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

FORM 10-Q

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

For the quarterly period ended June 30, 2018

OR

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

For the transition period from to

Commission File Number 001-36713

LIBERTY BROADBAND CORPORATION
(Exact name of Registrant as specified in its charter)

State of Delaware (State or other jurisdiction of incorporation or organization)	**47-1211994** (I.R.S. Employer Identification No.)
12300 Liberty Boulevard **Englewood, Colorado** (Address of principal executive offices)	**80112** (Zip Code)

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

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

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

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

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

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

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

The number of outstanding shares of Liberty Broadband Corporation's common stock as of July 16, 2018 was:

Series A common stock	26,307,997
Series B common stock	2,455,043
Series C common stock	152,586,092

Table of Contents

LIBERTY BROADBAND CORPORATION

Condensed Consolidated Balance Sheets

(unaudited)

	June 30, 2018	December 31, 2017
	(amounts in thousands)	
Assets		
Current assets:		
Cash and cash equivalents	$ 52,462	81,257
Derivative instruments	45,747	—
Other current assets	2,776	2,797
Total current assets	100,985	84,054
Investment in Charter, accounted for using the equity method (note 5)	11,891,637	11,835,613
Other tangible and intangible assets, net	10,289	12,073
Other assets	17	49
Total assets	$ 12,002,928	11,931,789
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,685	5,381
Deferred revenue and other current liabilities	9,224	5,168
Total current liabilities	11,909	10,549
Debt (note 6)	523,159	497,370
Deferred income tax liabilities	943,401	932,593
Other liabilities	2,976	4,376
Total liabilities	1,481,445	1,444,888
Equity		
Preferred stock, $.01 par value. Authorized 50,000,000 shares; no shares issued	—	—
Series A common stock, $.01 par value. Authorized 500,000,000 shares; issued and outstanding 26,306,976 shares at June 30, 2018 and 26,301,755 shares at December 31, 2017	263	262
Series B common stock, $.01 par value. Authorized 18,750,000 shares; issued and outstanding 2,455,043 shares at June 30, 2018 and December 31, 2017	25	25
Series C common stock, $.01 par value. Authorized 500,000,000 shares; issued and outstanding 152,586,092 shares at June 30, 2018 and 152,563,229 shares at December 31, 2017	1,526	1,526
Additional paid-in capital	7,940,118	7,907,900
Accumulated other comprehensive earnings, net of taxes	8,252	8,424
Retained earnings	2,571,299	2,568,764
Total equity	10,521,483	10,486,901
Commitments and contingencies (note 8)		
Total liabilities and equity	$ 12,002,928	11,931,789

See accompanying notes to the condensed consolidated financial statements.

LIBERTY BROADBAND CORPORATION

Condensed Consolidated Statements of Operations

(unaudited)

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
	(amounts in thousands, except per share amounts)			
Revenue:				
Software sales	$ 3,371	2,918	15,162	5,926
Service	—	155	—	287
Total revenue	3,371	3,073	15,162	6,213
Operating, including stock-based compensation (note 7)	501	707	967	1,322
Selling, general and administrative, including stock-based compensation (note 7)	5,514	6,366	12,241	11,910
Research and development, including stock-based compensation (note 7)	1,528	2,384	2,971	4,774
Depreciation and amortization	899	949	1,808	1,902
	8,442	10,406	17,987	19,908
Operating income (loss)	(5,071)	(7,333)	(2,825)	(13,695)
Other income (expense):				
Interest expense	(6,035)	(4,826)	(11,072)	(9,381)
Dividend and interest income	193	459	418	797
Share of earnings (losses) of affiliates (note 5)	32,911	11,467	42,213	30,389
Gain (loss) on dilution of investment in affiliate (note 5)	(5,205)	(6,659)	(31,962)	(38,797)
Realized and unrealized gains (losses) on financial instruments, net (note 4)	(2,019)	1,370	(2,019)	2,351
Other, net	—	3	—	2
Net earnings (loss) before income taxes	14,774	(5,519)	(5,247)	(28,334)
Income tax benefit (expense)	(4,194)	2,542	757	10,912
Net earnings (loss) attributable to Liberty Broadband shareholders	$ 10,580	(2,977)	(4,490)	(17,422)
Basic net earnings (loss) attributable to Series A, Series B and Series C Liberty Broadband shareholders per common share (note 3)	$ 0.06	(0.02)	(0.02)	(0.10)
Diluted net earnings (loss) attributable to Series A, Series B and Series C Liberty Broadband shareholders per common share (note 3)	$ 0.06	(0.02)	(0.02)	(0.10)

See accompanying notes to the condensed consolidated financial statements.

LIBERTY BROADBAND CORPORATION

Condensed Consolidated Statements of Comprehensive Earnings (Loss)

(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	(amounts in thousands)			
Net earnings (loss)	$ 10,580	(2,977)	(4,490)	(17,422)
Other comprehensive earnings (loss), net of taxes:				
Share of other comprehensive earnings (loss) of equity affiliate	(172)	250	(172)	374
Other comprehensive earnings (loss), net of taxes	(172)	250	(172)	374
Comprehensive earnings (loss) attributable to Liberty Broadband shareholders	$ 10,408	(2,727)	(4,662)	(17,048)

See accompanying notes to the condensed consolidated financial statements.

LIBERTY BROADBAND CORPORATION

Condensed Consolidated Statements of Cash Flows

(unaudited)

	Six months ended June 30, 2018	Six months ended June 30, 2017
	(amounts in thousands)	
Cash flows from operating activities:		
Net earnings (loss)	$ (4,490)	(17,422)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Depreciation and amortization	1,808	1,902
Stock-based compensation	2,801	2,877
Share of (earnings) losses of affiliates, net	(42,213)	(30,389)
(Gain) loss on dilution of investment in affiliate	31,962	38,797
Realized and unrealized (gains) losses on financial instruments, net	2,019	(2,351)
Deferred income tax expense (benefit)	(756)	(10,921)
Other, net	447	129
Changes in operating assets and liabilities:		
Current and other assets	335	(442)
Payables and other liabilities	1,494	6,506
Net cash provided (used) by operating activities	(6,593)	(11,314)
Cash flows from investing activities:		
Capital expended for property and equipment	(24)	(9)
Other investing activities, net	—	6
Net cash provided (used) by investing activities	(24)	(3)
Cash flows from financing activities:		
Borrowings of debt	25,000	—
Payments from issuances of financial instruments	(94,249)	(101,638)
Proceeds from settlements of financial instruments	46,483	101,921
Other financing activities, net	588	2,059
Net cash provided (used) by financing activities	(22,178)	2,342
Net increase (decrease) in cash	(28,795)	(8,975)
Cash, cash equivalents and restricted cash, beginning of period	81,257	205,728
Cash, cash equivalents and restricted cash, end of period	$ 52,462	196,753

See accompanying notes to the condensed consolidated financial statements.

LIBERTY BROADBAND CORPORATION

Condensed Consolidated Statement of Equity

(unaudited)

	Preferred Stock	Common stock Series A	Common stock Series B	Common stock Series C	Additional paid-in capital	Accumulated other comprehensive earnings	Retained earnings	Total equity
	(amounts in thousands)							
Balance at January 1, 2018	$ —	262	25	1,526	7,907,900	8,424	2,568,764	10,486,901
Net earnings (loss)	—	—	—	—	—	—	(4,490)	(4,490)
Other comprehensive earnings (loss)	—	—	—	—	—	(172)	—	(172)
Stock-based compensation	—	—	—	—	2,703	—	—	2,703
Issuance of common stock upon exercise of stock options	—	1	—	—	587	—	—	588
Cumulative effect of accounting change (note 2)	—	—	—	—	—	—	1,223	1,223
Cumulative effect of accounting change at Charter	—	—	—	—	—	—	5,802	5,802
Noncontrolling interest activity at Charter	—	—	—	—	28,928	—	—	28,928
Balance at June 30, 2018	$ —	263	25	1,526	7,940,118	8,252	2,571,299	10,521,483

See accompanying notes to the condensed consolidated financial statements.

LIBERTY BROADBAND CORPORATION

Notes to Condensed Consolidated Financial Statements

(unaudited)

(1) Basis of Presentation

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

On May 18, 2016, Time Warner Cable merged with Legacy Charter (the "Time Warner Cable Merger"). In connection with the Time Warner Cable Merger, Legacy Charter underwent a corporate reorganization, resulting in CCH I, LLC ("Charter"), a former subsidiary of Legacy Charter, becoming the new publicly traded parent company. Also on May 18, 2016, the previously announced acquisition of Bright House Networks, LLC from Advance/Newhouse Partnership ("A/N") by Charter (the "Bright House Transaction") was completed. In connection with the Time Warner Cable Merger and Bright House Transaction, Liberty Broadband entered into certain agreements with Legacy Charter, Charter (for accounting purposes a related party of the Company), Liberty Interactive Corporation, now known as Qurate Retail, Inc. ("Qurate Retail") effective April 9, 2018, and Time Warner Cable. As a result of the Time Warner Cable Merger and Bright House Transaction (collectively, the "Transactions"), Liberty Broadband exchanged its shares of Time Warner Cable for shares of Charter and purchased additional shares of Charter. As a result, and pursuant to proxy agreements with GCI Liberty, Inc. ("GCI Liberty") and A/N, Liberty Broadband controls 25.01% of the aggregate voting power of Charter. See note 5 for additional detail regarding these transactions and corresponding agreements.

The Company's wholly owned subsidiary, Skyhook Holding, Inc. ("Skyhook"), focuses on the development and sale of Skyhook's device-based location technology. Skyhook markets and sells two primary products: (1) a location determination service called the Precision Location Solution; and (2) a location intelligence and data insights service called Geospatial Insights.

The accompanying (a) condensed consolidated balance sheet as of December 31, 2017, which has been derived from audited financial statements, and (b) interim unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X as promulgated by the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the results for such periods have been included. The results of operations for any interim period are not necessarily indicative of results for the full year. Additionally, certain prior period amounts have been reclassified for comparability with current period presentation. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in Liberty Broadband's Annual Report on Form 10-K for the year ended December 31, 2017. All significant intercompany accounts and transactions have been eliminated in the condensed consolidated financial statements.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The Company considers the application of the equity method of accounting for investments in affiliates and accounting for income taxes to be its most significant estimates.

LIBERTY BROADBAND CORPORATION

Notes to Condensed Consolidated Financial Statements

(unaudited)

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

The Tax Cuts and Jobs Act (the “Tax Act”) was enacted in December 2017. The Tax Act significantly changed U.S. tax law by, among other things, lowering U.S. corporate income tax rate and implementing a territorial tax system. In the prior year, we recognized the provisional tax impacts related to the revaluation of deferred tax balances and included these estimates in our consolidated financial statements for the year ended December 31, 2017. We are still in the process of analyzing the impact of the various provisions of the Tax Act. The ultimate impact may materially differ from these provisional amounts due to, among other things, continued analysis of the estimates and further guidance and interpretations on the application of the law. We expect to complete our analysis by December 2018.

Spin-Off Arrangements

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

The reorganization agreement provides for, among other things, the principal corporate transactions (including the internal restructuring) required to effect the Broadband Spin-Off, certain conditions to the Broadband Spin-Off and provisions governing the relationship between Liberty Broadband and Liberty with respect to and resulting from the Broadband Spin-Off. The tax sharing agreement provides for the allocation and indemnification of tax liabilities and benefits between Liberty and Liberty Broadband and other agreements related to tax matters. Pursuant to the tax sharing agreement, Liberty Broadband has agreed to indemnify Liberty, subject to certain limited exceptions, for losses and taxes resulting from the Broadband Spin-Off to the extent such losses or taxes result primarily from, individually or in the aggregate, the breach of certain restrictive covenants made by Liberty Broadband (applicable to actions or failures to act by Liberty Broadband and its subsidiaries following the completion of the Broadband Spin-Off). Pursuant to the services agreement, Liberty provides Liberty Broadband with general and administrative services including legal, tax, accounting, treasury and investor relations support. Under the facilities sharing agreement, Liberty Broadband shares office space with Liberty and related amenities at Liberty’s corporate headquarters. Liberty Broadband will reimburse Liberty for direct, out-of-pocket expenses incurred by Liberty in providing these services which will be negotiated semi-annually. Under these various agreements, approximately $857 thousand and $806 thousand was reimbursable to Liberty for the three months ended June 30, 2018 and 2017, respectively, and $1.8 million and $1.6 million was reimbursable to Liberty for the six months ended June 30, 2018 and 2017, respectively.

(2) Recent Accounting Pronouncements

Accounting Standards Adopted January 1, 2018

Revenue from Contracts with Customers. As of January 1, 2018, the Company adopted the Accounting Standards Updates (“ASU”) amending revenue recognition guidance using the modified retrospective method for all contracts reflecting the aggregate effect of modifications prior to the date of adoption. Results for reporting periods beginning after January 1, 2018 are presented under the new guidance, while prior period amounts were not adjusted and continue to be reported under the accounting standards in effect for those periods.

Upon adoption, we recognized a net cumulative effect of applying the new revenue guidance as a net increase to the opening balance of retained earnings of $1.2 million, as well as an increase to other current assets of $0.3 million, an increase to deferred income tax liabilities of $0.4 million and a decrease to deferred revenue and other current liabilities of $1.3 million, primarily due to changes in the timing of revenue recognition. The impact of the new accounting guidance to our condensed consolidated statement of operations was not meaningful for the three and six months ended June 30, 2018, and we do not expect it to be meaningful going forward.

Revenue Recognition

Skyhook earns revenue from the sale and integration of its Precision Location Solution (including the licensing of software and data components that make up that solution) and the licensing of Geospatial Insights data. In addition, Skyhook earns revenue through entering into licensing agreements with companies to utilize its underlying intellectual property.

Revenue is recognized upon transfer of control of promised products or services to its customers in an amount that reflects the consideration expected to be received in exchange for those products and services.

Skyhook sells its Precision Location Solution and Geospatial Insights data via fixed fee, usage basis or revenue share licensing arrangements. Revenue for fixed fee arrangements is recognized on a straight-line basis over the performance period. Revenue for usage based contracts or revenue share arrangements is recognized upon transfer of the service to its customers. Contracts with customers often include multiple products and services, which in general are not distinct within the context of the contract. Transaction prices of individual products and services are not allocated to specific performance obligations and are recognized ratably.

Skyhook recognizes fees received from intellectual property licensing at the inception of a license term for perpetual licenses when there are no ongoing performance obligations. Revenue recognition is deferred when there are ongoing performance obligations. In such circumstances, revenue would be allocated to the performance obligation and recognized upon the transfer of control of the promised product or service.

Deferred Revenue. At January 1, 2018, deferred revenue liabilities consisted of $4.5 million and $2.3 million, included in deferred revenue and other current liabilities, and other liabilities, respectively. Of this $6.8 million that was recorded as deferred revenue, $3.6 million was recognized as revenue during the six months ended June 30, 2018. At June 30, 2018, the related balance consisted of $8.7 million and $2.3 million, included in deferred revenue and other current liabilities, and other liabilities, respectively. Of this $11.0 million that was recorded as deferred revenue, we expect to recognize approximately 90% over the next one to three years.

Accounting Policies Elected. The Company has elected to exclude all taxes assessed by a governmental authority from the measurement of the transaction price.

Practical Expedients Utilized. The Company has elected to apply the new revenue guidance only to those contracts that were not completed contracts as of December 31, 2017 and considered contract modifications that occurred prior to January 1, 2018 as combined with the original contract. Subsequent to January 1, 2018, the Company will consider each modification separately in accordance with the new guidance.

Significant Judgments. The Company estimates variable consideration at the most likely amount to which we expect to be entitled. This estimate of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of our anticipated performance and all historical, current and forecast information that is reasonably available to us.

Definition of a Business. As of January 1, 2018, the Company adopted the new guidance clarifying the definition of a business for determining whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. Upon adoption, the standard impacts how the Company assesses acquisitions (or disposals) of assets or businesses. The new accounting guidance had no material impact to our condensed consolidated financial statements for the three and six months ended June 30, 2018, and we do not expect it to be meaningful going forward.

Accounting Standards Not Yet Adopted

Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. In February 2018, the Financial Accounting Standards Board ("FASB") issued new guidance that allows an entity to elect to reclassify "stranded" tax effects in AOCI to retained earnings to address concerns related to accounting for certain provisions of the Tax Cuts and Jobs Act ("the Tax Act") enacted in December 2017. The guidance is effective for annual and interim reporting periods beginning after December 15, 2018, with early adoption permitted. We are currently evaluating the impact of the adoption of this new guidance on our consolidated financial statements.

(3) Earnings (Loss) per Share

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

	Liberty Broadband Common Stock			
	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
	(numbers of shares in thousands)			
Basic WASO	181,323	181,798	181,319	181,784
Potentially dilutive shares (1)	1,148	1,351	1,273	1,313
Diluted WASO	182,471	183,149	182,592	183,097

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

(4) Assets and Liabilities Measured at Fair Value

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

LIBERTY BROADBAND CORPORATION

Notes to Condensed Consolidated Financial Statements

(unaudited)

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

	June 30, 2018			December 31, 2017		
Description	**Total**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Total**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**
			(amounts in thousands)			
Cash equivalents	$ 34,714	34,714	—	76,304	76,304	—
Derivative instruments (1)	$ 45,747	—	45,747	—	—	—

(1) As of June 30, 2018, the Company had an outstanding zero-strike call option on 632,911 shares of Liberty Broadband Series C common stock. The Company paid a premium of $46.5 million in June 2018 for the zero-strike call option. The Company accounted for the zero-strike call option as a financial instrument asset due to its settlement provisions.

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

Volatility	38.0%
Interest rate	2.3%
Dividend yield	0.0%

Other Financial Instruments

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

LIBERTY BROADBAND CORPORATION

Notes to Condensed Consolidated Financial Statements

(unaudited)

Realized and Unrealized Gains (Losses) on Financial Instruments

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

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	(amounts in thousands)			
Derivative instruments (1)	(2,019)	1,370	(2,019)	2,351
	$ (2,019)	1,370	(2,019)	2,351

(1) In April 2017, the Company entered into another zero-strike call option on 600,242 shares of Liberty Broadband Series C common stock. The Company prepaid a premium of $50.0 million in April 2017. Upon expiration in June 2017, the call option was rolled into a new zero-strike call option on 600,242 shares of Liberty Broadband Series C common stock. The Company recognized a realized and unrealized gain on the option as of June 30, 2017. In April 2018, the Company entered into another zero-strike call option on 610,325 shares of Liberty Broadband Series C common stock and prepaid a premium of $47.8 million in April 2018. Liberty Broadband exercised its option to settle the contract in cash in June 2018 for cash proceeds of $46.5 million, and recognized a realized loss on the options as of June 30, 2018. In June 2018, the Company entered into another zero-strike call option on 632,911 shares of Liberty Broadband Series C common stock. The Company recognized an unrealized loss on the options as of June 30, 2018.

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

Through a number of prior years' transactions, Liberty Broadband has acquired an interest in Charter. The investment in Charter is accounted for as an equity method affiliate based on our ownership interest and the board seats held by individuals appointed by Liberty Broadband. As of June 30, 2018, the carrying value of Liberty Broadband's ownership in Charter was approximately $11,892 million. The market value of Liberty Broadband's ownership in Charter as of June 30, 2018 was approximately $15,855 million, which represented an approximate economic ownership of 23.3% of the outstanding equity of Charter as of that date.

Pursuant to proxy agreements with GCI Liberty (see below) and A/N (the "GCI Liberty Proxy" and "A/N Proxy", respectively), Liberty Broadband has an irrevocable proxy to vote certain shares of Charter common stock owned beneficially or of record by GCI Liberty and A/N, for a five year term expiring May 18, 2021, subject to extension upon the mutual agreement of both parties, subject to certain limitations.

In March 2018, Qurate Retail completed its previously announced transactions with GCI Liberty and, in connection with the completion of these transactions, the proxy agreement with Qurate Retail was assigned to GCI Liberty.

As a result of the A/N Proxy and the GCI Liberty Proxy, Liberty Broadband controls 25.01% of the aggregate voting power of Charter following the completion of the Time Warner Cable Merger and the Bright House Transaction and is Charter's largest stockholder.

Additionally, so long as the A/N Proxy is in effect, if A/N proposes to transfer common units of Charter Communications Holdings, LLC (which units are exchangeable into Charter shares and which will, under certain circumstances, result in the conversion of certain shares of Class B Common Stock into Charter shares) or Charter shares, in each case, constituting either (i) shares representing the first 7.0% of the outstanding voting power of Charter held by A/N or (ii) shares representing the last 7.0% of the outstanding voting power of New Charter held by A/N, Liberty Broadband will

LIBERTY BROADBAND CORPORATION

Notes to Condensed Consolidated Financial Statements

(unaudited)

have a right of first refusal ("ROFR") to purchase all or a portion of any such securities A/N proposes to transfer. The purchase price per share for any securities sold to Liberty Broadband pursuant to the ROFR will be the volume-weighted average price of Charter shares for the two trading day period before the notice of a proposed sale by A/N, payable in cash. Certain transfers are permitted to affiliates of A/N, subject to the transferee entity entering into an agreement assuming the transferor's obligations under the A/N Proxy.

Investment in Charter

The excess basis in our investment in Charter has increased to $3,159 million as of June 30, 2018 allocated within memo accounts used for equity accounting purposes as follows (amounts in millions):

	June 30, 2018	December 31, 2017
Property and equipment	$ 349	361
Customer relationships	712	689
Franchise fees	1,753	1,670
Trademarks	29	29
Goodwill	1,104	986
Debt	(103)	(98)
Deferred income tax liability	(685)	(662)
	$ 3,159	2,975

Upon acquisition, Liberty Broadband ascribed remaining useful lives of 7 years and 13 years to property and equipment and customer relationships, respectively, and indefinite lives to franchise fees, trademarks and goodwill. The excess basis of outstanding debt is amortized over the contractual period using the effective interest rate method. The increase in excess basis for the six months ended June 30, 2018, was primarily due to Charter's share buyback program. The Company's share of earnings (losses) of affiliates line item in the accompanying condensed consolidated statements of operations includes expenses of $29.2 million and $16.6 million, net of related taxes, for the three months ended June 30, 2018 and 2017, respectively, and expenses of $57.9 million and $28.7 million, net of related taxes, for the six months ended June 30, 2018 and 2017, respectively, due to the amortization of the excess basis related to assets with identifiable useful lives and debt.

The Company had a dilution loss of $5.2 million and $6.7 million during the three months ended June 30, 2018 and 2017, respectively, and a dilution loss of $32.0 million and $38.8 million during the six months ended June 30, 2018 and 2017, respectively. The dilution losses for the periods presented were attributable to stock option exercises by employees and other third parties at prices below Liberty Broadband's book basis per share.

Accounting Change

Charter adopted the new revenue guidance, as described in note 2, on January 1, 2018 using the modified retrospective transition method with a cumulative-effect adjustment to equity. The January 1, 2018 adoption cumulative-effect adjustment consisted of an increase to other noncurrent assets of $120 million, an increase to accounts payable and accrued liabilities of $71 million, an increase to deferred income tax liabilities of $11 million and an increase to total shareholders' equity of $38 million. Charter applied the cumulative-effect method to all contracts as of January 1, 2018. Operating results for the three and six months ended June 30, 2018 are not materially different than results that would have been reported under previous guidance.

LIBERTY BROADBAND CORPORATION

Notes to Condensed Consolidated Financial Statements

(unaudited)

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

Charter condensed consolidated balance sheets

		June 30, 2018	December 31, 2017
Current assets	$	2,750	2,555
Property and equipment, net		34,411	33,888
Goodwill		29,554	29,554
Intangible assets, net		78,029	79,270
Other assets		1,507	1,356
Total assets	$	146,251	146,623
Current liabilities		14,024	11,090
Deferred income taxes		17,376	17,314
Long-term debt		66,730	68,186
Other liabilities		2,479	2,502
Equity		45,642	47,531
Total liabilities and shareholders' equity	$	146,251	146,623

Charter condensed consolidated statements of operations

		Three months ended June 30,		Six months ended June 30,	
		2018	2017	2018	2017
Revenue	$	10,854	10,357	21,511	20,521
Cost and expenses:					
Operating costs and expenses (excluding depreciation and amortization)		(6,873)	(6,575)	(13,709)	(13,154)
Depreciation and amortization		(2,592)	(2,595)	(5,302)	(5,145)
Other operating expenses, net		(29)	(135)	(98)	(229)
		(9,494)	(9,305)	(19,109)	(18,528)
Operating income		1,360	1,052	2,402	1,993
Interest expense, net		(878)	(749)	(1,729)	(1,462)
Other income (expense), net		(102)	(60)	(42)	(52)
Income tax benefit (expense)		(41)	(48)	(69)	(73)
Net income (loss)		339	195	562	406
Less: Net income attributable to noncontrolling interests		(66)	(56)	(121)	(112)
Net income (loss) attributable to Charter shareholders	$	273	139	441	294

(6) Debt

2017 Margin Loan Facility

On August 31, 2017, a bankruptcy remote wholly owned subsidiary of the Company ("SPV"), entered into a multi-draw margin loan credit facility (the "2017 Margin Loan Facility" and, the credit agreement governing such facility, the "2017 Margin Loan Agreement") with Bank of America, N.A and the lenders thereunder. SPV is permitted, subject to certain funding conditions, to borrow term loans up to an aggregate principal amount equal to $1.0 billion. SPV will also have the ability from time to time to request additional loans in an aggregate principal amount of up to $1.0 billion on an uncommitted basis subject to certain conditions. On April 4, 2018, SPV borrowed $25 million against the 2017 Margin Loan Facility SPV had borrowed $525 million and $500 million as of June 30, 2018 and December 31, 2017, respectively. SPV had $475 million available to be drawn until August 31, 2018. The maturity date of the loans under the 2017 Margin Loan Agreement is August 30, 2019 (except for any incremental loans incurred thereunder to the extent SPV and the incremental lenders agree to a later maturity date). Accordingly, the debt is classified as noncurrent as of June 30, 2018. Borrowings under the 2017 Margin Loan Agreement bear interest at the three-month LIBOR rate plus a per annum spread of 1.5%, unless it is unlawful for the applicable lender to fund or maintain loans based on LIBOR or there are material restrictions on the applicable lender to do so, in which case borrowings under the 2017 Margin Loan Agreement will either (a) bear interest at 0.5% plus the higher of (i) the federal funds rate plus ½ of 1%, (ii) the prime rate and (iii) LIBOR plus 1% for each day during such period or (b) be prepaid. Borrowings outstanding under this margin loan bore interest at a rate of 3.80% per annum at June 30, 2018. Interest is payable quarterly in arrears beginning on September 29, 2017. SPV used available cash and a portion of the proceeds of the loans under the 2017 Margin Loan Facility to repay the two margin loan agreements entered into by a wholly-owned special purpose subsidiary of the Company on October 30, 2014 and two margin loan agreements entered into by another wholly-owned special purpose subsidiary of the Company on March 21, 2016. Borrowings may also be used for distribution as a dividend or a return of capital, for the purchase of margin stock and for general corporate purposes.

The 2017 Margin Loan Agreement contains various affirmative and negative covenants that restrict the activities of SPV (and, in some cases, the Company and its subsidiaries with respect to shares of Charter owned by the Company and its subsidiaries). The 2017 Margin Loan Agreement does not include any financial covenants. The 2017 Margin Loan Agreement also contains restrictions related to additional indebtedness and events of default customary for margin loans of this type.

SPV's obligations under the 2017 Margin Loan Agreement are secured by first priority liens on a portion of the Company's ownership interest in Charter, sufficient for SPV to meet the loan to value requirements under the 2017 Margin Loan Agreement. The 2017 Margin Loan Agreement indicates that no lender party shall have any voting rights with respect to the shares transferred, except to the extent that a lender party buys any shares in a sale or other disposition made pursuant to the terms of the loan agreements. As of June 30, 2018, 6.8 million shares of Charter with a value of $2 billion were pledged as collateral pursuant to the 2017 Margin Loan Agreement.

(7) Stock-Based Compensation

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

Included in the accompanying condensed consolidated statements of operations are the following amounts of stock-based compensation for the three and six months ended June 30, 2018 and 2017 (amounts in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Operating expense	$ 1	1	1	2
Selling, general and administrative	1,386	1,383	2,774	2,603
Research and development	9	45	26	272
	$ 1,396	1,429	2,801	2,877

Liberty Broadband – Grants of Stock Options

There were no options to purchase shares of Series A, Series B or Series C common stock granted during the six months ended June 30, 2018.

The Company calculates the GDFV for all of its equity classified awards and any subsequent remeasurement of its liability classified awards using the Black-Scholes Model. The Company estimates the expected term of the Awards based on historical exercise and forfeiture data. The volatility used in the calculation for Awards is based on the historical volatility of Liberty Broadband common stock and the implied volatility of publicly traded Liberty Broadband options. The Company uses a zero dividend rate and the risk-free rate for Treasury Bonds with a term similar to that of the subject options.

Liberty Broadband – Outstanding Awards

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

	Series A (in thousands)	WAEP	Weighted average remaining contractual life (in years)	Aggregate intrinsic value (in millions)
Outstanding at January 1, 2018	404	$ 33.16		
Granted	—	$ —		
Exercised	(7)	$ 29.57		
Forfeited/cancelled	—	$ —		
Outstanding at June 30, 2018	397	$ 33.23	1.5	$ 17
Exercisable at June 30, 2018	396	$ 33.18	1.5	$ 17

	Series C	WAEP	Weighted average remaining contractual life	Aggregate intrinsic value
	(in thousands)		(in years)	(in millions)
Outstanding at January 1, 2018	2,388	$ 43.35		
Granted	—	$ —		
Exercised	(35)	$ 30.08		
Forfeited/cancelled	—	$ —		
Outstanding at June 30, 2018	2,353	$ 43.55	4.8	$ 76
Exercisable at June 30, 2018	833	$ 34.55	1.7	$ 34

As of June 30, 2018, the total unrecognized compensation cost related to unvested Awards was approximately$7 million. Such amount will be recognized in the Company's condensed consolidated statements of operations over a weighted average period of approximately 1.6 years.

As of June 30, 2018, Liberty Broadband reserved 2.8 million shares of Series A and Series C common stock for issuance under exercise privileges of outstanding stock Awards.

Skyhook Equity Incentive Plans

Long-Term Incentive Plans

Skyhook has a long-term incentive plan which provides for the granting of phantom stock appreciation rights (“PARs”) and phantom stock units (“PSUs”) to employees, directors, and consultants of Skyhook that is not significant to Liberty Broadband. As of June 30, 2018 and December 31, 2017, $0.9 million and $1.2 million, respectively, are included in other liabilities for the fair value (Level 2) of the Company’s long-term incentive plan obligations.

(8) Commitments and Contingencies

General Litigation

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

Certain Risks and Concentrations

The Skyhook business is subject to certain risks and concentrations including dependence on relationships with its customers. The Company’s largest customers, that accounted for greater than 10% of revenue, aggregated 72% and 61% of total revenue for the three months ended June 30, 2018 and 2017, respectively, and 67% and 58% of total revenue for the six months ended June 30, 2018 and 2017, respectively.

Off-Balance Sheet Arrangements

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

LIBERTY BROADBAND CORPORATION

Notes to Condensed Consolidated Financial Statements

(unaudited)

(9) Segment Information

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

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

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

For the six months ended June 30, 2018, Liberty Broadband has identified the following consolidated company and equity method investment as its reportable segments:

- Skyhook—a wholly owned subsidiary of the Company that provides the Precision Location Solution (a location determination service) and Geospatial Insights product (a location intelligence and data insights service).
- Charter—an equity method investment that is one of the largest providers of cable services in the United States, offering a variety of entertainment, information and communications solutions to residential and commercial customers.

Liberty Broadband's operating segments are strategic business units that offer different products and services. They are managed separately because each segment requires different technologies, distribution channels and marketing strategies. The accounting policies of the segments that are also consolidated companies are the same as those described in the Company's summary of significant accounting policies in the Company's annual financial statements. We have included amounts attributable to Charter in the tables below. Although Liberty Broadband owns less than 100% of the outstanding shares of Charter, 100% of the Charter amounts are included in the schedule below and subsequently eliminated in order to reconcile the account totals to the Liberty Broadband condensed consolidated financial statements.

LIBERTY BROADBAND CORPORATION

Notes to Condensed Consolidated Financial Statements

(unaudited)

Performance Measures

	Three months ended June 30,			
	2018		2017	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
	(amounts in thousands)			
Skyhook	$ 3,371	(1,023)	3,073	(3,299)
Charter	10,854,000	4,022,000	10,357,000	3,712,000
Corporate and other	—	(1,753)	—	(1,656)
	10,857,371	4,019,224	10,360,073	3,707,045
Eliminate equity method affiliate	(10,854,000)	(4,022,000)	(10,357,000)	(3,712,000)
Consolidated Liberty Broadband	$ 3,371	(2,776)	3,073	(4,955)

	Six months ended June 30,			
	2018		2017	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
	(amounts in thousands)			
Skyhook	$ 15,162	5,076	6,213	(5,859)
Charter	21,511,000	7,846,000	20,521,000	7,272,000
Corporate and other	—	(3,292)	—	(3,057)
	21,526,162	7,847,784	20,527,213	7,263,084
Eliminate equity method affiliate	(21,511,000)	(7,846,000)	(20,521,000)	(7,272,000)
Consolidated Liberty Broadband	$ 15,162	1,784	6,213	(8,916)

Other Information

	June 30, 2018		
	Total assets	Investments in affiliates	Capital expenditures
	(amounts in thousands)		
Skyhook	$ 28,567	—	24
Charter	146,251,000	—	4,574,000
Corporate and other	11,974,361	11,891,637	—
	158,253,928	11,891,637	4,574,024
Eliminate equity method affiliate	(146,251,000)	—	(4,574,000)
Consolidated Liberty Broadband	$ 12,002,928	11,891,637	24

LIBERTY BROADBAND CORPORATION

Notes to Condensed Consolidated Financial Statements

(unaudited)

The following table provides a reconciliation of consolidated segment Adjusted OIBDA to Operating income (loss) and Earnings (loss) before income taxes:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	(amounts in thousands)			
Consolidated segment Adjusted OIBDA	$ (2,776)	(4,955)	1,784	(8,916)
Stock-based compensation	(1,396)	(1,429)	(2,801)	(2,877)
Depreciation and amortization	(899)	(949)	(1,808)	(1,902)
Operating income (loss)	(5,071)	(7,333)	(2,825)	(13,695)
Interest expense	(6,035)	(4,826)	(11,072)	(9,381)
Dividend and interest income	193	459	418	797
Share of earnings (loss) of affiliates, net	32,911	11,467	42,213	30,389
Realized and unrealized gains (losses) on financial instruments, net	(2,019)	1,370	(2,019)	2,351
Gain (loss) on dilution of investment in affiliate	(5,205)	(6,659)	(31,962)	(38,797)
Other, net	—	3	—	2
Earnings (loss) before income taxes	$ 14,774	(5,519)	(5,247)	(28,334)

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

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

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

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

For additional risk factors, please see Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2017. These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Quarterly Report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based.

The following discussion and analysis provides information concerning our results of operations and financial condition. This discussion should be read in conjunction with our accompanying condensed consolidated financial statements and the notes thereto and our Annual Report on Form 10-K for the year ended December 31, 2017. Additionally, see note 2 to the accompanying condensed consolidated financial statements for an overview of new accounting standards that we have adopted or that we plan to adopt that have had or may have an impact on our financial statements.

Overview

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

On May 18, 2016, Time Warner Cable merged with Legacy Charter (the "Time Warner Cable Merger"). In connection with the Time Warner Cable Merger, Legacy Charter underwent a corporate reorganization, resulting in CCH I, LLC, a former subsidiary of Legacy Charter ("Charter"), becoming the new publicly traded parent company. Also on May 18, 2016, the previously announced acquisition of Bright House Networks, LLC ("Bright House") from Advance/Newhouse Partnership ("A/N") by Charter (the "Bright House Transaction") was completed. In connection with the Time Warner Cable Merger and Bright House Transaction, Liberty Broadband entered into certain agreements with Legacy Charter, Charter, Liberty Interactive Corporation, now known as Qurate Retail, Inc. ("Qurate Retail") effective April 9, 2018, and Time Warner Cable. In connection with the Time Warner Cable Merger and Bright House Transaction, Liberty Broadband exchanged its shares of Time Warner Cable for shares of Charter and purchased additional shares of Charter. As a result, and pursuant to proxy agreements with GCI Liberty, Inc. and A/N, Liberty Broadband controls 25.01% of the aggregate voting power of Charter. In addition, in connection with the Time Warner Cable Merger, Liberty Broadband funded its purchase of shares of Charter Class A common stock using proceeds of $4.4 billion related to subscriptions for approximately 78.3 million newly issued shares of Liberty Broadband Series C common stock.

The Company's wholly owned subsidiary, Skyhook Holding, Inc. ("Skyhook"), focuses on the development and sale of Skyhook's device-based location technology. Skyhook markets and sells two primary products: (1) a location determination service called the Precision Location Solution; and (2) a location intelligence and data insights service called Geospatial Insights.

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

Results of Operations—Consolidated—June 30, 2018 and 2017

Consolidated operating results:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	(amounts in thousands)			
Revenue	$ 3,371	3,073	15,162	6,213
Operating expense	500	706	966	1,320
Research and development	1,519	2,339	2,945	4,502
Selling, general and administrative	4,128	4,983	9,467	9,307
Stock-based compensation	1,396	1,429	2,801	2,877
Depreciation and amortization	899	949	1,808	1,902
Operating income (loss)	(5,071)	(7,333)	(2,825)	(13,695)
Less impact of stock-based compensation and depreciation and amortization	2,295	2,378	4,609	4,779
Adjusted OIBDA	$ (2,776)	(4,955)	1,784	(8,916)

Revenue

Revenue increased $298 thousand and $8.9 million for the three and six months ended June 30, 2018, respectively, as compared to the corresponding periods in the prior year. The increase in revenue for the six months ended June 30, 2018, as compared to the corresponding period in the prior year, was due to a new license agreement entered into during the period. On February 16, 2018, Skyhook entered into a license agreement pursuant to which Skyhook agreed to grant to the licensee a perpetual, non-exclusive, non-transferable, worldwide license to patents and patent applications owned by Skyhook. In exchange for this grant, the licensee agreed to pay a one-time lump sum payment of $8.5 million that was recognized as revenue during the three months ended March 31, 2018.

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

Operating expense decreased by $206 thousand and $354 thousand for the three and six months ended June 30, 2018, respectively, as compared to the corresponding periods in the prior year. Research and development expense decreased by $820 thousand and $1.6 million for the three and six months ended June 30, 2018, respectively, as compared to the corresponding periods in the prior year. The decreases in operating expense and research and development expense were primarily due to headcount reductions and other cost containment measures taken by Skyhook in late 2017. Selling, general, and administrative expense decreased by $855 thousand and increased by $160 thousand for the three and six months ended June 30, 2018, respectively, as compared to the corresponding periods in the prior year. The decrease in selling, general and administrative expense during the three-month period was primarily due to headcount reductions and other cost containment measures taken by Skyhook in late 2017. The increase in selling, general and administrative expense during the six-month period was primarily as a result of increased legal expenses of $925 thousand and other costs associated with the license agreement, partially offset by decreased expenses resulting from headcount reductions and other cost containment measures taken by Skyhook in late 2017.

Stock-based compensation

The decrease in stock-based compensation expense of $33 thousand and $76 thousand for the three and six months ended June 30, 2018, respectively, as compared to the corresponding periods in the prior year, was primarily due to a reduction in the fair value of outstanding grants, partially offset by additional grants of awards, and the ongoing vesting of outstanding grants.

Depreciation and amortization

Depreciation and amortization expense decreased by $50 thousand and $94 thousand during the three and six months ended June 30, 2018, as compared to the corresponding periods in the prior year, due to certain assets becoming fully depreciated.

Operating income (loss)

Operating income increased $2.3 million and $10.9 million for the three and six months ended June 30, 2018, respectively, as compared to the corresponding periods in the prior year due to the items discussed above.

Adjusted OIBDA

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

Adjusted OIBDA increased $2.2 million and $10.7 million during the three and six months ended June 30, 2018, respectively, as compared to the corresponding periods in the prior year. The increase in Skyhook Adjusted OIBDA for the three and six months ended June 30, 2018, as compared to the corresponding periods in the prior year, was due to the new license agreement entered into during the three months ended March 31, 2018, coupled with lower operating expenses resulting from headcount reductions and other cost containment measures discussed above, partially offset by increased legal expenses and other costs associated with the license agreement discussed above.

Other Income and Expense

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

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	(amounts in thousands)			
Other income (expense):				
Interest expense	$ (6,035)	(4,826)	(11,072)	(9,381)
Dividend and interest income	193	459	418	797
Share of earnings (losses) of affiliates	32,911	11,467	42,213	30,389
Realized and unrealized gains (losses) on financial instruments, net	(2,019)	1,370	(2,019)	2,351
Gain (loss) on dilution of investment in affiliate	(5,205)	(6,659)	(31,962)	(38,797)
Other, net	—	3	—	2
	$ 19,845	1,814	(2,422)	(14,639)

Interest expense

Interest expense increased $1.2 million and $1.7 million during the three and six months ended June 30, 2018, respectively, as compared to the corresponding periods in the prior year. The increase was primarily due to an increase in our weighted average interest rate during the current period as compared to corresponding periods in the prior year.

Dividend and interest income

Dividend and interest income decreased $266 thousand and $379 thousand during the three and six months ended June 30, 2018, respectively, as compared to the corresponding periods in the prior year. The decrease in dividend and interest income for the three and six months ended June 30, 2018, as compared to the corresponding periods in the prior year, was the result of lower cash balances in the current period.

Share of earnings (losses) of affiliates

Share of earnings of affiliates increased $21.4 million and $11.8 million during the three and six months ended June 30, 2018, respectively, as compared to the corresponding periods in the prior year. The Company's Share of earnings (losses) of affiliates line item in the accompanying condensed consolidated statements of operations includes expenses of $29.2 million and $16.6 million, net of related taxes, for the three months ended June 30, 2018 and 2017, respectively, and expenses of $57.9 million and $28.7 million, net of related taxes, for the six months ended June 30, 2018 and 2017, respectively, due to the increase in excess basis of assets with identifiable useful lives and debt, which was primarily due to Charter's share buyback program. The increase in the share of earnings of affiliates in the three and six months ended June 30, 2018, respectively, as compared to the corresponding periods in the prior year, was the result of increased net income at Charter.

The following is a discussion of Charter's results of operations. In order to provide a better understanding of Charter's operations, we have included a summarized presentation of Charter's results from operations.

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	(amounts in millions)			
Revenue	$ 10,854	10,357	21,511	20,521
Operating expenses, excluding stock-based compensation	(6,832)	(6,645)	(13,665)	(13,249)
Adjusted OIBDA	4,022	3,712	7,846	7,272
Depreciation and amortization	(2,592)	(2,595)	(5,302)	(5,145)
Stock-based compensation	(70)	(65)	(142)	(134)
Operating income	1,360	1,052	2,402	1,993
Other expenses, net	(980)	(809)	(1,771)	(1,514)
Net earnings (loss) before income taxes	380	243	631	479
Income tax benefit (expense)	(41)	(48)	(69)	(73)
Net earnings (loss)	$ 339	195	562	406

Charter net earnings increased $144 million and $156 million for the three and six months ended June 30, 2018, respectively, as compared to the corresponding periods in the prior year.

Charter's revenue increased $497 million and $990 million for the three and six months ended June 30, 2018, respectively, as compared to the corresponding periods in the prior year, primarily due to increases in the number of residential Internet and commercial business customers, as well as price adjustments offset by a decrease in residential video and voice customers.

The increase in revenue during the three and six months ended June 30, 2018 was partially offset by the net impact of an increase in operating expenses, excluding stock-based compensation, of $187 million and $416 million, respectively, as compared to the corresponding periods in the prior year. Operating costs increased primarily due to rising programming costs.

Programming costs increased as a result of contractual rate adjustments, including renewals and increases in amounts paid for retransmission consents, higher expanded basic video package customers partly offset by one-time programming benefits during the three and six months ended June 30, 2018. Charter expects programming expenses will continue to increase due to a variety of factors, including annual increases imposed by programmers with additional selling power as a result of media consolidation, increased demands by owners of broadcast stations for payment for retransmission consent or linking carriage of other services to retransmission consent, and additional programming, particularly new services. Charter has been unable to fully pass these increases on to its customers nor does it expect to be able to do so in the future without a potential loss of customers.

Charter's Adjusted OIBDA for the three and six months ended June 30, 2018 increased as a result of the discussion above.

Depreciation and amortization expense decreased $3 million and increased $157 million during the three and six months ended June 30, 2018, respectively, as compared to the corresponding periods in the prior year. The decrease during the three months ended June 30, 2018 compared to the corresponding period in 2017 was primarily due to a decrease in depreciation and amortization on assets acquired from TWC and Bright House. Both time periods were also impacted by an increase in depreciation as a result of more recent capital expenditures, offset by certain assets becoming fully depreciated.

Charter's results were also impacted by an increase in other expenses, net of $171 million and $257 million for the three and six months ended June 30, 2018, respectively. The increase in other expenses, net was primarily due to additional interest expense that was recognized during the three and six months ended June 30, 2018, as compared to the corresponding periods in the prior year. The increase in interest expense that was recognized during the three and six months ended June 30, 2018, as compared to the corresponding periods in the prior year, was primarily as a result of an increase in weighted average debt outstanding, primarily due to the issuance of notes throughout 2017 and 2018 for general corporate purposes including stock buybacks.

Income tax expense decreased $7 million and $4 million for the three and six months ended June 30, 2018, respectively, as compared to the corresponding periods in the prior year. Income tax expense decreased year over year as a result of the impacts of federal tax reform and state tax rate changes offset by higher pretax income and lower excess tax benefits from share-based compensation.

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

Realized and unrealized gains on financial instruments, net declined $3.4 million and $4.4 million for the three and six months ended June 30, 2018, respectively, as compared to the corresponding periods in the prior year due to losses during related to the zero-strike call options (see discussion in note 4 to the accompanying condensed consolidated financial statements).

Gain (loss) on dilution of investment in affiliate

The loss on dilution of investment in affiliate decreased by $1.5 million and $6.8 million during the three and six months ended June 30, 2018, respectively, as compared to the corresponding periods in the prior year, primarily due to a decrease in issuance of Charter common stock from the exercise of stock options held by employees and other third parties, at prices below Liberty Broadband's book basis per share. As Liberty Broadband's ownership in Charter changes due to exercises of Charter stock options, a loss is recorded with the effective sale of common stock, because the exercise price of Charter stock options is typically lower than the book value of the Charter shares held by Liberty Broadband.

Other, net

Other, net during the three and six months ended June 30, 2017 was primarily attributable to tax penalties.

Income tax benefit (expense)

During the three and six months ended June 30, 2018, we had an income tax expense of $4.2 million and an income tax benefit of $0.8 million, respectively, and the effective rate was approximately 28.4% and 14.4%, respectively. For the three and six months ended June 30, 2017, we had an income tax benefit of $2.5 million and $10.9 million, respectively, and the effective tax rate was approximately 46.1% and 38.5%, respectively. The difference between the effective income tax rate of 28.4% and the U.S. Federal income tax rate of 21% for the three months ended June 30, 2018 was primarily due to unrealized losses attributable to the Company's own stock which is not recognized for tax purposes and the effect of state income taxes. The difference between the effective income tax rate of 14.4% and the U.S. Federal income tax rate of 21% for the six months ended June 30, 2018 was primarily due to unrealized losses attributable to the Company's own stock which is not recognized for tax purposes, partially offset by the effect of state income taxes. The difference between the effective income tax rate of 46.1% and the U.S. Federal income tax rate of 35% for the three months ended June 30, 2017 is primarily due to unrealized gains attributable to the Company's own stock which is not recognized for tax purposes. The difference between the effective income tax rate of 38.5% and the U.S. Federal income tax rate of 35% for the six months ended June 30, 2017 is primarily due to unrealized gain attributable to the Company's own stock, which is not recognized for tax purposes.

Liquidity and Capital Resources

As of June 30, 2018, substantially all of our cash and cash equivalents are invested in U.S. Treasury securities, other government securities or government guaranteed funds, AAA rated money market funds and other highly rated financial and corporate debt instruments.

The following are potential sources of liquidity: available cash balances, cash generated by the operating activities of our privately-owned subsidiaries (to the extent such cash exceeds the working capital needs of the subsidiaries and is not otherwise restricted), proceeds from asset sales, monetization of our investments, outstanding debt facilities, including $475 million available to be drawn under our 2017 Margin Loan Facility until August 31, 2018, debt and equity issuances, and dividend and interest receipts.

As of June 30, 2018, Liberty Broadband had a cash balance of $52 million.

	Six months ended June 30,		
		2018	2017
	(amounts in thousands)		
Cash flow information			
Net cash provided (used) by operating activities	$	(6,593)	(11,314)
Net cash provided (used) by investing activities	$	(24)	(3)
Net cash provided (used) by financing activities	$	(22,178)	2,342

The decrease in cash used by operating activities in the six months ended June 30, 2018, as compared to the corresponding period in the prior year, was primarily driven by the increase in operating income in the current period, as well as the timing of differences in cash receipts and payments.

During the six months ended June 30, 2018 and 2017, net cash flows from financing activities were primarily related to the settlement of the zero-strike call options (see note 4 to the accompanying condensed consolidated financial statements). Net cash flows from financing activities for the six months ended June 30, 2018 was also driven by a drawdown on the 2017 Margin Loan Facility.

The projected use of our cash will be primarily to fund any operational needs of our subsidiary, to service debt, to fund potential investment opportunities, and refinance Liberty Broadband's margin loans, under its 2017 Margin Loan Facility, that come due in 2019. We expect corporate cash to cover corporate expenses for the foreseeable future.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

We are exposed to changes in interest rates primarily as a result of our borrowing and investment activities, which could include investments in fixed and floating rate debt instruments and borrowings used to maintain liquidity and to fund business operations. The nature and amount of our long-term and short-term debt are expected to vary as a result of future requirements, market conditions and other factors. We manage our exposure to interest rates by maintaining what we believe is an appropriate mix of fixed and variable rate debt. We believe this best protects us from interest rate risk. In the future, we could achieve this mix by (i) issuing fixed rate debt that we believe has a low stated interest rate and significant term to maturity, (ii) issuing variable rate debt with appropriate maturities and interest rates and (iii) entering into interest rate swap arrangements when we deem appropriate. As of June 30, 2018, our debt is comprised of the following amounts:

Variable rate debt		Fixed rate debt	
Principal amount	Weighted avg interest rate	Principal amount	Weighted avg interest rate
(dollar amounts in millions)			
$ 525	3.8%	$ —	NA

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

Item 4. Controls and Procedures

In accordance with Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company carried out an evaluation, under the supervision and with the participation of management, including its chief executive officer and its principal accounting and financial officer (the "Executives"), of the effectiveness of its disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Executives concluded that the Company's disclosure controls and procedures were effective as of June 30, 2018 to provide reasonable assurance that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There has been no change in the Company's internal control over financial reporting that occurred during the three and six months ended June 30, 2018 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

Our Annual Report on Form 10-K for the year ended December 31, 2017 includes "Legal Proceedings" under Item 3 of Part I. There have been no material changes from the legal proceedings described in our Form 10-K, except as described below.

Charter and Liberty Broadband – Delaware litigation

In August 2015, a purported stockholder of Charter, Matthew Sciabacucchi, filed a lawsuit in the Delaware Court of Chancery, on behalf of a putative class of Charter stockholders, challenging the transactions involving Charter, TWC, A/N, and Liberty Broadband announced by Charter on May 26, 2015. The lawsuit, which named as defendants Liberty Broadband, Charter and its board of directors, alleged that the challenged transactions resulted from breaches of fiduciary duty by Charter's directors and that Liberty Broadband improperly benefited from the challenged transactions at the expense of other Charter stockholders. Charter and its directors moved to dismiss the lawsuit. In July 2018, the Court of Chancery granted the motion in part and denied it in part, thus permitting the lawsuit to proceed to the discovery phase. Charter denies any liability, believes that it has substantial defenses, and intends to vigorously defend this lawsuit. Although Charter is unable to predict the outcome of this lawsuit, it does not expect the outcome will have a material effect on its operations, financial condition or cash flows.

Other Charter Proceedings

On December 19, 2011, Sprint Communications Company L.P. ("Sprint") filed a complaint in the U.S. District Court for the District of Kansas alleging that Legacy TWC infringed certain U.S. patents purportedly relating to VoIP services. A trial began on February 13, 2017. On March 3, 2017 the jury returned a verdict of $140 million against Legacy TWC and further concluded that Legacy TWC had willfully infringed Sprint's patents. The court subsequently declined to enhance the damage award as a result of the purported willful infringement and awarded Sprint an additional $6 million, representing pre-judgment interest on the damages award. Charter has appealed the case to the United States Court of Appeals for the Federal Circuit. In addition to its appeal, Charter continues to pursue indemnity from one of its vendors and has brought a patent suit against Sprint (TC Tech, LLC v. Sprint) in the U.S. District Court for the District of Delaware implicating Sprint's LTE technology. Charter does not expect that the outcome of this litigation will have a material adverse effect on its operations or financial condition. The ultimate outcome of this litigation or the pursuit of indemnity against Charter's vendor cannot be predicted.

Sprint filed a second suit against Charter on December 2, 2017 in the United States District Court for the District of Delaware. This suit alleges infringement of 15 patents related Charter's provision of VoIP services (ten of which were already asserted against Legacy TWC in the matter described above). Charter is investigating the allegations and will vigorously defend this case. While Charter is unable to predict the outcome of its investigations, it does not expect that this litigation will have a material effect on its operations, financial condition, or cash flows.

Sprint filed another suit against Charter on May 17, 2018 in the United States District Court for the Eastern District of Virginia alleging infringement of three patents related to Charter's video on demand services. Charter is investigating the allegations and will vigorously defend the case. While Charter is unable to predict the outcome of its investigations, it does not expect that this litigation will have a material effect on its operations, financial condition, or cash flows.

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

During this period, the New York Public Service Commission (the "PSC") has issued multiple orders against Charter including denying a simple franchise transfer of a small upstate New York cable system that Charter had planned to quickly upgrade to bring robust broadband services to the community for the first time. These orders include two orders on July 27, 2018 relating to the agreement by which the PSC approved Charter's merger with Time Warner Cable. One order rejected Charter's arguments as to why Charter has complied with the merger conditions and finds that Charter had failed to satisfy one of its merger conditions by not extending its high speed broadband network according to the PSC's recent interpretation of which homes and businesses Charter built to should count, and it directs the initiation of a court action to impose financial and other penalties on Charter. The second order, based primarily upon Charter's progress in meeting its broadband expansion commitment as judged by the PSC, rescinds the PSC's January 2016 approval of Charter's acquisition of Time Warner Cable's New York operations and directs Charter to submit a plan to effect an orderly transition to a successor provider or providers for Charter to cease operations in New York within six months of the order. Such plan has been ordered to be submitted within 60 days of the July 27, 2018 order. On July 30, 2018, the PSC filed a petition for penalties and injunctive relief in the Supreme Court of the State of New York seeking penalties of $100,000 per day from June 18, 2018 and until Charter complies with the PSC order and also seeks injunctive relief from the court to enjoin failure to comply with the New York Public Service Laws or any regulation or order of the PSC. Charter continues to believe that its plain reading of the merger conditions is correct and that it is in compliance with the merger conditions. Charter has substantial defenses and appeal rights regarding the actions of the PSC and is aggressively defending against these unprecedented actions. We expect these proceedings to continue for up to several years. While Charter believes the actions by the PSC are without merit and intends to defend the actions vigorously and does not believe the results of the proceedings will have a material adverse effect on Charter, no assurance can be given that, should an adverse outcome result, it would not be material to Charter's consolidated financial condition, results of operations or liquidity. Charter cannot predict the outcome of the PSC claims nor can it reasonably estimate a range of possible loss in the event of an adverse result.

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

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

During the three months ended June 30, 2018, no shares of Liberty Broadband Series A common stock and no Series C common stock were surrendered by certain of our officers and employees to pay withholding taxes and other deductions in connection with the vesting of their restricted stock.

Item 6. Exhibits

(a) Exhibits

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

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

* Filed herewith

** Furnished herewith

SIGNATURES

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

LIBERTY BROADBAND CORPORATION

Date: August 2, 2018	By: /s/ GREGORY B. MAFFEI Gregory B. Maffei *President and Chief Executive Officer*
Date: August 2, 2018	By: /s/ MARK D. CARLETON Mark D. Carleton *Chief Financial Officer* *(Principal Financial Officer and Principal Accounting Officer)*

EXHIBIT 31.1

CERTIFICATION

I, Gregory B. Maffei, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Liberty Broadband Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements and other financial information included in this quarterly report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))for the registrant and we have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this quarterly report based on such evaluation; and

   d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2018

/s/ GREGORY B. MAFFEI

Gregory B. Maffei
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Mark D. Carleton, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Liberty Broadband Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements and other financial information included in this quarterly report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this quarterly report based on such evaluation; and

   d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2018

/s/ MARK D. CARLETON

Mark D. Carleton
Chief Financial Officer

Exhibit 32

Certification

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

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

The Quarterly Report on Form 10-Q for the period ended June 30, 2018 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 2, 2018

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

Dated: August 2, 2018

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

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