
Total Assets Acquired	699,251
<b>Liabilities Assumed</b>	
Accounts payable and accrued liabilities	25,125
Deferred revenue	14,516
Deferred income taxes	6,644
Total Liabilities Assumed	46,285
<b>Net Assets Acquired</b>	<b>652,966</b>
Purchase price consideration	740,166
<b>Goodwill Recognized</b>	<b>\$ 87,200</b>

The measurement period ended on April 30, 2018 and no measurement period adjustments were recorded during 2018.

## 5. REVENUES

The Company's revenues by product line were as follows (in thousands):

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Residential</b>				
Data	\$ 124,089	\$ 109,781	\$ 366,418	\$ 303,799
Video	84,570	88,601	260,788	245,928
Voice	10,169	11,265	31,345	32,549
<b>Business services</b>	39,581	35,156	115,757	94,616
Advertising sales	6,288	5,885	17,445	17,477
Other	3,571	3,145	10,690	7,889
<b>Total revenues</b>	<b>\$ 268,268</b>	<b>\$ 253,833</b>	<b>\$ 802,443</b>	<b>\$ 702,258</b>

Fees imposed on the Company by various governmental authorities are passed through monthly to the Company's customers and are periodically remitted to authorities. These fees were \$4.0 million and \$4.1 million for the three months ended September 30, 2018 and 2017, respectively, and \$12.1 million and \$11.6 million for the nine months ended September 30, 2018 and 2017, respectively. Further, as the Company acts as principal, these fees are reported in video revenues on a gross basis with corresponding expenses included within operating expenses in the condensed consolidated statements of operations and comprehensive income.

Other revenues are comprised primarily of customer late charges and reconnect fees.

A significant portion of the Company's revenues are derived from customers who may cancel their subscriptions at any time without penalty. As such, the amount of deferred revenue related to unsatisfied performance obligations is not necessarily indicative of the future revenue to be recognized from the Company's existing customers. Revenues from customers with contractually specified terms and non-cancelable service periods are recognized over the terms of the underlying contracts, which generally range from one to five years.

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**Contract Costs.** The Company capitalizes the incremental costs incurred in obtaining customers, such as commission costs and certain third-party costs. Commission expense is recognized using a portfolio approach over the calculated average residential and business customer tenure. Deferred commissions totaled \$7.7 million and \$7.5 million as of September 30, 2018 and December 31, 2017, respectively, and were included within prepaid and other current assets and other noncurrent assets in the condensed consolidated balance sheets. Commission amortization expense was \$1.0 million and \$0.8 million for the three months ended September 30, 2018 and 2017, respectively, and \$2.7 million and \$2.4 million for the nine months ended September 30, 2018 and 2017, respectively, and was included within selling, general and administrative expenses in the condensed consolidated statements of operations and comprehensive income. Deferred commissions of \$2.8 million included within prepaid and other current assets in the condensed consolidated balance sheet as of September 30, 2018 are expected to be amortized over the next 12 months.

**Contract Liabilities.** As residential and business customers are billed for subscription services in advance of the service period, the timing of revenue recognition differs from the timing of billing. Deferred revenue liabilities are recorded when the Company collects payments in advance of providing the associated services. Current deferred revenue liabilities, consisting of refundable customer prepayments, up-front charges and installation fees, were \$18.7 million and \$15.0 million as of September 30, 2018 and December 31, 2017, respectively. Nearly all of the deferred revenue liabilities existing at December 31, 2017 were recognized within revenues in the condensed consolidated statement of operations and comprehensive income during the nine months ended September 30, 2018. Noncurrent deferred revenue liabilities, consisting of up-front charges and installation fees from business customers, were \$2.7 million and \$3.1 million as of September 30, 2018 and December 31, 2017, respectively, and were included within other noncurrent liabilities in the condensed consolidated balance sheets.

**Significant Judgments.** The Company often provides multiple services to a single customer. The provision of customer premise equipment, installation services and service upgrades may be highly integrated and interdependent with the data, video or voice services provided. Judgment is required to determine whether the provision of such customer premise equipment, installation services and service upgrades is considered distinct and accounted for separately, or not distinct and accounted for together with the related subscription service.

The transaction price for a bundle of services is frequently less than the sum of the standalone selling prices of each individual service. The Company allocates the sales price for such bundles to each individual service provided based on the relative standalone selling price for each subscribed service. Standalone selling prices of the Company's residential data and video services are directly observable, while standalone selling prices for the Company's residential voice services are estimated using the adjusted market assessment approach, which relies upon information from peer companies who sell residential voice services individually.

The Company also uses significant judgment to determine the appropriate period over which to amortize deferred residential and business commission costs, which was determined to be the average customer tenure. Based on historical data and current expectations, the Company determined the average customer tenure for both residential and business customers to be approximately five years.

## 6. PROPERTY, PLANT AND EQUIPMENT

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

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
Cable distribution systems	\$ 1,387,189	\$ 1,329,451
Customer premise equipment	215,859	200,175
Other equipment and fixtures	393,926	378,968
Buildings and leasehold improvements	98,798	95,314
Capitalized software	95,661	89,773
Construction in progress	74,168	67,564
Land	11,946	11,585
Property, plant and equipment, gross	2,277,547	2,172,830
Less: Accumulated depreciation	(1,440,341)	(1,340,938)
Property, plant and equipment, net	<u>\$ 837,206</u>	<u>\$ 831,892</u>

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Depreciation expense was \$47.4 million and \$43.6 million for the three months ended September 30, 2018 and 2017, respectively, and \$139.5 million and \$129.0 million for the nine months ended September 30, 2018 and 2017, respectively.

In January 2017, a portion of the Company's previous headquarters building and adjoining property was sold for \$10.1 million in gross proceeds and the Company recognized a related gain of \$6.6 million. The remaining property's carrying value of \$4.6 million is included within other noncurrent assets in the condensed consolidated balance sheets as assets held for sale at both September 30, 2018 and December 31, 2017.

## 7. GOODWILL AND INTANGIBLE ASSETS

The carrying amount of goodwill at both September 30, 2018 and December 31, 2017 was \$172.1 million and reflected \$87.2 million of goodwill associated with the NewWave acquisition. The Company has not historically recorded any impairment of goodwill.

Intangible assets (excluding goodwill) consisted of the following (dollars in thousands):

	Useful Life Range (years)	September 30, 2018		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
<b>Finite-Lived Intangible Assets</b>				
Cable franchise renewals and access rights	1 - 25	\$ 2,931	\$ 2,889	\$ 42
Customer relationships	14	158,095	14,286	143,809
Trademarks and trade names	2.7	1,219	609	610
Total Finite-Lived Intangible Assets		<u>\$ 162,245</u>	<u>\$ 17,784</u>	<u>\$ 144,461</u>

### Indefinite-Lived Intangible Assets

Franchise agreements \$ 812,371

	Useful Life Range (years)	December 31, 2017		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
<b>Finite-Lived Intangible Assets</b>				
Cable franchise renewals and access rights	1 - 25	\$ 4,138	\$ 3,886	\$ 252
Customer relationships	14	160,000	7,619	152,381
Trademarks and trade names	2.7	1,300	325	975
Total Finite-Lived Intangible Assets		<u>\$ 165,438</u>	<u>\$ 11,830</u>	<u>\$ 153,608</u>

### Indefinite-Lived Intangible Assets

Franchise agreements \$ 812,137

Intangible asset amortization expense was \$3.0 million and \$3.1 million for the three months ended September 30, 2018 and 2017, respectively, and \$8.7 million and \$5.3 million for the nine months ended September 30, 2018 and 2017, respectively.

As of September 30, 2018, the future amortization of intangible assets was as follows (in thousands):

<u>Year Ending December 31,</u>	<u>Amount</u>
2018 (remaining three months)	\$ 2,981
2019	11,925
2020	11,437
2021	11,436
2022	11,433
Thereafter	95,249
Total	<u>\$ 144,461</u>

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Actual amortization expense in future periods may differ from the amounts above as a result of new intangible asset acquisitions or divestitures, changes in useful life estimates, impairments or other relevant factors.

### 8. LONG-TERM DEBT

The carrying amount of long-term debt consisted of the following (in thousands):

	September 30, 2018	December 31, 2017
Notes (as defined below)	\$ 450,000	\$ 450,000
Senior Credit Facilities (as defined below)	734,375	744,375
Capital lease obligation	255	267
Total debt	1,184,630	1,194,642
Less unamortized debt issuance costs	(18,519)	(19,585)
Less current portion	(19,063)	(14,375)
Total long-term debt	\$ 1,147,048	\$ 1,160,682

**Notes.** On June 17, 2015, the Company issued \$450 million aggregate principal amount of 5.75% senior unsecured notes due 2022 (the “Notes”). The Notes mature on June 15, 2022 and interest is payable on June 15th and December 15th of each year. The Notes were issued pursuant to an indenture dated as of June 17, 2015 (the “Indenture”). The Indenture provides for early redemption of the Notes, at the option of the Company, at the prices and subject to the terms specified in the Indenture. The Indenture includes certain covenants relating to debt incurrence, liens, restricted payments, asset sales and transactions with affiliates, changes in control and mergers or sales of all or substantially all of the Company’s assets. The Indenture also provides for customary events of default (subject, in certain cases, to customary grace periods).

**Senior Credit Facilities.** On June 30, 2015, the Company entered into a Credit Agreement (the “Credit Agreement”) among the Company, as borrower, the lenders party thereto, JPMorgan Chase Bank, N.A. (“JPMorgan”), as administrative agent, and the other agents party thereto. The Credit Agreement provided for a five-year revolving credit facility in an aggregate principal amount of \$200 million (the “Revolving Credit Facility”) and a five-year term loan facility in an aggregate principal amount of \$100 million (the “Term Loan Facility”). Concurrently with its entry into the Credit Agreement, the Company borrowed the full amount of the Term Loan Facility. The Revolving Credit Facility also gives the Company the ability to issue letters of credit, which reduce the amount available for borrowing under the Revolving Credit Facility.

On May 1, 2017, the Company and the lenders amended and restated the Credit Agreement (the “Amended and Restated Credit Agreement”) and the Company incurred \$750 million of senior secured loans (the “New Loans”) which were used, together with cash on hand, to finance the NewWave acquisition, repay in full the Term Loan Facility and pay related fees and expenses. The New Loans consist of a five-year term “A” loan in an aggregate principal amount of \$250 million (the “Term Loan A”) and a seven-year term “B” loan in an aggregate principal amount of \$500 million (the “Term Loan B”) and, together with the Term Loan A and the Revolving Credit Facility, the “Senior Credit Facilities”). The obligations under the Amended and Restated Credit Agreement are guaranteed by the Company’s wholly owned domestic subsidiaries and are secured, subject to certain exceptions, by substantially all assets of the Company and the guarantors.

On April 23, 2018, the Company entered into Amendment No. 1 (the “Repricing Amendment”) to the Amended and Restated Credit Agreement. The Repricing Amendment amended the Amended and Restated Credit Agreement to, among other things, (i) decrease the applicable margin for the Term Loan B to 1.75% for London Interbank Offered Rate (“LIBOR”) borrowings and 0.75% for base rate borrowings, (ii) reset the period during which a prepayment premium in respect of the Term Loan B may be required for a Repricing Transaction until six months after the effective date of the Repricing Amendment and (iii) reset the period during which the Term Loan B benefits from certain “most favored nation” pricing protections until 12 months after the effective date of the Repricing Amendment. Other than as set forth above, all other material terms and provisions of the Senior Credit Facilities described below remain substantially the same.

The interest margins applicable to the Senior Credit Facilities are, at the Company’s option, equal to either LIBOR or a base rate, plus an applicable margin equal to, (i) with respect to the Term Loan A and the Revolving Credit Facility, 1.50% to 2.25% for LIBOR loans and 0.50% to 1.25% for base rate loans, determined on a quarterly basis by reference to a pricing grid based on the Company’s total net leverage ratio and (ii) with respect to the Term Loan B, (x) 2.25% for LIBOR loans and 1.25% for base rate loans through April 22, 2018 and (y) 1.75% for LIBOR loans and 0.75% for base rate loans after April 22, 2018.

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The Term Loan A may be prepaid at any time without premium and amortizes quarterly at a rate (expressed as a percentage of the original principal amount) of 2.5% per annum for the first year after funding, 5.0% per annum for the second year after funding, 7.5% per annum for the third year after funding and 10.0% per annum for the fourth and fifth years after funding, with the outstanding balance due upon maturity. The Term Loan B amortizes quarterly at a rate (expressed as a percentage of the original principal amount) of 1.0% per annum, with the outstanding balance due upon maturity. The Term Loan B is subject to a 1.0% prepayment premium if prepaid in connection with a “Repricing Transaction” (as defined in the Amended and Restated Credit Agreement) within six months of the effective date of the Repricing Amendment (as defined below), benefits from certain “most favored nation” pricing protections and is not subject to the financial maintenance covenants under the Amended and Restated Credit Agreement. Other than as set forth above, the New Loans are subject to terms substantially similar to those under the Credit Agreement.

The Company may, subject to certain specified terms and provisions, obtain additional credit facilities of up to \$425 million under the Amended and Restated Credit Agreement plus an unlimited amount so long as, on a pro forma basis, the Company’s First Lien Net Leverage Ratio (as defined in the Amended and Restated Credit Agreement) is no greater than 1.80 to 1.00. The Amended and Restated Credit Agreement contains customary representations, warranties and affirmative and negative covenants as well as customary events of default. The Amended and Restated Credit Agreement also requires the Company to maintain specified ratios of total net indebtedness and first lien net indebtedness to consolidated operating cash flow.

The Company was in compliance with all debt covenants as of September 30, 2018.

As of September 30, 2018, outstanding borrowings under the Term Loan A and Term Loan B were \$240.6 million and \$493.8 million, respectively, and each bore interest at a rate of 4.14% per annum. Letter of credit issuances under the Revolving Credit Facility totaled \$4.1 million and the Company had \$195.9 million available for borrowing under the Revolving Credit Facility at September 30, 2018.

In connection with the Repricing Amendment, the Company incurred debt issuance costs of \$2.1 million, of which \$0.1 million was expensed immediately. The Company recorded \$1.1 million and \$1.0 million of debt issuance cost amortization for the three months ended September 30, 2018 and 2017, respectively, and \$3.1 million and \$2.2 million for the nine months ended September 30, 2018 and 2017, respectively. These amounts are included within interest expense in the condensed consolidated statements of operations and comprehensive income.

As of September 30, 2018, the future maturities of long-term debt were as follows (in thousands):

<b>Year Ending December 31,</b>	<b>Amount</b>
2018 (remaining three months)	\$ 4,379
2019	20,642
2020	26,892
2021	30,017
2022	630,017
Thereafter	472,683
Total	<u>\$ 1,184,630</u>

## 9. FAIR VALUE MEASUREMENTS

A three-level hierarchy is established by GAAP for disclosure of fair value measurements, based on the reliability of inputs used in the valuation of an instrument as of the measurement date, as follows:

- Level 1 – Inputs to the valuation methodology are quoted prices for identical instruments in active markets.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and directly or indirectly observable inputs that are significant to the fair value measurement.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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**Financial Assets and Liabilities.** The Company has estimated the fair value of its financial instruments as of September 30, 2018 using available market information or other appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented in the condensed consolidated financial statements are not necessarily indicative of the amounts the Company would realize in a current market exchange.

The carrying amounts, fair values and related fair value hierarchies of the Company's financial assets and liabilities were as follows (in thousands):

	September 30, 2018		
	Carrying Amount	Fair Value	Fair Value Hierarchy
<b>Assets:</b>			
<b>Cash and cash equivalents:</b>			
Money market investments	\$ 38,518	\$ 38,518	Level 1
Commercial paper	\$ 174,623	\$ 174,543	Level 2
<b>Liabilities:</b>			
<b>Long-term debt, including current portion:</b>			
Notes	\$ 450,000	\$ 458,438	Level 2
Senior Credit Facilities	\$ 734,375	\$ 734,375	-

Money market investments are primarily held in U.S. Treasury securities and registered money market funds and are valued using a market approach based on quoted market prices (Level 1). Commercial paper is primarily held with high-quality companies and is valued using quoted market prices for investments similar to the commercial paper (Level 2). Money market investments and commercial paper with original maturities of 90 days or less are included within cash and cash equivalents in the condensed consolidated balance sheets. The fair value of the Notes is estimated based on market prices for similar instruments in active markets (Level 2). The fair value of the Senior Credit Facilities is equal to the carrying value.

The Company's deferred compensation liability was \$3.1 million and \$20.2 million at September 30, 2018 and December 31, 2017, respectively. The current portion of this liability is included within accounts payable and accrued liabilities and the noncurrent portion is included within other noncurrent liabilities in the condensed consolidated balance sheets. The majority of the balance at December 31, 2017 was paid out during the third quarter of 2018. This liability represents the market value of participant balances in a notional investment account that is comprised primarily of mutual funds, whose value is based on observable market prices. However, since the deferred compensation liability is not exchanged in an active market, it is classified as Level 2 in the fair value hierarchy.

The carrying amounts of accounts receivable, accounts payable and other financial assets and liabilities approximate fair value because of the short-term nature of these instruments.

**Nonfinancial Assets and Liabilities.** The Company's nonfinancial assets, such as property, plant and equipment, intangible assets and goodwill, are not measured at fair value on a recurring basis. However, such assets are subject to fair value adjustments when there is evidence that impairment may exist. No material impairments were recorded during the nine months ended September 30, 2018 or 2017.

## 10. TREASURY STOCK

Treasury stock is recorded at cost and is presented as a reduction of stockholders' equity in the condensed consolidated financial statements.

**Share Repurchase Program.** On July 1, 2015, the Company's board of directors (the "Board") authorized up to \$250 million of share repurchases (subject to a total cap of 600,000 shares of common stock). Purchases under the share repurchase program may be made from time to time on the open market and in privately negotiated transactions. The size and timing of these purchases are based on a number of factors, including share price and business and market conditions. Since the inception of the share repurchase program through September 30, 2018, the Company had repurchased 199,861 shares of its common stock at an aggregate cost of \$95.8 million. During the nine months ended September 30, 2018, the Company repurchased 34,028 shares at an aggregate cost of \$22.6 million. No shares were repurchased during the three months ended September 30, 2018.

**Tax Withholding for Equity Awards.** At the employee’s option, shares of common stock with a fair market value equal to the applicable statutory minimum amount of employee withholding taxes due are withheld by the Company upon vesting of restricted stock and exercise of stock appreciation rights (“SARs”) to pay the applicable statutory minimum amount of employee withholding taxes. The Company then pays the applicable statutory minimum amount of withholding taxes in cash. The amounts remitted during the three and nine months ended September 30, 2018 were \$0.2 million and \$7.1 million, for which the Company withheld 220 and 9,990 shares of common stock, respectively. Treasury shares of 182,840 held at September 30, 2018 include such shares withheld for withholding tax.

## 11. EQUITY-BASED COMPENSATION

The Amended and Restated Cable One, Inc. 2015 Omnibus Incentive Compensation Plan (the “2015 Plan”) provides for grants of incentive stock options, non-qualified stock options, restricted stock awards, SARs, restricted stock units (“RSUs”), cash-based awards, performance-based awards, dividend equivalent units (“DEUs”) and other stock-based awards, including performance stock units and deferred stock units. Directors, officers and employees of the Company and its affiliates are eligible for grants under the 2015 Plan as part of the Company’s approach to long-term incentive compensation.

Restricted stock awards granted to employees are subject to service-based vesting and certain awards are also subject to performance-based vesting and generally cliff-vest on the three-year anniversary of the grant date or, for certain service-based awards, in four equal ratable installments beginning on the first anniversary of the grant date. SARs granted to employees vest in four equal ratable installments beginning on the first anniversary of the grant date. RSUs are generally granted to non-employee directors on the date of the Company’s annual stockholders’ meeting and vest on the earlier of the first anniversary of the grant date or the annual stockholders’ meeting date immediately following the grant date. Non-employee directors who elect to defer all or a portion of their annual cash fees are granted RSUs in lieu of such cash fees, with such RSUs generally vesting on the first anniversary of the grant date or, for such RSUs granted in January 2018, the date immediately preceding the 2018 annual stockholders’ meeting. The settlement of the RSUs follows vesting, unless the director previously elected to defer such settlement until the earliest of his or her separation from service from the Board, a date specified by the director or a change in control of the Company.

The 2015 Plan provides, that, subject to certain adjustments for specified corporate events, the maximum number of shares of common stock that may be issued under the 2015 Plan is 334,870. At September 30, 2018, 251,517 shares were available for issuance under the 2015 Plan.

Compensation expense associated with equity-based awards is recognized on a straight-line basis over the vesting period, with forfeitures recognized as incurred. Equity-based compensation expense was \$2.4 million and \$3.1 million for the three months ended September 30, 2018 and 2017, respectively, and \$7.3 million and \$7.9 million for the nine months ended September 30, 2018 and 2017, respectively, and was included within selling, general and administrative expenses in the condensed consolidated statements of operations and comprehensive income. The Company recognized an income tax benefit of \$2.9 million related to equity-based awards during the nine months ended September 30, 2018. The deferred tax asset related to all outstanding equity-based awards was \$3.7 million as of September 30, 2018.

**Restricted Stock Awards.** Restricted shares, RSUs and DEUs are collectively referred to as “restricted stock.” A summary of restricted stock activity during the nine months ended September 30, 2018 is as follows:

	<b>Restricted Stock</b>	<b>Weighted Average Grant Date Fair Value Per Share</b>
Outstanding as of December 31, 2017	51,290	\$ 472.89
Granted	14,954	\$ 693.50
Forfeited	(1,599)	\$ 624.53
Vested and issued	(24,962)	\$ 396.30
Outstanding as of September 30, 2018	<u>39,683</u>	<u>\$ 598.13</u>
Vested and unissued as of September 30, 2018	4,141	\$ 493.69

Equity-based compensation expense for restricted stock was \$1.5 million and \$2.2 million for the three months ended September 30, 2018 and 2017, respectively, and \$4.5 million and \$5.5 million for the nine months ended September 30, 2018 and 2017, respectively. At September 30, 2018, there was \$9.0 million of unrecognized compensation expense related to restricted stock, which is expected to be recognized over a weighted average period of 1.3 years.

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**Stock Appreciation Rights.** A summary of SAR activity during the nine months ended September 30, 2018 is as follows:

	Stock Appreciation Rights	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (in thousands)	Weighted Average Remaining Contractual Term (in years)
Outstanding as of December 31, 2017	102,458	\$ 477.62	\$ 100.91	\$ 23,173	8.1
Granted	16,000	\$ 704.90	\$ 169.91	\$ -	9.3
Exercised	(17,737)	\$ 433.15	\$ 89.68		
Forfeited	(3,864)	\$ 422.31	\$ 87.22		
Outstanding as of September 30, 2018	<u>96,857</u>	\$ 525.51	\$ 114.91	\$ 34,684	7.3
Vested and exercisable as of September 30, 2018	35,358	\$ 455.77	\$ 95.70	\$ 15,128	6.6

The grant date fair value of the Company's SARs is measured using the Black-Scholes valuation model. The weighted average inputs used in the model for grants awarded during the nine months ended September 30, 2018 were as follows:

	<b>2018</b>
Expected volatility	22.47%
Risk-free interest rate	2.39%
Expected term (in years)	6.25
Expected dividend yield	0.99%

Equity-based compensation expense for SARs was \$0.9 million for both the three months ended September 30, 2018 and 2017 and \$2.8 million and \$2.4 million for the nine months ended September 30, 2018 and 2017, respectively. At September 30, 2018, there was \$6.4 million of unrecognized compensation expense related to SARs, which is expected to be recognized over a weighted average period of 1.3 years.

## 12. INCOME TAXES

The Company's effective tax rate was 22.4% and 34.5% for the three months ended September 30, 2018 and 2017, respectively, and 21.6% and 36.8% for the nine months ended September 30, 2018 and 2017, respectively. The decrease in the effective tax rate for the three months ended September 30, 2018 compared to the same quarter in the prior year primarily relates to a reduction in the Federal corporate income tax rate from 35% to 21% as a result of the 2017 Federal tax reform legislation and \$1.3 million of income tax benefits attributable to state effective tax rate changes recorded during the three months ended September 30, 2018. The decrease in the effective tax rate for the nine months ended September 30, 2018 compared to the prior year period was further impacted by \$2.9 million of income tax benefits attributable to equity-based compensation awards recorded during the nine months ended September 30, 2018.

The Company recognized the income tax effects of the 2017 Federal tax reform legislation in its consolidated financial statements included in the 2017 Form 10-K in accordance with Staff Accounting Bulletin No. 118, which provides SEC staff guidance for the application of ASC 740 – *Income Taxes*. As such, the Company's financial results for 2017 reflected the income tax effects of the 2017 Federal tax reform legislation for which the accounting under ASC 740 was complete as well as provisional amounts for those specific income tax effects of the 2017 Federal tax reform legislation for which the accounting under ASC 740 was incomplete but a reasonable estimate could be determined. The Company has recognized the provisional tax impacts related to acceleration of depreciation and the revaluation of deferred tax assets and liabilities and included these amounts in its consolidated financial statements included in the 2017 Form 10-K. The accounting was completed when the Company's 2017 Federal corporate income tax return was filed in October 2018.

### 13. NET INCOME PER COMMON SHARE

Basic net income per common share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per common share further includes any common shares available to be issued upon vesting or exercise of outstanding equity awards if such inclusion would be dilutive, calculated using the treasury stock method.

The following table sets forth the computation of basic and diluted net income per common share (in thousands, except share and per share amounts):

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Numerator:</b>				
Net income	\$ 38,314	\$ 30,905	\$ 122,752	\$ 90,878
<b>Denominator:</b>				
Weighted average common shares outstanding - basic	5,674,224	5,680,600	5,687,849	5,678,485
Effect of dilutive equity awards <sup>(1)</sup>	43,351	73,310	37,671	67,298
Weighted average common shares outstanding - diluted	<u>5,717,575</u>	<u>5,753,910</u>	<u>5,725,520</u>	<u>5,745,783</u>
<b>Net income per common share:</b>				
Basic	<u>\$ 6.75</u>	<u>\$ 5.44</u>	<u>\$ 21.58</u>	<u>\$ 16.00</u>
Diluted	<u>\$ 6.70</u>	<u>\$ 5.37</u>	<u>\$ 21.44</u>	<u>\$ 15.82</u>

(1) Equity-based awards whose impact is considered to be anti-dilutive under the treasury stock method were excluded from the diluted net income per share calculation. The excluded number of anti-dilutive equity-based awards totaled 1,589 and 2,669 for the three months ended September 30, 2018 and 2017, respectively, and 2,029 and 2,354 for the nine months ended September 30, 2018 and 2017, respectively.

### 14. COMMITMENTS AND CONTINGENCIES

**Litigation and Legal Matters.** The Company is subject to complaints and administrative proceedings and is a defendant in various civil lawsuits that have arisen in the ordinary course of its business. Such matters include contract disputes; actions alleging negligence; invasion of privacy; trademark, copyright and patent infringement; violations of applicable wage and hour laws; statutory or common law claims involving current and former employees; and other matters. Although the outcomes of the legal claims and proceedings against the Company cannot be predicted with certainty, based on currently available information, management believes that there are no existing claims or proceedings that are likely to have a material effect on the Company's business, financial condition, results of operations or cash flows. Also, based on currently available information, management is of the opinion that either future material losses from existing legal proceedings are not reasonably possible or that future material losses in excess of the amounts accrued are not reasonably possible.

**Regulation in the Cable Industry.** The operation of a cable system is extensively regulated by the Federal Communications Commission (the "FCC"), some state governments and most local governments. The FCC has the authority to enforce its regulations through the imposition of substantial fines, the issuance of cease and desist orders and/or the imposition of other administrative sanctions, such as the revocation of FCC licenses needed to operate certain transmission facilities used in connection with cable operations. The Telecommunications Act of 1996 altered the regulatory structure governing the nation's communications providers. It removed barriers to competition in both the cable television market and the voice services market. Among other things, it reduced the scope of cable rate regulation and encouraged additional competition in the video programming industry by allowing telephone companies to provide video programming in their own telephone service areas. Future legislative and regulatory changes could adversely affect the Company's operations.

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

### Cautionary Statement Regarding Forward-Looking Statements

This document contains “forward-looking statements” that involve risks and uncertainties. These statements can be identified by the fact that they do not relate strictly to historical or current facts, but rather are based on current expectations, estimates, assumptions and projections about the cable industry and our business, financial results and financial condition. Forward-looking statements often include words such as “will,” “should,” “anticipates,” “estimates,” “expects,” “projects,” “intends,” “plans,” “believes” and words and terms of similar substance in connection with discussions of future operating or financial performance. As with any projection or forecast, forward-looking statements are inherently susceptible to uncertainty and changes in circumstances. Our actual results may vary materially from those expressed or implied in our forward-looking statements. Accordingly, undue reliance should not be placed on any forward-looking statement made by us or on our behalf. Important factors that could cause our actual results to differ materially from those in our forward-looking statements include government regulation, economic, strategic, political and social conditions and the following factors:

- uncertainties as to our ability and the amount of time necessary to realize the expected synergies and other benefits of the acquisition of NewWave;
- our ability to integrate NewWave’s operations into our own in an efficient and effective manner;
- rising levels of competition from historical and new entrants in our markets;
- recent and future changes in technology;
- our ability to continue to grow our business services products;
- increases in programming costs and retransmission fees;
- our ability to obtain hardware, software and operational support from vendors;
- the effects of any new significant acquisitions by us;
- adverse economic conditions;
- the integrity and security of our network and information systems;
- the impact of possible security breaches and other disruptions, including cyber-attacks;
- our failure to obtain necessary intellectual and proprietary rights to operate our business and the risk of intellectual property claims and litigation against us;
- our ability to retain key employees;
- changing and additional regulation of our data, video and voice services, including legislative and regulatory efforts to impose new legal requirements on our data services;
- our ability to renew cable system franchises;
- increases in pole attachment costs;
- changes in local governmental franchising authority and broadcast carriage regulations;
- the potential adverse effect of our indebtedness on our business, financial condition or results of operations and cash flows;
- the possibility that interest rates will rise, causing our obligations to service our variable rate indebtedness to increase significantly;
- our ability to incur future indebtedness;
- fluctuations in our stock price;
- our ability to continue to pay dividends;
- dilution from equity awards and potential stock issuances in connection with acquisitions;
- provisions in our charter, by-laws and Delaware law that could discourage takeovers;
- changes in our estimates of the impact of the 2017 Federal tax reform legislation;
- changes in GAAP or other applicable accounting policies;
- the outcome of our efforts to complete the remediation of the material weakness in our internal control over financial reporting related to the NewWave billing system (as defined below) by the end of 2018; and
- the other risks and uncertainties detailed in the section titled “*Risk Factors*” in our 2017 Form 10-K.

Any forward-looking statements made by us in this document speak only as of the date on which they are made. We are under no obligation, and expressly disclaim any obligation, except as required by law, to update or alter our forward-looking statements, whether as a result of new information, subsequent events or otherwise.

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The following discussion and analysis of our results of operations and financial condition should be read in conjunction with our condensed consolidated financial statements and accompanying notes included in this Quarterly Report on Form 10-Q and the audited consolidated financial statements and notes thereto as of and for the year ended December 31, 2017 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in our 2017 Form 10-K. Our results of operations for the three and nine months ended September 30, 2018 may not be indicative of our future results.

### Overview

We are a fully integrated provider of data, video and voice services in 21 Western, Midwestern and Southern states. We provide these broadband services to residential and business customers in more than 750 communities. The markets we serve are primarily non-metropolitan, secondary markets, with 77% of our customers located in seven states: Arizona, Idaho, Illinois, Mississippi, Missouri, Oklahoma and Texas. Our biggest customer concentrations are in the Mississippi Gulf Coast region and in the greater Boise, Idaho region. We are among the 10 largest cable system operators in the United States based on customers and revenues in 2017, providing service to 801,179 residential and business customers out of approximately 2.1 million homes passed as of September 30, 2018. Of these customers, 660,799 subscribed to data services, 328,921 subscribed to video services and 127,972 subscribed to voice services.

We generate substantially all our revenues through five primary products. Ranked by share of our total revenues through the first nine months of 2018, they are residential data (45.7%), residential video (32.5%), business services (data, voice and video – 14.4%), residential voice (3.9%) and advertising sales (2.2%). The profit margins, growth rates and capital intensity of our five primary products vary significantly due to differences in competition, product maturity and relative costs.

On May 1, 2017, we completed the acquisition of all the outstanding equity interests of NewWave. We paid a purchase price of \$740.2 million in cash on a debt-free basis, subject to customary post-closing adjustments. Our results of operations for the nine months ended September 30, 2018 include the full impact of NewWave operations, while our comparable results for 2017 include only five months of NewWave operations, as the acquisition was not completed until May 1, 2017.

Prior to 2012, we were focused on growing revenues through subscriber retention and growth in overall primary service units ("PSUs"). Accordingly, our strategies consisted of, among others, offering promotional discounts to new and existing subscribers adding new services and to subscribers purchasing more than one service offering. Since 2012, we have adapted our strategy to face the industry-wide trends of declining profitability of residential video services and declining revenues from residential voice services. We believe the declining profitability of residential video services is primarily due to increasing programming costs and retransmission fees and competition from other content providers, and the declining revenues from residential voice services is primarily due to the increasing use of wireless voice services in addition to, or instead of, residential voice service. Beginning in 2013, we shifted our focus away from maximizing customer PSUs and towards growing and maintaining our higher margin businesses, namely residential data and business services. Separately, we have also focused on retaining customers with a high expected lifetime value ("LTV"), who are less attracted by discounting, require less support and churn less. This strategy focuses on increasing Adjusted EBITDA, Adjusted EBITDA less capital expenditures and margins (refer to the section entitled "*Use of Adjusted EBITDA*" for the definition of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net income, which is the most directly comparable GAAP measure).

The trends described above have impacted our four largest product lines in the following ways:

- *Residential data.* We experienced growth in the number of, and revenues from, our residential data customers every year since 2013. We expect this growth to continue due to projected increases in the number of potential customers for us to serve, as there are still a number of households in our markets that do not subscribe to data services from any provider. We expect to capture a portion of these customers and anticipate capturing additional market share from existing data subscribers due to our continued upgrades in broadband capacity, our ability to offer higher access speeds than many of our competitors and our Wi-Fi support service.
- *Residential video.* Residential video service is a competitive and highly penetrated business. As we focus on the higher-margin businesses of residential data and business services, we are de-emphasizing our residential video business and, as a result, expect residential video revenues to continue to decline in the future.
- *Residential voice.* We have experienced declines in residential voice customers as a result of homes in the United States deciding to terminate their residential voice service and exclusively use wireless voice service. We believe this trend will continue because of competition from wireless voice service providers. Revenues from residential voice customers have declined over recent years, and we expect this decline will continue.

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- *Business services.* We have experienced significant growth in business data and voice customers and revenues and expect this growth to continue. We attribute this growth to our strategic focus shift on increasing sales to business customers and our recently expanded efforts to attract enterprise business customers. Margins in products sold to business customers have remained attractive, and we expect this trend to continue.

We continue to experience increased competition, particularly from telephone companies, cable and municipal overbuilders, over-the-top (“OTT”) video providers and direct broadcast satellite (“DBS”) television providers. Because of the levels of competition we face, we believe it is important to make investments in our infrastructure. We made elevated levels of capital investments between 2012 and 2017 to increase our cable plant capacities and reliability, launch all-digital video services, which has freed up approximately half of average plant bandwidth for data services, and increase data capacity by moving from four-channel bonding to 32-channel bonding. We expect to continue devoting financial resources to infrastructure improvements, including in the new markets we acquired in the NewWave transaction, because we believe these investments are necessary to remain competitive. We expect to spend up to \$50 million during 2018 and 2019, in addition to the \$10 million spent in 2017, to enhance the acquired NewWave systems by rebuilding low capacity markets, launching all-digital video services, implementing 32-channel bonding to enable a 1 gigabit-per-second (“Gbps”) download speed product launch, converting back office functions such as billing, accounting and service provisioning and migrating products to legacy Cable One platforms.

Our goals are to continue to grow residential data and business services and to maintain profit margins to deliver strong Adjusted EBITDA. To achieve these goals, we intend to continue our industrial engineering-driven cost management, remain focused on customers with high LTV and follow through with further planned investments in broadband plant upgrades and new data services offerings for residential and business customers.

Our business is subject to extensive governmental regulation. Such regulation has led to increases in our operational and administrative expenses. In addition, we could be significantly impacted by changes to the existing regulatory framework, whether triggered by legislative, administrative or judicial rulings. In 2015, the FCC used its Title II authority to regulate broadband internet access services through the Open Internet Order (the “Order”), which imposed on all providers of broadband internet access service, including us, obligations that limit the ways certain types of traffic can be managed and prescribes certain additional disclosure requirements. The Order was upheld in the courts, but in September 2017, several parties, including the American Cable Association and NCTA – The Internet & Television Association (the “NCTA”), filed petitions for *certiorari* with the U.S. Supreme Court. The FCC filed its response on August 2, 2018 and other parties filed responses on various dates in September 2018. On November 5, 2018, the U.S. Supreme Court denied the petitions. However, in December 2017, the FCC rescinded the majority of the open internet rules previously adopted in the Order, with the exception of the disclosure requirements. Several parties have challenged the FCC’s new rules in Federal courts, and those appeals are pending. Congress and numerous states also have proposed legislation regarding net neutrality. Several states, including Oregon and Washington, have adopted legislation that requires entities providing broadband internet access service in the state to comply with net neutrality requirements or that prohibits state and local government agencies from contracting with internet service providers that engage in certain network management activities based on paid prioritization, content blocking or other discrimination. The U.S. Department of Justice recently challenged California’s net neutrality law in Federal court. We cannot predict whether or when future changes to the regulatory framework will occur at the FCC, in Congress, at the state level or in the courts. We also cannot predict whether or to what extent the rules as revised by the FCC, Congress, the states or the courts may affect our operations or impose costs on our business.

## **Results of Operations**

### ***Revision of Previously Issued Financial Statements and Adoption of Revenue Recognition Standard***

In conjunction with the error correction in the fourth quarter of 2017 associated with our historical accounting for certain categories of internal labor and related costs, we revised our historical consolidated financial statements to properly reflect the impact of the labor capitalization, including the related impact to depreciation expense and income taxes. As a result, the financial statements for the three and nine months ended September 30, 2017 have been revised to reflect the error correction. Refer to note 2 to the condensed consolidated financial statements for additional details.

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Further, we adopted the revenue recognition standard, ASC 606 - *Revenue from Contracts with Customers*, effective January 1, 2018, using the full retrospective method. The adoption resulted in the deferral of all business installation revenues and residential and business customer acquisition costs, to be recognized over a period of time, instead of immediately. The financial statements for the three and nine months ended September 30, 2017 have been recasted to reflect the impact of the revenue recognition standard adoption. Refer to note 3 to the condensed consolidated financial statements for additional details.

**PSU and Customer Counts**

During the 12 months ended September 30, 2018, our total PSUs decreased 26,189, or 2.3%, compared to our total PSUs as of September 30, 2017. Residential data PSUs and business services PSUs increased 16,491 and 8,468, respectively, while residential video PSUs and residential voice PSUs decreased 41,296 and 9,852, respectively. Our total customer relationships increased 5,069, or 0.6%, year-over-year, with a 5,916 increase in business customer relationships being partially offset by an 847 decrease in residential customer relationships.

The following table provides an overview of selected customer data for the time periods specified:

	<b>As of September 30,</b>		<b>Annual Net Gain/(Loss)</b>	
	<b>2018</b>	<b>2017</b>	<b>Change</b>	<b>% Change</b>
Residential data PSUs	598,001	581,510	16,491	2.8
Residential video PSUs <sup>(1)</sup>	312,564	353,860	(41,296)	(11.7)
Residential voice PSUs	101,443	111,295	(9,852)	(8.9)
Total residential PSUs	1,012,008	1,046,665	(34,657)	(3.3)
Business data PSUs <sup>(2)</sup>	62,798	56,143	6,655	11.9
Business video PSUs	16,357	16,853	(496)	(2.9)
Business voice PSUs <sup>(3)</sup>	26,529	24,220	2,309	9.5
Total business services PSUs	105,684	97,216	8,468	8.7
<b>Total PSUs</b>	<b>1,117,692</b>	<b>1,143,881</b>	<b>(26,189)</b>	<b>(2.3)</b>
Total residential customer relationships	730,252	731,099	(847)	(0.1)
Total business customer relationships	70,927	65,011	5,916	9.1
Total customer relationships	801,179	796,110	5,069	0.6

(1) Residential video PSUs include all basic residential customers who receive video services and may have one or more digital set-top boxes or cable cards deployed. Residential bulk multi-dwelling accounts are included in our video PSUs at the individual unit level.

(2) Business data PSUs include commercial accounts that receive data service via a cable modem and commercial accounts that receive broadband service optically via fiber connections.

(3) Business voice customers who have multiple voice lines are only counted once in the PSU total.

In recent years, our customer mix has shifted, causing subscribers to move from triple-play packages combining data, video and voice services to single and double-play packages. This is largely because some residential video customers have defected to DBS services and OTT offerings and more households have discontinued residential voice service. In addition, we have focused on selling data-only packages to new customers rather than cross-selling video to these customers.

**Comparison of Three Months Ended September 30, 2018 to Three Months Ended September 30, 2017**

**Revenues**

Revenues increased \$14.4 million, or 5.7%, due primarily to increases in residential data and business services revenues of \$14.3 million and \$4.4 million, respectively. The increase was the result of organic growth in our higher margin product lines of residential data and business services, partially offset by decreases in residential video and residential voice revenues.

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Revenues by service offering were as follows for the three months ended September 30, 2018 and 2017, together with the percentages of total revenues that each item represented for the periods presented (dollars in thousands):

	Three Months Ended September 30,				2018 vs. 2017	
	2018		2017		\$ Change	% Change
	Revenues	% of Total	Revenues	% of Total		
Residential data	\$ 124,089	46.3	\$ 109,781	43.2	\$ 14,308	13.0
Residential video	84,570	31.5	88,601	34.9	(4,031)	(4.5)
Residential voice	10,169	3.8	11,265	4.4	(1,096)	(9.7)
Business services	39,581	14.8	35,156	13.9	4,425	12.6
Advertising sales	6,288	2.3	5,885	2.3	403	6.8
Other	3,571	1.3	3,145	1.3	426	13.5
Total revenues	\$ 268,268	100.0	\$ 253,833	100.0	\$ 14,435	5.7

Average monthly revenue per unit for the indicated service offerings were as follows for the three months ended September 30, 2018 and 2017:

	Three Months Ended September 30,		2018 vs. 2017	
	2018	2017	\$ Change	% Change
	Residential data <sup>(1)</sup>	\$ 68.83	\$ 62.49	\$ 6.34
Residential video <sup>(1)</sup>	\$ 88.44	\$ 81.96	\$ 6.48	7.9
Residential voice <sup>(1)</sup>	\$ 32.95	\$ 33.26	\$ (0.31)	(0.9)
Business services <sup>(2)</sup>	\$ 185.32	\$ 180.13	\$ 5.19	2.9

(1) Average monthly revenue per unit values represent the applicable quarterly residential service revenues (excluding installation and activation fees) divided by the corresponding average of the number of PSUs at the beginning and end of each period, divided by three.

(2) Average monthly revenue per unit values represent quarterly business services revenues (excluding installation and activation fees) divided by the average of the number of business customer relationships at the beginning and end of each period, divided by three.

Residential data service revenues increased \$14.3 million, or 13.0%, as a result of organic subscriber growth, a modem rental rate adjustment in the first quarter of 2018, a reduction in package discounting and increased customer subscriptions to premium tiers.

Residential video service revenues decreased \$4.0 million, or 4.5%, due primarily to an 11.7% year-over-year decrease in residential video subscribers, partially offset by a broadcast television surcharge increase implemented in the first quarter of 2018.

Residential voice service revenues decreased \$1.1 million, or 9.7%, due primarily to an 8.9% year-over-year decrease in residential voice subscribers.

Business services revenues increased \$4.4 million, or 12.6%, due primarily to growth in our business data and voice services to small and medium-sized businesses and enterprise customers and a rate adjustment for business video customers in the first quarter of 2018. Total business customer relationships increased 9.1% year-over-year.

### *Costs and Expenses*

Operating expenses (excluding depreciation and amortization) were \$92.0 million in the third quarter of 2018 and increased \$0.1 million, or 0.1%, compared to the third quarter of 2017. Operating expenses as a percentage of revenues were 34.3% for the third quarter of 2018 compared to 36.2% for the year-ago quarter.

Selling, general and administrative expenses were \$59.4 million for the third quarter of 2018 and increased \$7.6 million, or 14.7%, compared to the third quarter of 2017. The increase was primarily attributable to higher marketing expenses of \$3.9 million, system conversion costs of \$1.7 million, higher net compensation expenses of \$0.8 million and higher insurance expenses of \$0.8 million. Selling, general and administrative expenses as a percentage of revenues were 22.2% and 20.4% for the third quarter of 2018 and 2017, respectively.

Depreciation and amortization expense was \$50.4 million for the third quarter of 2018 and increased \$3.7 million, or 7.9%, compared to the third quarter of 2017. The increase was due primarily to new assets placed in service since the third quarter of 2017, partially offset by assets that became fully depreciated since the third quarter of 2017. As a percentage of revenues, depreciation and amortization expense was 18.8% for the third quarter of 2018 compared to 18.4% for the third quarter of 2017.

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We recognized a \$3.1 million net loss on asset disposals during the third quarter of 2018 compared to a \$2.5 million net loss on asset disposals in the third quarter of 2017.

*Interest Expense*

Interest expense increased \$1.4 million, or 10.3%, to \$15.5 million, driven by an increase in interest rates year-over-year.

*Income Tax Provision*

The income tax provision decreased \$5.2 million, or 32.1%. Our effective tax rate was 22.4% and 34.5% for the third quarter of 2018 and 2017, respectively. The decrease in the effective tax rate was due primarily to a reduction in the Federal corporate income tax rate from 35% to 21% as a result of the 2017 Federal tax reform legislation and \$1.3 million of income tax benefits attributable to state effective tax rate changes recorded during the third quarter of 2018.

***Comparison of Nine Months Ended September 30, 2018 to Nine Months Ended September 30, 2017***

*Revenues*

Revenues increased \$100.2 million, or 14.3%, due primarily to increases in residential data, business services and residential video revenues of \$62.6 million, \$21.1 million and \$14.9 million, respectively. The increase was the result of organic growth in our higher margin product lines of residential data and business services and four additional months of NewWave operations.

Revenues by service offering were as follows for the nine months ended September 30, 2018 and 2017, together with the percentages of total revenues that each item represented for the periods presented (dollars in thousands):

	<b>Nine Months Ended September 30,</b>				<b>2018 vs. 2017</b>	
	<b>2018</b>		<b>2017</b>		<b>2018 vs. 2017</b>	
	<b>Revenues</b>	<b>% of Total</b>	<b>Revenues</b>	<b>% of Total</b>	<b>\$ Change</b>	<b>% Change</b>
Residential data	\$ 366,418	45.7	\$ 303,799	43.3	\$ 62,619	20.6
Residential video	260,788	32.5	245,928	35.0	14,860	6.0
Residential voice	31,345	3.9	32,549	4.6	(1,204)	(3.7)
Business services	115,757	14.4	94,616	13.5	21,141	22.3
Advertising sales	17,445	2.2	17,477	2.5	(32)	(0.2)
Other	10,690	1.3	7,889	1.1	2,801	35.5
<b>Total revenues</b>	<b>\$ 802,443</b>	<b>100.0</b>	<b>\$ 702,258</b>	<b>100.0</b>	<b>\$ 100,185</b>	<b>14.3</b>

Average monthly revenue per unit for the indicated service offerings were as follows for the nine months ended September 30, 2018 and 2017:

	<b>Nine Months Ended September 30,</b>				<b>2018 vs. 2017</b>	
	<b>2018</b>		<b>2017</b>		<b>2018 vs. 2017</b>	
	<b>2018</b>	<b>2017</b>	<b>\$ Change</b>	<b>% Change</b>	<b>\$ Change</b>	<b>% Change</b>
Residential data <sup>(1)</sup>	\$ 68.20	\$ 63.25	\$ 4.95	7.8		
Residential video <sup>(1)</sup>	\$ 87.80	\$ 81.37	\$ 6.43	7.9		
Residential voice <sup>(1)</sup>	\$ 32.90	\$ 34.15	\$ (1.25)	(3.7)		
Business services <sup>(2)</sup>	\$ 185.10	\$ 176.68	\$ 8.42	4.8		

(1) Average monthly revenue per unit values represent the applicable year-to-date residential service revenues (excluding installation and activation fees) divided by the corresponding average of the number of PSUs at the beginning and end of each period, divided by nine, except that for any new PSUs added as a result of an acquisition occurring during the reporting period, the associated average monthly revenue per unit values represent the applicable residential service revenues (excluding installation and activation fees) divided by the pro-rated number of PSUs during such period.

(2) Average monthly revenue per unit values represent year-to-date business services revenues (excluding installation and activation fees) divided by the average of the number of business customer relationships at the beginning and end of each period, divided by nine, except that for any new business customer relationships added as a result of an acquisition occurring during the reporting period, the associated average monthly revenue per unit values represent business services revenues (excluding installation and activation fees) divided by the pro-rated number of business customer relationships during such period.

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Revenues by service offering, excluding the impact of revenues related to legacy NewWave cable systems, were as follows for the nine months ended September 30, 2018 and 2017, together with the percentages of total revenues that each item represented for the periods presented (dollars in thousands):

	Nine Months Ended September 30,				2018 vs. 2017	
	2018		2017		\$ Change	% Change
	Revenues	% of Total	Revenues	% of Total		
Residential data	\$ 308,729	47.0	\$ 276,888	44.5	\$ 31,841	11.5
Residential video	204,927	31.2	211,554	34.0	(6,627)	(3.1)
Residential voice	26,374	4.0	28,578	4.6	(2,204)	(7.7)
Business services	93,369	14.2	82,910	13.3	10,459	12.6
Advertising sales	16,465	2.5	16,817	2.7	(352)	(2.1)
Other	7,162	1.1	5,830	0.9	1,332	22.8
Total revenues	\$ 657,026	100.0	\$ 622,577	100.0	\$ 34,449	5.5

Average monthly revenue per unit for the indicated service offerings, excluding the impact of revenues and customers related to legacy NewWave cable systems, were as follows for the nine months ended September 30, 2018 and 2017:

	Nine Months Ended September 30,				2018 vs. 2017	
	2018		2017		\$ Change	% Change
	Revenue	Per Unit	Revenue	Per Unit		
Residential data <sup>(1)</sup>	\$ 70.30	\$ 65.19	\$ 5.11	7.8		
Residential video <sup>(1)</sup>	\$ 87.91	\$ 80.94	\$ 6.97	8.6		
Residential voice <sup>(1)</sup>	\$ 34.39	\$ 33.96	\$ 0.43	1.3		
Business services <sup>(2)</sup>	\$ 180.56	\$ 172.44	\$ 8.12	4.7		

(1) Average monthly revenue per unit values represent the applicable year-to-date residential service revenues (excluding installation and activation fees) divided by the corresponding average of the number of PSUs at the beginning and end of each period, divided by nine.

(2) Average monthly revenue per unit values represent year-to-date business services revenues (excluding installation and activation fees) divided by the average of the number of business customer relationships at the beginning and end of each period, divided by nine.

Residential data service revenues increased \$62.6 million, or 20.6%, as a result of organic subscriber growth, the NewWave operations, a modem rental rate adjustment in the first quarter of 2018, a reduction in package discounting and increased customer subscriptions to premium tiers.

Residential video service revenues increased \$14.9 million, or 6.0%, due primarily to the NewWave operations and a broadcast television surcharge increase implemented in the first quarter of 2018, partially offset by an 11.7% year-over-year decrease in residential video subscribers.

Residential voice service revenues decreased \$1.2 million, or 3.7%, due primarily to an 8.9% year-over-year decrease in residential voice subscribers, partially offset by an additional four months of NewWave operations.

Business services revenues increased \$21.1 million, or 22.3%, due primarily to growth in our business data and voice services to small and medium-sized businesses and enterprise customers, the NewWave operations and a rate adjustment for business video customers in the first quarter of 2018. Total business customer relationships increased 9.1% year-over-year.

### *Operating Costs and Expenses*

Operating expenses (excluding depreciation and amortization) were \$278.5 million for the nine months ended September 30, 2018 and increased \$33.5 million, or 13.7%, compared to the year ago period. Operating expenses as a percentage of revenues were 34.7% for the first three quarters of 2018 compared to 34.9% for the first three quarters of 2017. The increase in operating expenses attributable to the NewWave operations was \$30.7 million. Excluding the expenses associated with the NewWave operations, operating expenses would have been \$207.5 million for the nine months ended September 30, 2018, an increase of \$2.7 million, or 1.3%, compared to the first three quarters of 2017. The increase was due primarily to higher repairs and maintenance costs of \$1.6 million, programming costs of \$0.6 million and contract labor costs of \$0.5 million. Operating expenses as a percentage of revenues, excluding the impact of NewWave operations, would have been 31.6% for the nine months ended September 30, 2018 compared to 32.9% for the nine months ended September 30, 2017.

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Selling, general and administrative expenses increased \$15.4 million, or 10.3%, to \$164.6 million. Selling, general and administrative expenses as a percentage of revenues were 20.5% and 21.2% for the nine months ended September 30, 2018 and 2017, respectively. The increase in selling, general and administrative expenses attributable to the NewWave operations was \$11.9 million. Excluding the expenses associated with the NewWave operations, selling, general and administrative expenses would have increased \$3.6 million, or 2.6%, to \$142.0 million due primarily to higher marketing costs of \$4.5 million, medical insurance expense of \$3.0 million and hiring and training costs of \$0.7 million, partially offset by lower acquisition-related costs of \$5.2 million. Selling, general and administrative expenses as a percentage of revenues, excluding the impact of the NewWave operations, would have been 21.6% for the nine months ended September 30, 2018 compared to 22.2% for the nine months ended September 30, 2017.

Depreciation and amortization expense increased \$14.0 million, or 10.4%, including a \$17.4 million increase attributable to the NewWave operations. The increase was due primarily to new assets placed in service since the third quarter of 2017, including property, plant and equipment and finite-lived intangible assets acquired as part of the NewWave acquisition, partially offset by assets that became fully depreciated since the third quarter of 2017. As a percentage of revenues, depreciation and amortization expense was 18.5% for the nine months ended September 30, 2018 compared to 19.1% for the nine months ended September 30, 2017.

We recognized a net loss on asset disposals of \$12.5 million in the first three quarters of 2018. In the first three quarters of 2017, we recognized a net gain of \$3.2 million on asset disposals, primarily due to a gain recognized on the sale of a portion of a non-operating property that included our previous headquarters building, net of an overall net loss on fixed asset disposals.

### *Interest Expense*

Interest expense increased \$11.7 million, or 35.1%, to \$45.1 million due primarily to additional outstanding debt incurred on May 1, 2017 to finance the NewWave acquisition and an increase in interest rates year-over-year.

### *Income Tax Provision*

The income tax provision decreased \$19.2 million, or 36.2%. Our effective tax rate was 21.6% and 36.8% for the nine months ended September 30, 2018 and 2017, respectively. The decrease in the effective tax rate was due primarily to a reduction in the Federal corporate income tax rate, \$2.9 million of income tax benefits attributable to equity-based compensation awards and \$2.3 million of income tax benefits attributable to state effective tax rate changes recorded during the nine months ended September 30, 2018.

### *Use of Adjusted EBITDA*

We use certain measures that are not defined by GAAP to evaluate various aspects of our business. Adjusted EBITDA is a non-GAAP financial measure and should be considered in addition to, not as superior to, or as a substitute for, net income reported in accordance with GAAP. Adjusted EBITDA is reconciled to net income below.

Adjusted EBITDA is defined as net income plus interest expense, income tax provision, depreciation and amortization, equity-based compensation, severance expense, (gain) loss on deferred compensation, acquisition-related costs, (gain) loss on asset disposals, system conversion costs, rebranding costs, other (income) expense and other unusual operating expenses, as provided in the table below. As such, it eliminates the significant non-cash depreciation and amortization expense that results from the capital-intensive nature of our business as well as other non-cash or special items and is unaffected by our capital structure or investment activities. This measure is limited in that it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenues and our cash cost of debt financing. These costs are evaluated through other financial measures.

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We use Adjusted EBITDA to assess our performance. In addition, Adjusted EBITDA generally correlates to the measure used in the leverage ratio calculations under our outstanding Senior Credit Facilities and Notes to determine compliance with the covenants contained in the Senior Credit Facilities and ability to take certain actions under the Indenture governing the Notes. Adjusted EBITDA is also a significant performance measure used by us in our annual incentive compensation program. Adjusted EBITDA does not take into account cash used for mandatory debt service requirements or other non-discretionary expenditures, and thus does not represent residual funds available for discretionary uses.

(dollars in thousands)	Three Months Ended September 30,		2018 vs. 2017	
	2018	2017	\$ Change	% Change
Net income	\$ 38,314	\$ 30,905	\$ 7,409	24.0
Plus: Interest expense	15,460	14,019	1,441	10.3
Income tax provision	11,048	16,269	(5,221)	(32.1)
Depreciation and amortization	50,414	46,712	3,702	7.9
Equity-based compensation	2,418	3,076	(658)	(21.4)
Severance expense	1,111	350	761	217.4
Loss on deferred compensation	100	1,485	(1,385)	(93.3)
Acquisition-related costs	10	557	(547)	(98.2)
Loss on asset disposals, net	3,140	2,506	634	25.3
System conversion costs	1,735	-	1,735	NM
Rebranding costs	423	-	423	NM
Other income, net	(1,503)	(278)	(1,225)	NM
Adjusted EBITDA	<u>\$ 122,670</u>	<u>\$ 115,601</u>	<u>\$ 7,069</u>	6.1

  

(dollars in thousands)	Nine Months Ended September 30,		2018 vs. 2017	
	2018	2017	\$ Change	% Change
Net income <sup>(1)</sup>	\$ 122,752	\$ 90,878	\$ 31,874	35.1
Plus: Interest expense	45,136	33,408	11,728	35.1
Income tax provision	33,762	52,943	(19,181)	(36.2)
Depreciation and amortization	148,225	134,270	13,955	10.4
Equity-based compensation	7,262	7,921	(659)	(8.3)
Severance expense	1,618	3,141	(1,523)	(48.5)
Loss on deferred compensation	616	1,914	(1,298)	(67.8)
Acquisition-related costs	39	5,280	(5,241)	(99.3)
(Gain) loss on asset disposals, net	12,508	(3,180)	15,688	NM
System conversion costs	3,902	-	3,902	NM
Rebranding costs	423	-	423	NM
Other income, net	(3,002)	(243)	(2,759)	NM
Adjusted EBITDA <sup>(1)</sup>	<u>\$ 373,241</u>	<u>\$ 326,332</u>	<u>\$ 46,909</u>	14.4

NM = Not meaningful.

<sup>(1)</sup> Net income and Adjusted EBITDA for the nine months ended September 30, 2018 include the full impact of NewWave operations, while net income and Adjusted EBITDA for the nine months ended September 30, 2017 include only five months of NewWave operations, as NewWave was not acquired until May 1, 2017.

We believe Adjusted EBITDA is useful to investors in evaluating our operating performance. Adjusted EBITDA and similar measures with similar titles are common measures used by investors, analysts and peers to compare performance in our industry, although our measure of Adjusted EBITDA may not be directly comparable to similarly titled measures reported by other companies.

**Financial Condition: Liquidity and Capital Resources**

**Liquidity**

Our primary funding requirements are for our ongoing operations, planned capital expenditures, payments of quarterly dividends and share repurchases. We believe that existing cash balances, our Senior Credit Facilities and operating cash flows will provide adequate support for these funding requirements over the next 12 months. However, our ability to fund operations, make planned capital expenditures, pay quarterly dividends and make share repurchases depends on future operating performance and cash flows, which, in turn, are subject to prevailing economic conditions and to financial, business and other factors, some of which are beyond our control. As a result of the 2017 Federal tax reform legislation, we expect to realize approximately \$38 million to \$42 million of cash tax savings during 2018.



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During the first three quarters of 2018, our cash and cash equivalents increased \$75.1 million. At September 30, 2018, we had \$236.9 million of cash on hand compared to \$161.8 million at December 31, 2017. Our working capital was \$151.0 million and \$76.7 million at September 30, 2018 and December 31, 2017, respectively.

The following table shows a summary of our net cash flows for the periods indicated (dollars in thousands):

	Nine Months Ended September 30,		2018 vs. 2017	
	2018	2017	\$ Change	% Change
Net cash provided by operating activities	\$ 307,617	\$ 219,788	\$ 87,829	40.0
Net cash used in investing activities	(155,603)	(843,461)	687,858	(81.6)
Net cash provided by (used in) financing activities	(76,865)	604,334	(681,199)	(112.7)
Increase (decrease) in cash and cash equivalents	75,149	(19,339)	94,488	NM
Cash and cash equivalents, beginning of period	161,752	138,040	23,712	17.2
Cash and cash equivalents, end of period	<u>\$ 236,901</u>	<u>\$ 118,701</u>	<u>\$ 118,200</u>	99.6

NM = Not meaningful.

Net cash provided by operating activities was \$307.6 million and \$219.8 million for the first three quarters of 2018 and 2017, respectively. The \$87.8 million year-over-year increase was primarily attributable to an increase in Adjusted EBITDA of \$46.9 million and a \$55.0 million decrease in cash tax payments in 2018 compared to 2017, partially offset by a \$15.5 million increase in cash paid for interest.

Net cash used in investing activities was \$155.6 million and \$843.5 million for the first three quarters of 2018 and 2017, respectively. The \$687.9 million decrease in cash used from the prior year period was due primarily to the \$727.9 million used to purchase NewWave in the prior year, partially offset by the receipt of \$10.1 million of proceeds in 2017 from the sale of a non-operating property and a \$30.6 million year-over-year increase in cash paid for capital expenditures primarily attributable to increased NewWave capital spending during 2018.

Net cash used in financing activities was \$76.9 million for the first three quarters of 2018 compared to net cash provided by financing activities of \$604.3 million for the first three quarters of 2017. The \$681.2 million change in net cash flows from the prior year period was primarily a result of the NewWave financing transactions that took place in the second quarter of 2017, partially offset by a \$22.2 million increase in year-over-year share repurchase activity and a \$4.3 million increase in dividends paid to stockholders.

On July 1, 2015, the Board authorized up to \$250 million of share repurchases (subject to a total cap of 600,000 shares of our common stock). Purchases under the share repurchase program may be made from time to time on the open market and in privately negotiated transactions. The size and timing of these purchases are based on a number of factors, including share price and business and market conditions. Since the inception of the share repurchase program through the end of the third quarter of 2018, we have repurchased 199,861 shares of our common stock at an aggregate cost of \$95.8 million. During the first two quarters of 2018, we repurchased 34,028 shares at an aggregate cost of \$22.6 million. No shares were repurchased during the third quarter of 2018.

We currently expect to continue to pay quarterly cash dividends on shares of our common stock, subject to approval of the Board. During the third quarter of 2018, the Board approved a quarterly dividend of \$2.00 per share of common stock, which was paid on September 7, 2018. On November 5, 2018, the Board approved a quarterly dividend of \$2.00 per share of common stock to be paid on December 7, 2018 to holders of record as of November 20, 2018.

### ***Financing Activity***

On June 17, 2015, we issued \$450 million aggregate principal amount of 5.75% senior unsecured notes due 2022. The Notes mature on June 15, 2022 and interest is payable on June 15th and December 15th of each year. The Notes are jointly and severally guaranteed on a senior unsecured basis (the "Notes Guarantees") by each of our subsidiaries that guarantee the Senior Credit Facilities (the "Notes Guarantors"). In addition, if one of our subsidiaries becomes a guarantor in respect of the Senior Credit Facilities or certain other indebtedness, it is required to provide (subject to customary exceptions) a Notes Guarantee. The Notes are unsecured and senior obligations of the Company. The Notes Guarantees are unsecured and senior obligations of the Notes Guarantors.

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The Notes were issued pursuant to the Indenture. The Indenture provides for early redemption of the Notes, at our option, at the prices and subject to the terms specified in the Indenture. The Indenture includes certain covenants relating to debt incurrence, liens, restricted payments, asset sales and transactions with affiliates, changes in control and mergers or sales of all or substantially all of our assets. The Indenture also provides for customary events of default (subject, in certain cases, to customary grace periods).

On June 30, 2015, we entered into the Credit Agreement with the lenders party thereto, JPMorgan, as administrative agent, and the other agents party thereto. The Credit Agreement provided for a five-year Revolving Credit Facility in an aggregate principal amount of \$200 million and a five-year Term Loan Facility in an aggregate principal amount of \$100 million. Concurrently with the entry into the Credit Agreement, we borrowed the full amount of the Term Loan Facility. The Revolving Credit Facility also gives us the ability to issue letters of credit, which reduce the amount available for borrowing under the Revolving Credit Facility.

On May 1, 2017, we entered into the Amended and Restated Credit Agreement and incurred \$750 million of New Loans which were used, together with cash on hand, to finance the NewWave acquisition, repay in full the Term Loan Facility and pay related fees and expenses. The New Loans consist of the five-year Term Loan A in an aggregate principal amount of \$250 million and the seven-year Term Loan B in an aggregate principal amount of \$500 million. The obligations under the Amended and Restated Credit Agreement are guaranteed by our wholly owned subsidiaries and are secured, subject to certain exceptions, by substantially all assets of the Company and the guarantors.

On April 23, 2018, we entered into the Repricing Amendment to the Amended and Restated Credit Agreement to, among other things, (i) decrease the applicable margin for the Term Loan B to 1.75% for LIBOR borrowings and 0.75% for base rate borrowings, (ii) reset the period during which a prepayment premium in respect of the Term Loan B may be required for a Repricing Transaction until six months after the effective date of the Repricing Amendment and (iii) reset the period during which the Term Loan B benefits from certain “most favored nation” pricing protections until 12 months after the effective date of the Repricing Amendment. Other than as set forth above, all other material terms and provisions of the Senior Credit Facilities remain substantially the same. Excluding the costs of the transaction, the interest rate reduction is expected to save us approximately \$2.5 million annually in interest costs.

The interest margins applicable to the Senior Credit Facilities are, at our option, equal to either LIBOR or a base rate, plus an applicable margin equal to, (i) with respect to the Term Loan A and the Revolving Credit Facility, 1.50% to 2.25% for LIBOR loans and 0.50% to 1.25% for base rate loans, determined on a quarterly basis by reference to a pricing grid based on our total net leverage ratio and (ii) with respect to the Term Loan B, (x) 2.25% for LIBOR loans and 1.25% for base rate loans through April 22, 2018 and (y) 1.75% for LIBOR loans and 0.75% for base rate loans after April 22, 2018. The Term Loan A may be prepaid at any time without premium and amortizes quarterly at a rate (expressed as a percentage of the original principal amount) of 2.5% per annum for the first year after funding, 5.0% per annum for the second year after funding, 7.5% per annum for the third year after funding and 10.0% per annum for the fourth and fifth years after funding, with the outstanding balance due upon maturity. The Term Loan B amortizes quarterly at a rate (expressed as a percentage of the original principal amount) of 1.0% per annum, with the outstanding balance due upon maturity. The Term Loan B is subject to a 1.0% prepayment premium if prepaid in connection with a Repricing Transaction within six months of the effective date of the Repricing Amendment, benefits from certain “most favored nation” pricing protections and is not subject to the financial maintenance covenants under the Amended and Restated Credit Agreement. Other than as set forth above, the New Loans are subject to terms substantially similar to those under the Credit Agreement.

We may, subject to certain specified terms and provisions, obtain additional credit facilities of up to \$425 million under the Amended and Restated Credit Agreement plus an unlimited amount so long as, on a pro forma basis, our First Lien Net Leverage Ratio (as defined in the Amended and Restated Credit Agreement) is no greater than 1.80 to 1.00. The Amended and Restated Credit Agreement contains customary representations, warranties and affirmative and negative covenants as well as customary events of default. The Amended and Restated Credit Agreement also requires us to maintain specified ratios of total net indebtedness and first lien net indebtedness to consolidated operating cash flow.

We were in compliance with all debt covenants as of September 30, 2018.

As of September 30, 2018, outstanding borrowings under the Term Loan A and Term Loan B were \$240.6 million and \$493.8 million, and each bore interest at a rate of 4.14% per annum. Letter of credit issuances under the Revolving Credit Facility totaled \$4.1 million and we had \$195.9 million available for borrowing under the Revolving Credit Facility at September 30, 2018.

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In connection with the Repricing Amendment, we incurred debt issuance costs of \$2.1 million, of which \$0.1 million was expensed immediately. We recorded \$1.1 million and \$1.0 million of debt issuance cost amortization for the three months ended September 30, 2018 and 2017, respectively, and \$3.1 million and \$2.2 million for the nine months ended September 30, 2018 and 2017, respectively.

### **Capital Expenditures**

We have significant ongoing capital expenditure requirements. In addition, we expect to spend up to \$50 million during 2018 and 2019, in addition to the \$10 million spent in 2017, to enhance the acquired NewWave systems by rebuilding low capacity markets, launching all-digital video services, implementing 32-channel bonding to enable a 1 Gbps download speed product launch, converting back office functions such as billing, accounting and service provisioning and migrating products to legacy Cable One platforms. Capital expenditures are funded primarily by cash on hand and cash flows from operating activities.

We have adopted capital expenditure disclosure guidance as supported by the NCTA. These disclosures are not required under GAAP, nor do they impact our accounting for capital expenditures under GAAP. The amounts of capital expenditures reported in this Quarterly Report on Form 10-Q are calculated in accordance with NCTA disclosure guidelines.

The following table presents our capital expenditures by category in accordance with NCTA disclosure guidelines for the nine months ended September 30, 2018 and 2017 (in thousands):

	Nine Months Ended September 30,	
	2018	2017
Customer premise equipment	\$ 46,332	\$ 24,907
Commercial	6,501	7,077
Scalable infrastructure	36,090	30,811
Line extensions	12,128	10,381
Upgrade/rebuild	18,244	12,905
Support capital	39,875	42,749
Total	<u>\$ 159,170</u>	<u>\$ 128,830</u>

### **Contractual Obligations and Contingent Commitments**

The following is a summary of our outstanding contractual obligations as of September 30, 2018 (in thousands):

<u>Year ending December 31,</u>	<u>Programming Purchase Commitments</u> <sup>(1)</sup>	<u>Operating Lease Payments</u>	<u>Debt Payments</u> <sup>(2)</sup>	<u>Other Purchase Obligations</u> <sup>(3)</sup>	<u>Total</u>
2018 (remaining three months)	\$ 57,093	\$ 471	\$ 4,379	\$ 6,988	\$ 68,931
2019	168,019	1,524	20,642	17,573	207,758
2020	101,035	1,095	26,892	13,170	142,192
2021	32,746	793	30,017	7,935	71,491
2022	92	379	630,017	2,607	633,095
Thereafter	-	447	472,683	5,007	478,137
Total	<u>\$ 358,985</u>	<u>\$ 4,709</u>	<u>\$ 1,184,630</u>	<u>\$ 53,280</u>	<u>\$ 1,601,604</u>

(1) Programming purchase commitments represent contracts that we have with cable television networks and broadcast stations to provide programming services to our subscribers. The amounts reported represent estimates of the future programming costs for these purchase commitments based on tier placement as of September 30, 2018 and the estimated subscriber numbers applied to the per-subscriber rates contained in these contracts. Actual amounts due under such contracts may differ from the amounts above based on the actual subscriber numbers and tier placements at the time. In addition, programming purchases sometimes occur pursuant to non-binding commitments, which are not reflected in the amounts shown.

(2) Debt payments include principal repayment obligations as defined by the agreements described in the “*Financing Activity*” section and for capital lease payment obligations.

(3) Other purchase obligations includes purchase obligations related to capital projects and other legally binding commitments. Other purchase orders made in the ordinary course of business are excluded from the amounts shown. Any amounts for which we are liable under purchase orders are included within accounts payable and accrued liabilities in our condensed consolidated balance sheet.

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We incur the following costs as part of our operations, however, they are not included within the contractual obligations table above for the reasons discussed below:

- We rent space on utility poles in order to provide our services to certain subscribers. Generally, pole rentals are cancellable on short notice. However, we anticipate that such rentals will recur. Rent expense for pole attachments was \$2.2 million for both the three months ended September 30, 2018 and 2017 and \$6.6 million and \$5.6 million for the nine months ended September 30, 2018 and 2017, respectively.
- We pay fees to franchise authorities under multi-year franchise agreements based on a percentage of revenues generated from video service each year. Franchise fees and other franchise-related costs are included in both revenues and operating expenses within the condensed consolidated statements of operations and comprehensive income. Such amounts totaled \$4.0 million and \$4.1 million for the three months ended September 30, 2018 and 2017, respectively, and \$12.1 million and \$11.6 million for the nine months ended September 30, 2018 and 2017, respectively.
- We have cable franchise agreements requiring the construction of cable plant and the provision of services to customers within the franchise areas. In connection with these obligations under existing franchise agreements, we obtain surety bonds or letters of credit guaranteeing performance to municipalities and public utilities and payment of insurance premiums. Such surety bonds and letters of credit totaled \$13.2 million and \$12.0 million as of September 30, 2018 and December 31, 2017, respectively. Payments under these arrangements are required only in the remote event of nonperformance. We do not expect that these contingent commitments will result in any amounts being paid.

### **Off-Balance Sheet Arrangements**

With the exception of the items discussed within the preceding “*Contractual Obligations and Contingent Commitments*” section, we do not have any off-balance sheet arrangements or financing arrangements with special-purpose entities.

### **Critical Accounting Policies and Estimates**

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates, assumptions and judgments that affect the amounts reported in the consolidated financial statements. On an ongoing basis, we evaluate our estimates and assumptions. We base our estimates on historical experience and other assumptions believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

An accounting policy is considered to be critical if it is important to our results of operations and financial condition and if it requires management’s most difficult, subjective and complex judgments in its application. With the exception of changes to our revenue recognition accounting policy due to the adoption of the new revenue recognition standard effective January 1, 2018 discussed in note 1 of the notes to our condensed consolidated financial statements within this Quarterly Report on Form 10-Q, there have been no material changes to our critical accounting policy and estimate disclosures described in our 2017 Form 10-K.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Market risk is the potential gain or loss arising from changes in market rates and prices, such as interest rates. There have been no material changes to the market risk disclosures described in the 2017 Form 10-K.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Disclosure Controls and Procedures**

The Company’s management is responsible for establishing and maintaining adequate disclosure controls and procedures. Disclosure controls and procedures are those controls and procedures that are designed to ensure that information required to be disclosed in the Company’s reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the Company’s reports filed or submitted under the Exchange Act is accumulated and communicated to management, including the Company’s Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

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Under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, the Company carried out an evaluation as of September 30, 2018, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rules 13a-15(b) and 15d-15(b). Based on the Company's evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were not effective as of September 30, 2018 because of the material weakness in the Company's internal control over financial reporting described below.

During the second quarter of 2018, the Company identified a material weakness in the Company's internal controls over the NewWave billing system inherited as a result of the NewWave acquisition (the "NewWave billing system"). Specifically, the Company did not maintain effective access and change management controls to ensure that only authorized users had access to the NewWave billing system and underlying financial data and all changes to the system were authorized.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The identified deficiencies did not result in a misstatement to the Company's consolidated financial statements or disclosures; however, the deficiencies, when aggregated, could result in misstatements of certain account balances (such as NewWave revenues, accounts receivables and deferred revenues) or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

As previously disclosed, the Company is integrating NewWave billing activities into its billing system and eliminating the NewWave billing system. The Company is targeting to complete the conversion of the NewWave billing system, which will remediate the material weakness described above, by the end of 2018.

### **Changes in Internal Control Over Financial Reporting**

There has been no change in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2018 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## **PART II: OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

None.

### **ITEM 1A. RISK FACTORS**

There have been no material changes to the risk factors previously disclosed in the 2017 Form 10-K.

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**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

The following table sets forth certain information relating to common stock repurchases by the Company and any affiliated purchasers within the meaning of Rule 10b-18(a)(3) under the Exchange Act during the three months ended September 30, 2018 (dollars in thousands, except per share data):

<b>Period</b>	<b>Total Number of Shares Purchased <sup>(1)</sup></b>	<b>Average Price Paid Per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(2)</sup></b>	<b>Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs</b>
July 1 to 31, 2018	218	\$ 743.08	-	\$ 154,171
August 1 to 31, 2018	1	\$ 724.80	-	\$ 154,171
September 1 to 30, 2018	1	\$ 836.00	-	\$ 154,171
<b>Total</b>	<b>220</b>	<b>\$ 743.42</b>	<b>-</b>	<b>\$ 154,171</b>

(1) Consists of shares withheld from employees to satisfy estimated tax withholding obligations in connection with vesting of restricted stock under the 2015 Plan. The average price paid per share for the common stock withheld was based on the closing price of our common stock on the vesting date.

(2) On July 1, 2015, the Board authorized up to \$250 million of share repurchases (subject to a total cap of 600,000 shares of common stock), which was announced on August 7, 2015. The authorization does not have an expiration date. Purchases under the share repurchase program may be made from time to time on the open market and in privately negotiated transactions. The size and timing of these purchases is based on a number of factors, including share price and business and market conditions.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

Not applicable.

**ITEM 6. EXHIBITS**

**Exhibit  
Number Description**

10.1 [Steven S. Cochran Offer Letter dated July 2, 2018.\\*](#)

10.2 [Kevin P. Coyle Separation Agreement dated July 2, 2018.\\*](#)

31.1 [Principal Executive Officer Certification required by Rules 13a-14 and 15d-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.\\*](#)

31.2 [Principal Financial Officer Certification required by Rules 13a-14 and 15d-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.\\*](#)

32 [Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.\\*\\*](#)

101.INS XBRL Instance Document.\*

101.SCH XBRL Taxonomy Extension Schema Document.\*

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.\*

101.DEF XBRL Taxonomy Extension Definition Linkbase Document.\*

101.LAB XBRL Taxonomy Extension Label Linkbase Document.\*

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.\*

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\* 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.

Cable One, Inc.  
(Registrant)

By: /s/ Julia M. Laulis  
Name: Julia M. Laulis  
Title: Chair of the Board, President and  
Chief Executive Officer

Date: November 7, 2018

By: /s/ Steven S. Cochran  
Name: Steven S. Cochran  
Title: Senior Vice President and  
Chief Financial Officer

Date: November 7, 2018

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## Section 2: EX-10.1 (EXHIBIT 10.1)

Exhibit 10.1

[Cable One Letterhead]

July 2, 2018

Steven S. Cochran  
10253 Spring Green Dr.  
Englewood, CO 80112

Dear Steven,

We are delighted at the prospect that you will be joining Cable One as Senior Vice President and Chief Financial Officer in Phoenix, Arizona. This letter confirms our offer of employment to you with an anticipated hire date of August 6, 2018. Subject to the approval of our Board of Directors, it is anticipated that you will be appointed as Senior Vice President effective August 6, 2018 and as Chief Financial Officer effective August 13, 2018. As we have discussed, this offer is subject to your satisfactory completion of the pre-employment physical, background check and all other pre-hire clearances.

### **SALARY AND BONUS**

Your starting salary will be \$325,000.00 per annum, payable bi-weekly in accordance with the Company's normal payroll practices. This salary is subject to review and possible adjustment in Cable One's discretion periodically. As part of your employment with Cable One and for the role you will be fulfilling of Senior Vice President and Chief Financial Officer, you will be eligible to receive an annual bonus targeted at 70% of your base annual salary (with potential of up to 140% of base salary). Bonuses are awarded in the Company's sole discretion, are not guaranteed, and are determined after an evaluation of the Company's performance as well as your own performance for the period reviewed. Payment of a bonus for one year does not guarantee payment in any subsequent year. Any bonus in respect of your first year of employment will be prorated for the number of full months worked. Bonuses are typically paid in March after the calendar year for which they are awarded, and only associates who remain on the Company's payroll on the date of payment are eligible. No pro-rated bonus is awarded for the final year of employment.

### **RELOCATION & TEMPORARY HOUSING\***

We will provide you with relocation assistance and a temporary housing allowance of \$140,000.00. These amounts are typically payable as reimbursement for all reasonable, travel, food, gasoline, lodging and related expenses in connection with your visit to Phoenix, Arizona to search for a home and all other moving-related expenses, including but not limited to movement of household goods, storage, rental agency/temporary housing, buying or selling a home, etc., in one lump sum when you begin your employment with us. As a condition of accepting this offer, you agree that, if your employment with Cable One ends for any reason (other than a layoff, reduction-in-force, or due to the termination of your position in the event the Company is sold) less than two years after your hire date, any amount owed to the Company will be deducted from your final pay check. If any relocation money owed to the Company is still outstanding after such deduction, you shall repay to the Company for the prorated net amount paid in relocation assistance no later than 30 days after the date of termination.\*

## **EQUITY COMPENSATION**

- (a) **SARs**. Subject to the approval of the Compensation Committee of the Board of Directors, you will receive a grant of 2,000 stock appreciation rights under the Amended and Restated Cable One, Inc. 2015 Omnibus Incentive Compensation Plan (the "Plan"). This grant will vest in four equal installments on the first four anniversaries of the grant date, provided that you remain employed with Cable One through each vesting date, except as otherwise provided in your award agreement. As provided by the Plan, the exercise price of your stock appreciation rights shall not be less than 100% of the fair market value of one share of our stock as of the grant date.
  
- (b) **Restricted Stock**. Subject to the approval of the Compensation Committee of the Board of Directors, you will receive a grant of restricted stock with a grant date fair value equal to approximately \$975,000.00 multiplied by a fraction (i) the numerator of which is the number of full and partial months from your hire date through December 31, 2020 and (ii) the denominator of which is 36. This grant will cliff-vest on January 3, 2021, provided that you remain employed with Cable One through the vesting date, except as otherwise provided in your award agreement.

The stock appreciation rights grant and the restricted stock grant will be subject to the Plan and Cable One's standard terms and conditions and the restrictive covenants applicable to other executives of Cable One, as set forth in your award agreements and the Plan, provided that you acknowledge and agree that your relocation to Phoenix, Arizona will not be considered "Good Reason" for purposes of your award agreements.

You also understand and agree that you are solely responsible for any additional tax obligations resulting from the Company's payments.

This offer is contingent upon our verification of your right to work in the United States, as demonstrated by your completion of the Form I-9 upon hire and your submission of acceptable documents (as noted on the Form I-9) verifying your identity and work authorization within three (3) days of your start date.

Nothing in this letter modifies your at-will employment status. Accordingly, either you or Cable One may end the employment relationship at any time and for any reason or no reason, with or without notice.

Please sign and date this letter below to indicate your acceptance and return the original to me at your earliest convenience. Keep the copy for your records.

We look forward to seeing you on August 6, 2018.

Sincerely,

/s/ Julia M. Laulis

Julia M. Laulis  
President and CEO  
Cable One, Inc.

Original – via US mail

Copy – via email

ACCEPTED AND AGREED:

/s/ Steven S. Cochran  
Steven S. Cochran

July 2, 2018

\*Relocation & Temporary Housing Proration Schedule:  
0 to 6 months - 100%  
7 to 12 months - 75%  
13 to 18 months - 50%  
19 to 24 months - 25%

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### Section 3: EX-10.2 (EXHIBIT 10.2)

Exhibit 10.2

[Cable One Letterhead]

July 2, 2018

Kevin P. Coyle  
VIA HAND DELIVERY

Dear Kevin:

This letter agreement (this "Agreement") will confirm the understandings we have reached regarding your separation of employment from Cable One, Inc. (the "Company") effective January 4, 2019. In return for your promises in this Agreement and your execution of the attached releases, we will provide you with the additional benefits and compensation described in this Agreement. Reference is made to the Restricted Stock Award Agreements, between you and the Company, dated January 4, 2016 (the "2016 Annual Grant Agreement"), January 3, 2017 (the "2017 Annual Grant Agreement"), January 3, 2017 (the "2017 Time-Based Grant Agreement"), January 3, 2018 (the "2018 Annual Grant Agreement"), and January 3, 2018 (together with the 2016 Annual Grant Agreement, the 2017 Annual Grant Agreement, the 2017 Time-Based Grant Agreement, and the 2018 Annual Grant Agreement, the "RSA Agreements"), and the Stock Appreciation Right Award Agreement, between you and the Company, dated September 1, 2015 (the "SARs Agreement"), and together with the RSA Agreements, the "Award Agreements"). Capitalized terms used in this Agreement and not otherwise defined herein shall have the respective meanings given to such terms in the applicable Award Agreements.

From the date of this Agreement through January 4, 2019 (the "Termination Date") you will continue as an "at will" employee of the Company and agree to fully and diligently perform the duties assigned to you by the President & CEO. Such duties may differ from the duties currently assigned to you and may include, among other duties, your assistance in the transition of your responsibilities to others and cooperating with the Company's efforts in connection with the orientation of your successor. By signing this Agreement you specifically agree that, following its execution, you will not assert that a diminution in your title, duties or responsibilities will give rise to Good Reason under the Award Agreements. Although it is anticipated that your employment will continue until the Termination Date, you understand that the Company continues to reserve the right to terminate your employment at any time for any reason.

On the Termination Date and without any further action on your part, you will cease to be an employee of the Company and will be removed from any and all positions you then hold with the Company. Following the Termination Date, you will receive a check from the Company which represents payment of your unpaid salary and vacation days accrued but unused through the Termination Date, less any amounts you may owe the Company and less appropriate statutory deductions. You should submit to me for review not later than January 18, 2019 any expense reports for unreimbursed business expenses (together with appropriate documentation, etc.) incurred prior to the Termination Date.

Provided that you remain employed through the Termination Date, the Company will treat your termination of employment with the Company on the Termination Date as a: (a) termination without "Cause" in accordance with the SARs Agreement, and (b) retirement in accordance with the policies of the Company for purposes of the 2018 Annual Executive Bonus Plan. Accordingly, if you remain employed through the Termination Date and sign and do not revoke the Release and the Supplemental Release (as both are defined below), you will be entitled to the following:

1. SARs. You will vest in a portion of the SARs granted to you pursuant to the SARs Agreement determined by multiplying the total number

of SARs granted to you by the Pro-Ration Fraction and then subtracting the number of SARs that had vested in accordance with their terms prior to the Termination Date ("Vested SARs"). In accordance with Section 4 of the SARs Agreement, your Vested SARs and any other unexercised SARs that have vested in accordance with their terms prior to the Termination Date may be exercised within three (3) months following the Termination Date. Upon your delivery to the Company of a written exercise notice within such three (3) month exercise period, the Company shall deliver to you or your legal representative the number of Shares (rounded down to the nearest whole Share) equal to the excess, if any, of the Fair Market Value per Share on the Exercise Date over the Exercise Price, multiplied by the number of Vested SARs, subject to your satisfaction of any applicable withholding taxes. All SARs (other than the Vested SARs and any other SARs that have vested in accordance with their terms prior to the Termination Date) will be forfeited for no consideration immediately upon the Termination Date.

2. 2018 Annual Executive Bonus Plan. In accordance with the terms of the 2018 Annual Executive Bonus Plan, you will be eligible to receive a performance-based 2018 annual cash bonus at the same time as other executives of the Company subject to the Compensation Committee's certification of achievement of the performance metrics under the 2018 Annual Executive Bonus Plan (the "2018 Bonus").
3. Restricted Stock. All Restricted Shares granted to you pursuant to the RSA Agreements that have not vested in accordance with their terms prior to the Termination Date will be forfeited for no consideration immediately upon the Termination Date.
4. All payments and benefits provided by the Company to you under this Agreement are in full satisfaction of all your rights under the Award Agreements and the 2018 Annual Executive Bonus Plan and you shall not be entitled to any additional payment or benefits pursuant to the Award Agreements or the 2018 Annual Executive Bonus Plan other than as set forth in this Agreement.
5. Your obligations under Appendix A of the Award Agreements shall remain in full force and effect for the entire period provided therein, and the provisions of Sections 11, 15 and 16 of the Award Agreements shall survive indefinitely.

Your participation under all Company employee benefit plans will continue to be governed by the terms of such plans and, unless otherwise provided in the plan documents, this Agreement, or as required by applicable law, your participation in such plans will cease as of your last day of employment with the Company. Any money in the benefit plans of the Company due to you will be distributed in accordance with the applicable benefit plan documents, standard Company policy and applicable federal and state statutes. You will be provided the Cancellation of Benefits Form concerning any options which may be available to you under the various benefit plans.

Up until and after your Termination Date, at no time shall you say or do anything to disparage the Company, its products, or its services, or take any actions detrimental to the best interests of the Company or any of its employees, officers, or directors, including but not limited to, disclosure to third parties or any other use of information confidential to the Company. You also acknowledge your ongoing obligations under: (a) the Company Code of Business Conduct, including but not limited to your obligation not to use or disclose for your own advantage or profit, or the advantage or profit of any other person or entity, any confidential information as defined therein; and (b) Appendix A of the Award Agreements, including but not limited to restrictive covenants related to competition, solicitation, disparagement and confidential information.

The Company agrees that its officers, directors, and human resource personnel will refrain from making any statement to any person outside of the Company that is critical or derogatory of you and/or your work performance or professional competency while you were employed at the Company. You should direct any reference inquiries to the Company Vice President of Human Resources or the President & CEO, and the Company agrees that, in response to inquiries for employment references, it shall provide a "neutral reference" consisting of your dates of employment, salary verification (if requested), and positions held and that you decided to retire, and if you have decided to resume work, the Company wishes you well. These restrictions do not prohibit either of us from providing truthful responses compelled by legal process or otherwise sought in any future legal, administrative or government investigative proceedings.

You shall return to the Company not later than the Termination Date any Company property (including, but not limited to, Company vehicle, computer equipment, cellphone, software, other Company property or equipment, credit cards, and keys) and permanently delete from any home computer or other electronic storage medium originals and any copies of any information or documents confidential or proprietary to the Company in your possession (including, but not limited to, any financial, tax, strategic or marketing documents created by or for the Company). In addition, you shall not apply for, seek, or accept (and, if hired, will immediately resign from) any position as an employee of the Company or any of its current or future divisions, subsidiaries or affiliates, except to the extent explicitly agreed to in advance by an authorized representative of the Company. As of the date of your termination of employment, you shall update your profile on social media websites (such as, but not limited to, LinkedIn) to reflect that you are no longer an employee of the Company.

Subject to the terms of the Release and Supplemental Release (as both are defined below) and to the extent permitted by applicable law and regulations, you agree that before and after the Termination Date, you will not voluntarily participate in any investigation, suit or proceedings by any other individual or non-governmental entity against the Company. You further agree that before and after the Termination Date you will, for no additional compensation, cooperate with and assist the Company in the defense of any claim or proceeding brought against it or any of its related persons or entities arising out of any aspect of the performance of your job while employed. This cooperation and assistance shall include, but not be limited to, making yourself available at reasonable times to respond to requests for information from the Company's management and its attorneys and attendance at any legal or administrative proceedings where the Company determines (in its sole discretion) that your attendance is necessary. The Company shall use its reasonable best efforts to provide you with at least forty-eight (48) hours prior notice of any such requests for attendance and will reimburse you for all reasonable travel, lodging, meal, and related out-of-pocket expenses.

Nothing in this Agreement shall be deemed or construed as an admission by the Company of the validity of any claim or allegation you may have in connection with your employment with the Company or the termination of that employment and the Company specifically disclaims any liability to, or discrimination against you or any other person, on the part of itself, its employees, directors, officers or agents.

In addition to the consideration described above, in further exchange for your: (a) acknowledgement of and continued compliance with the restrictive covenants set forth in Appendix A of the Award Agreements; (b) compliance with the other terms and conditions of this Agreement; and (c) execution and non-revocation of and compliance with a general release of claims in the form attached hereto as Appendix A (the "Release") and the supplemental release of claims in the form attached hereto as Appendix B (the "Supplemental Release"), you will receive, as set forth below, a series of payments in the gross amount of \$1,289,800.00 (collectively, the "Separation Consideration"), which consists solely of:

- (i) \$1,265,800.00, reflecting payment of twelve (12) months of your current annual base salary plus an additional \$940,800.00; and
- (ii) \$24,000.00, reflecting approximately twelve (12) months of premiums for medical and dental coverage pursuant to COBRA (but, for the avoidance of doubt, there is no requirement that you use such amount for your COBRA premiums).

The Separation Consideration will be paid in two (2) installments. The first installment of \$639,800.00 will be paid within ten (10) business days following the date on which the Supplemental Release becomes effective and irrevocable (the "Supplemental Release Effective Date"), and the second installment of \$650,000.00 will be paid on approximately January 3, 2020 (and in no event prior to January 1, 2020 and later than March 15, 2020), provided the Supplemental Release Effective Date has occurred. You understand and agree that the Supplemental Release shall not be executed until the day after the Termination Date and that the Separation Consideration shall only be paid to you if you remain employed by the Company up to and through the Termination Date. If the Release becomes effective but the Supplemental Release does not become effective (either because you do not sign it or you revoke it after signing), you understand and agree that: (a) this Agreement, your continued employment under it, and the mutual promises made in it are sufficient consideration for the Release; and (b) you will not receive the Separation Consideration. For the avoidance of doubt, if any portion of either the Release or Supplemental Release has been validly revoked, you shall not be entitled to any of the consideration described in this Agreement including, without limitation, the Separation Consideration.

The arrangements provided for in this Agreement include all payments to which you might otherwise be entitled as a result of your employment with and/or separation from the Company (including, but not limited to, salary, vacation, flex days, commissions, severance, notice, stock or equity awards, or bonus pay and the other understandings in this Agreement). For the avoidance of doubt, you agree that: (i) you are only entitled to (A) the Separation Consideration upon the effectiveness of the Release and Supplemental Release and (B) the 2018 Bonus, if any, at the same time as other executives of the Company receive such bonus and (ii) you are not entitled to (Y) any other bonus or similar payment in connection with your employment with the Company during calendar year 2018 or 2019 or (Z) any further payments in connection with your employment, including with respect to vacation, flex days, or any other paid time off program administered or maintained by the Company.

All payments provided to you under this Agreement, including without limitation the Separation Consideration and the 2018 Bonus, shall be subject to appropriate tax and other withholdings and deductions and reported on IRS Form W-2. You acknowledge that you have not relied on any statements or representations by the Company with respect to the tax treatment of the payments described in this Agreement and that you are solely responsible for payment of all taxes required to be paid in connection with the Separation Consideration and the 2018 Bonus. If any taxing body determines that the tax treatment of any such payment was incorrect and that greater amounts should have been withheld from such payment, you acknowledge and assume all responsibility for paying those amounts and further agree to indemnify and hold the Company harmless for payment of any additional taxes and any interest and penalties thereon.

This Agreement and its attachments, including, without limitation, the Release, the Supplemental Release, and the Award Agreements, and other incorporated documents contain the entire agreement between you and the Company concerning your separation from the Company. Any and all prior agreements, representations, negotiations and understandings between the parties, oral or written, express or implied, relating to the subject matter herein, are hereby superseded.

This Agreement may be amended, changed or modified only by a written document signed by all parties hereto. No waiver of this Agreement or of any of the promises, obligations, terms or conditions hereof shall be valid unless it is written and signed by the party against whom the waiver is to be enforced.

This Agreement and all matters or issues collateral thereto shall be governed by the laws of the State of Delaware applicable to contracts entered into and performed entirely therein, without regard to principles of conflict of laws that could cause the application of the law of any jurisdiction other than the State of Delaware. Section 11 of each Award Agreement is hereby incorporated by reference.

If you fail to honor your obligations under this Agreement, the Company expressly reserves all rights and remedies available to it under applicable law, including, without limitation, forfeiture of amounts that would have been paid to you absent a violation of your obligations under this Agreement, repayment of any amounts previously paid to you pursuant to this Agreement, the right to recover all costs and expenses (including legal fees) that the Company is forced to incur because of your failure to honor your obligations under this Agreement.

It is intended that the provisions of this Agreement comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and all provisions of this Agreement shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A of the Code. Except as specifically permitted by Section 409A of the Code, the benefits and reimbursements provided to you under this Agreement during any calendar year shall not affect any benefits and reimbursements to be provided to you under this Agreement in any other calendar year, and the right to such benefits and reimbursements cannot be liquidated or exchanged for any other benefit and shall be provided in accordance with Treasury Regulation Section 1.409A-3(i)(1)(iv) or any successor thereto. Furthermore, reimbursement payments shall be made to you as soon as practicable following the date that the applicable expense is incurred, but in no event later than the last day of the calendar year following the calendar year in which the underlying expense is incurred. For purposes of Section 409A of the Code, each payment hereunder will be deemed to be a separate payment under Treasury Regulation Section 1.409A-2(b)(2)(iii). To the extent required by the Code, your termination of employment on the Termination Date will constitute a "separation from service" within the meaning of Section 409A of the Code.

You acknowledge that you: (a) fully understand the terms of this Agreement; (b) have been advised by the Company to consult with counsel and have had a full and fair opportunity to review this Agreement with counsel of your choosing; and (c) are entering into this Agreement knowingly and voluntarily and in return for consideration you otherwise would not be entitled to receive.

The provisions of this Agreement are severable. If a court of competent jurisdiction rules that any provision of this Agreement is invalid or unenforceable, that provision shall be automatically modified to the extent necessary to make it valid and such a ruling shall not affect the validity or enforceability of any other provision of this Agreement. Further, if a court should determine that any portion of this Agreement is overbroad or unreasonable, such provision shall be given effect to the maximum extent possible by narrowing or enforcing in part that aspect of the provision found overbroad or unreasonable.

This Agreement is binding on your heirs, executors, and personal representatives and on the successors-in-interest and assigns of the Company, including any entity that may acquire or merge with the Company. The parties each represent and acknowledge that they have full and complete authority to enter into this Agreement and bind the party or parties on whose behalf they enter into this Agreement and that each party to this Agreement is relying on such representation as a material term and condition precedent for entering into this Agreement.

This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Signatures obtained via facsimile or in .pdf format shall be deemed valid as if they were inked originals.

If this Agreement correctly sets forth our agreement, please sign and return the enclosed copy of this Agreement to me. The original is for your records.

We wish you the best of luck in your future endeavors.

Sincerely,

/s/ Julia M. Laulis

Julia M. Laulis  
Chair of the Board, President & CEO

IN WITNESS WHEREOF, you have acknowledged your agreement with and acceptance of these terms and duly executed this Agreement.

Accepted and agreed:

/s/ Kevin P. Coyle

\_\_\_\_\_  
Kevin P. Coyle

Date: July 2, 2018

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## Section 4: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

### CERTIFICATION

I, Julia M. Laulis, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018 of Cable One, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered

by this report;

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

Date: November 7, 2018

/s/ Julia M. Laulis

Julia M. Laulis

Chief Executive Officer

(Principal Executive Officer)

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## Section 5: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

### CERTIFICATION

I, Steven S. Cochran, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018 of Cable One, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our

supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

- (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2018

/s/ Steven S. Cochran  
Steven S. Cochran  
Chief Financial Officer  
(Principal Financial Officer)

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## Section 6: EX-32 (EXHIBIT 32)

Exhibit 32

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Cable One, Inc. (the "Company"), for the quarterly period ended September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, Julia M. Laulis, principal executive officer of the Company, and Steven S. Cochran, principal financial officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his or her knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Julia M. Laulis  
Julia M. Laulis  
Chief Executive Officer  
(Principal Executive Officer)

Date: November 7, 2018

By: /s/ Steven S. Cochran  
Steven S. Cochran  
Chief Financial Officer  
(Principal Financial Officer)

Date: November 7, 2018

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