
**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, 2015

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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting 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

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 31, 2015 was:

Series A common stock	26,140,356
Series B common stock	2,467,547
Series C common stock	74,596,350

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LIBERTY BROADBAND CORPORATION

Condensed Consolidated Balance Sheets

(unaudited)

	June 30, 2015	December 31, 2014
	(amounts in thousands)	
<i>Assets</i>		
Current assets:		
Cash and cash equivalents	\$ 766,259	44,809
Trade and other receivables, net	1,739	617
Short-term marketable securities	9,008	9,001
Deferred income tax assets	35,848	11,282
Other current assets	1,389	14,721
Total current assets	814,243	80,430
Investments in available-for-sale securities (note 4)	421,914	360,762
Investments in affiliates, accounted for using the equity method (note 5)	2,436,823	2,498,804
Property and equipment, net	1,200	3,590
Goodwill (note 6)	27,166	27,166
Intangible assets subject to amortization, net (note 6)	11,401	12,915
Deferred income tax assets	16,993	19,540
Other assets, at cost, net of accumulated amortization	627	725
Total assets	<u>\$ 3,730,367</u>	<u>3,003,932</u>
<i>Liabilities and Equity</i>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 9,696	15,953
Deferred revenue	27,555	5,947
Derivative instruments (note 3)	—	75,356
Other current liabilities	7,680	2,340
Total current liabilities	44,931	99,596
Debt (note 7)	412,000	372,000
Deferred revenue	37,749	37,567
Other liabilities	41,132	—
Total liabilities	535,812	509,163
<i>Equity</i>		
Preferred stock, \$.01 par value. Authorized 50,000,000 shares; no shares issued	—	—
Series A common stock, \$.01 par value. Authorized 500,000,000 shares; issued and outstanding 26,139,022 shares at June 30, 2015 and 26,126,459 shares at December 31, 2014	261	261
Series B common stock, \$.01 par value. Authorized 18,750,000 shares; issued and outstanding 2,467,547 shares at June 30, 2015 and December 31, 2014	25	25
Series C common stock, \$.01 par value. Authorized 500,000,000 shares; issued and outstanding 74,593,647 shares at June 30, 2015 and 57,189,897 shares at December 31, 2014	746	572
Additional paid-in capital	3,537,193	2,835,373
Accumulated other comprehensive earnings, net of taxes	8,201	7,918
Retained earnings (accumulated deficit)	(351,871)	(349,380)
Total equity	3,194,555	2,494,769
Commitments and contingencies (note 10)		
Total liabilities and equity	<u>\$ 3,730,367</u>	<u>3,003,932</u>

See accompanying notes to the condensed consolidated financial statements.

LIBERTY BROADBAND CORPORATION
Condensed Consolidated Statements of Operations
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(amounts in thousands, except per share amounts)			
Revenue:				
Service	\$ 10,126	14,651	20,339	29,251
Product and technology	2,519	2,495	5,622	4,816
Total revenue	12,645	17,146	25,961	34,067
Operating costs and expenses				
Operating, including stock-based compensation (note 8)	868	1,714	3,357	3,775
Selling, general and administrative, including stock-based compensation (note 8)	10,660	16,565	22,576	29,926
Research and development, including stock-based compensation (note 8)	3,675	4,784	9,376	9,196
Net gain on legal settlement (note 10)	—	—	(60,505)	—
Depreciation and amortization	856	2,481	4,100	4,104
	16,059	25,544	(21,096)	47,001
Operating income (loss)	(3,414)	(8,398)	47,057	(12,934)
Other income (expense):				
Interest expense	(1,919)	—	(3,680)	—
Dividend and interest income	230	1,580	1,266	3,003
Share of earnings (losses) of affiliates (note 5)	(18,698)	(31,776)	(61,748)	(61,426)
Realized and unrealized gains (losses) on financial instruments, net (note 3)	12,354	48,979	11,025	36,277
Gain (loss) on dilution of investment in affiliate (note 5)	(852)	(4,371)	(1,262)	(50,209)
Other, net	48	(23)	24	(68)
Net earnings (loss) before income taxes	(12,251)	5,991	(7,318)	(85,357)
Income tax benefit (expense)	4,442	(4,087)	4,827	29,546
Net earnings (loss) attributable to Liberty Broadband shareholders	\$ (7,809)	1,904	(2,491)	(55,811)
Basic net earnings (losses) attributable to Series A, Series B and Series C Liberty Broadband shareholders per common share (note 2)	\$ (0.08)	0.02	(0.02)	(0.63)
Diluted net earnings (losses) attributable to Series A, Series B and Series C Liberty Broadband shareholders per common share (note 2)	\$ (0.08)	0.02	(0.02)	(0.63)

See accompanying notes to the condensed consolidated financial statements.

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2015	2014	2015	2014
	(amounts in thousands)			
Net earnings (loss)	\$ (7,809)	1,904	(2,491)	(55,811)
Other comprehensive earnings (loss), net of taxes:				
Unrealized holding gains (losses) arising during the period	(119)	(185)	(370)	(2,602)
Share of other comprehensive earnings (loss) of equity method affiliates	327	785	653	1,887
Other comprehensive earnings (loss), net of taxes	208	600	283	(715)
Comprehensive earnings (loss) attributable to Liberty Broadband shareholders	\$ (7,601)	2,504	(2,208)	(56,526)

See accompanying notes to the condensed consolidated financial statements.

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

	Six months ended June 30,	
	2015	2014
	(amounts in thousands)	
Cash flows from operating activities:		
Net earnings (loss)	\$ (2,491)	(55,811)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Depreciation and amortization	4,100	4,104
Stock-based compensation	3,331	545
Excess tax benefit from stock-based compensation	(2,001)	—
Share of (earnings) losses of affiliates	61,748	61,426
Realized and unrealized (gains) losses on financial instruments, net	(11,025)	(36,277)
(Gain) loss on dilution of investment in affiliate	1,262	50,209
Deferred income tax expense (benefit)	(22,168)	(37,509)
Other, net	(1,208)	(9)
Changes in operating assets and liabilities:		
Current and other assets	(374)	977
Payables and other liabilities	31,956	43,214
Net cash provided by operating activities	<u>63,130</u>	<u>30,869</u>
Cash flows from investing activities:		
Capital expended for property and equipment	(231)	(759)
Cash paid for acquisitions, net of cash acquired	—	(48,088)
Investments in equity method affiliates	—	(124,492)
Amounts loaned to former parent	—	(60,723)
Repayments by former parent on loan receivable	—	39,101
Other investing activities, net	(7)	(4)
Net cash used in investing activities	<u>(238)</u>	<u>(194,965)</u>
Cash flows from financing activities:		
Cash received from rights offering	697,309	—
Borrowings of debt	40,000	—
Proceeds from issuances of financial instruments	30,158	32,415
Payments from settlements of financial instruments	(115,106)	(32,415)
Excess tax benefit from stock-based compensation	2,001	—
Contribution from (distribution to) former parent, net	—	171,310
Other financing activities, net	4,196	—
Net cash provided by financing activities	<u>658,558</u>	<u>171,310</u>
Net increase in cash	721,450	7,214
Cash and cash equivalents, beginning of period	44,809	9,251
Cash and cash equivalents, end of period	<u>\$ 766,259</u>	<u>16,465</u>

See accompanying notes to the condensed consolidated financial statements.

LIBERTY BROADBAND CORPORATION
Condensed Consolidated Statement of Equity
(unaudited)

	Preferred Stock	Common stock			Additional paid-in capital	Accumulated other comprehensive earnings	Retained earnings (accumulated) deficit	Total equity
		Series A	Series B	Series C				
	(amounts in thousands)							
Balance at January 1, 2015	\$ —	261	25	572	2,835,373	7,918	(349,380)	2,494,769
Net earnings (loss)	—	—	—	—	—	—	(2,491)	(2,491)
Other comprehensive earnings (loss)	—	—	—	—	—	283	—	283
Stock-based compensation	—	—	—	—	2,572	—	—	2,572
Issuance of common stock upon exercise of stock options	—	—	—	1	111	—	—	112
Excess tax benefits from stock-based compensation	—	—	—	—	2,001	—	—	2,001
Common stock issued pursuant to the rights offering	—	—	—	173	697,136	—	—	697,309
Balance at June 30, 2015	<u>\$ —</u>	<u>261</u>	<u>25</u>	<u>746</u>	<u>3,537,193</u>	<u>8,201</u>	<u>(351,871)</u>	<u>3,194,555</u>

See accompanying notes to the condensed consolidated financial statements.

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

(1) Basis of Presentation

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

In the Broadband Spin-Off, record holders of Liberty Series A, Series B and Series C common stock received one-fourth of a share of the corresponding series of Liberty Broadband common stock for each share of Liberty common stock held by them as of 5:00 p.m., New York City time, on October 29, 2014 (the record date), with cash paid in lieu of fractional shares. This resulted in the issuance of an aggregate 85,761,332 shares of Series A, Series B and Series C Liberty Broadband common stock. In addition, following the completion of the Broadband Spin-Off, on December 10, 2014, stockholders received a subscription right to acquire one share of Series C Liberty Broadband common stock for every five shares of Liberty Broadband common stock they held as of 5:00 p.m., New York City time, on December 4, 2014 (the rights record date) at a per share subscription price of \$40.36, which was a 20% discount to the 20-trading day volume weighted average trading price of the Series C Liberty Broadband common stock following the completion of the Broadband Spin-Off. The rights offering was fully subscribed on January 9, 2015, with 17,277,224 shares of Series C common stock issued to those rights holders exercising basic and, as applicable, oversubscription privileges for total proceeds of \$697 million. The subscription rights were issued to raise capital for general corporate purposes of Liberty Broadband. The Broadband Spin-Off and rights offering are intended to be tax-free to stockholders of Liberty and Liberty Broadband, respectively. 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.

The accompanying (a) condensed consolidated balance sheet as of December 31, 2014, 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, 2014. All significant intercompany accounts and transactions have been eliminated in the condensed consolidated financial statements.

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

LIBERTY BROADBAND CORPORATION

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

of non-financial instruments, (iii) the fair value of financial instruments, (iv) revenue recognition and (v) accounting for income taxes to be its most significant estimates.

In May 2014, the Financial Accounting Standards Board issued new accounting guidance on revenue from contracts with customers. The new guidance requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated guidance will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a retrospective or cumulative effect transition method. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The Company is currently evaluating the effect that the updated standard will have on its revenue recognition and has not yet selected a transition method but does not believe that the standard will significantly impact its financial statements and related disclosures.

Liberty Broadband holds investments that are accounted for using the equity method. Liberty Broadband does not control the decision making process or business management practices of these affiliates. Accordingly, Liberty Broadband relies on management of these affiliates 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 affiliates' independent auditors on the financial statements of such affiliates. The Company is not aware, however, of any errors in or possible misstatements of the financial information provided by its equity affiliates that would have a material effect on Liberty Broadband's condensed consolidated financial statements.

During the six months ended June 30, 2015, Liberty Broadband entered into certain agreements with Charter, Liberty Interactive Corporation ("Liberty Interactive") and Time Warner Cable in connection with certain proposed transactions among these companies. See note 5 for additional detail regarding these transactions and corresponding agreements.

Spin-Off of Liberty Broadband from Liberty Media Corporation

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

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

LIBERTY BROADBAND CORPORATION

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

be negotiated semi-annually. Under these various agreements, approximately \$265 thousand and \$1.1 million was reimbursable to Liberty for the three and six months ended June 30, 2015, respectively.

Acquisition of Skyhook Wireless, Inc.

On February 14, 2014, TruePosition acquired 100% of the outstanding common shares of Skyhook Wireless, Inc. (“Skyhook”), a Delaware corporation, for approximately \$57.5 million in cash. Skyhook is a provider of hybrid wireless positioning technology and contextual location intelligence. Acquisition related costs of \$68 thousand and \$958 thousand are included in selling, general and administrative expenses for the three and six months ended June 30, 2014, respectively. TruePosition used its cash plus a capital contribution of \$49.4 million from Liberty during 2014 to fund the acquisition. Upon the acquisition of Skyhook, TruePosition placed \$6.0 million of the cash consideration into an escrow account for use to settle any indemnification claims made by TruePosition during the 12 months subsequent to closing the acquisition. There were no claims made against the escrow account, and the full amount was released to the selling parties during February 2015. In mid November 2014, Skyhook was notified that one of its significant customers was not expected to renew its contract for 2015. Due to the anticipated decline in Skyhook’s operations as a result of the loss of this customer, the Company recorded a \$35.2 million impairment loss related to TruePosition’s goodwill and intangible assets related to Skyhook during December 2014.

(2) Earnings (Loss) per Share

Basic earnings (loss) per common share (“EPS”) is computed by dividing net earnings (loss) by the weighted average number of common shares outstanding 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 Company issued 85,761,332 common shares, which is the aggregate number of shares of Series A, Series B and Series C common stock outstanding upon the completion of the Broadband Spin-Off on November 4, 2014. Additionally, as part of the rights offering, Liberty Broadband distributed subscription rights, which were priced at a discount to the market value, to all holders of Liberty Broadband common stock (see further discussion in note 1). The rights offering, because of the discount, is considered a stock dividend which requires retroactive treatment for prior periods for the weighted average shares outstanding based on a factor applied determined by the fair value per share immediately prior to the rights exercise and the theoretical fair value after the rights exercise. The number of shares issued upon completion of the Broadband Spin-Off, adjusted for the rights factor, was used to determine both basic and diluted earnings (loss) per share for the three and six months ended June 30, 2014, as no Company equity awards were outstanding prior to the Broadband Spin-Off. Basic earnings (loss) per share subsequent to the completion of the Broadband Spin-Off is computed using the weighted average number of shares outstanding (“WASO”) during the period. Diluted earnings (loss) per share subsequent to the Broadband Spin-Off is computed using the WASO during the period, adjusted for potentially dilutive equity awards outstanding during the same period.

	Liberty Broadband Common Stock			
	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
	(numbers of shares in thousands)			
Basic EPS	103,001	88,343	101,689	88,343
Potentially dilutive shares	649	NA	615	NA
Diluted EPS	103,650	88,343	102,304	88,343

LIBERTY BROADBAND CORPORATION

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

(3) Assets and Liabilities Measured at Fair Value

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

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

Description	June 30, 2015			December 31, 2014		
	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 and cash equivalents	\$ 745,178	745,178	—	36,002	36,002	—
Short-term marketable securities	\$ 9,008	9,008	—	9,001	9,001	—
Available-for-sale securities	\$ 421,914	421,914	—	360,762	360,762	—
Time Warner Cable financial instruments (1) (2)	\$ (41,132)	—	(41,132)	(75,356)	—	(75,356)

- (1) As of December 31, 2014, the Company had an outstanding written call option on 625,000 Time Warner Cable shares with a strike price of \$92.02 per share which expired in February 2015. Upon expiration, this written call option was rolled into a new written call option on 625,000 Time Warner Cable shares with a strike price of \$100.39 per share which the Company cash settled during June 2015 for \$48.3 million. Additionally, as of December 31, 2014, the Company had another outstanding written call option on 625,000 Time Warner Cable shares with a strike price of \$90.84 per share which the Company cash settled during April 2015 for \$36.7 million.
- (2) On March 27, 2015, Liberty Broadband entered into a cashless collar agreement with a financial institution on 1.7 million Time Warner Cable shares held by the Company with a put option strike price of \$136.80 per share and a call option strike price of \$161.62 per share. The collar was originally scheduled to expire during March 2017. Accordingly, the liability associated with this instrument is included in the Other liabilities line item on the face of the condensed consolidated balance sheet as of June 30, 2015. The Company unwound the agreement during July 2015 for \$67.1 million cash paid to the counterparty. In connection with this collar agreement, the Company also entered into a revolving loan agreement with an availability of \$234 million, which was terminated upon unwinding of the collar agreement during July 2015 (note 7).

LIBERTY BROADBAND CORPORATION

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

The fair value of Level 2 derivative liabilities were derived from a Black-Scholes model using observable market data as the significant inputs. The inputs used in the model during the period (exclusive of the applicable trading price of Time Warner Cable stock and the strike prices associated with the call options and collar agreement) were as follows:

	Range	
Volatility	17.4 %	21.4 %
Interest rate	0.41 %	0.65 %
Dividend yield	0 %	0.24 %

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. The carrying amount approximates fair value due to the short maturity of these instruments as reported on our condensed consolidated balance sheets.

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,	
	2015	2014	2015	2014
	(amounts in thousands)			
Charter warrants (1)	\$ NA	38,421	NA	23,209
Time Warner Cable investment and financial instruments	12,354	10,558	11,025	13,068
	<u>\$ 12,354</u>	<u>48,979</u>	<u>11,025</u>	<u>36,277</u>

(1) As discussed in note 5, Liberty Broadband exercised all of the Company's outstanding warrants to purchase shares of Charter common stock during November 2014, subsequent to the completion of the Broadband Spin-Off.

(4) Investments in Available-for-Sale Securities

All marketable equity and debt securities held by the Company are classified as available-for-sale ("AFS") and are carried at fair value generally based on quoted market prices. GAAP permits entities to choose to measure many financial instruments, such as AFS securities, and certain other items at fair value and to recognize the changes in fair value of such instruments in the entity's statements of operations. The Company has elected to account for those of its AFS securities which it considers to be nonstrategic ("Fair Value Option Securities") at fair value. Accordingly, changes in the fair value of Fair Value Option Securities, as determined by quoted market prices, are reported in realized and unrealized gains (losses) on financial instruments in the accompanying condensed consolidated statements of operations.

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

Investments in AFS securities, including our interest in Time Warner Cable which is our only Fair Value Option Security, are summarized as follows:

	June 30, 2015	December 31, 2014
	(amounts in thousands)	
Time Warner Cable (a)	\$ 421,364	359,615
Other equity securities	550	1,147
Total investments in available-for-sale securities	<u>\$ 421,914</u>	<u>360,762</u>

- (a) As discussed in note 3, on March 27, 2015, Liberty Broadband entered into a cashless collar agreement with a financial institution on 1.7 million Time Warner Cable shares held by the Company. In connection with this collar agreement, the Company also entered into a revolving loan agreement, pursuant to which the Company drew \$40 million during April 2015. 1.7 million shares of Time Warner Cable were pledged as collateral to borrowings outstanding under this loan (note 7). The Company unwound the collar agreement and corresponding revolving loan agreement during July 2015 and the shares of Time Warner Cable pledged as collateral to the revolving loan agreement were released.

Unrealized Holding Gains and Losses

As of June 30, 2015 and December 31, 2014, the gross unrealized holding gains related to investments in AFS securities were \$223 thousand and \$820 thousand, respectively. There were no gross unrealized holding losses related to investment in AFS securities for the periods presented.

(5) Investments in Affiliates Accounted for Using the Equity Method

In May 2013, Liberty acquired approximately 26.9 million shares of common stock and approximately 1.1 million warrants to purchase shares of Charter common stock for approximately \$2.6 billion, which represented an approximate 27% beneficial ownership (including the warrants on an as if converted basis) in Charter at the time of purchase and a price per share of \$95.50. Liberty funded the purchase with a combination of cash on hand of approximately \$1.2 billion and new margin loan arrangements. Liberty allocated the purchase price between the shares of common stock and the warrants acquired in the transaction by determining the fair value of the publicly traded warrants and allocating the remaining balance to the shares acquired, which resulted in an excess basis in the investment of \$2,532.3 million. The investment in Charter is accounted for as an equity method affiliate based on the ownership interest obtained and the board seats held by individuals appointed by Liberty.

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

As of June 30, 2015, the carrying value of Liberty Broadband's ownership in Charter was approximately \$2,437 million. The market value of Liberty Broadband's ownership in Charter as of June 30, 2015 was approximately \$4,939 million, which represented an approximate ownership of 26% of the outstanding equity of Charter as of that date.

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

Due to the amortization of amortizable assets acquired, losses due to warrant and stock option exercises at Charter (as discussed below) and the acquisition of additional shares of Charter, the excess basis has decreased to \$2,445 million as of June 30, 2015 and has been allocated within memo accounts used for equity accounting purposes as follows (amounts in millions):

Property and equipment	\$	394
Customer relationships		615
Franchise fees		1,452
Trademarks		36
Goodwill		954
Debt		(149)
Deferred income tax liability		(857)
	\$	<u>2,445</u>

Upon acquisition, Liberty ascribed remaining useful lives of 7 years and 13 years to property and equipment and customer relationships, respectively, and indefinite lives to franchise fees, trademarks and goodwill. The excess basis of outstanding debt is amortized over the contractual period using the effective interest rate method. The Company's share of earnings (losses) from affiliates line item in the accompanying condensed consolidated statements of operations includes earnings of \$12.7 million and expenses of \$20.7 million, net of related taxes, for the three months ended June 30, 2015 and 2014, respectively, and expenses of \$9.8 million and \$40.9 million, net of related taxes, for the six months ended June 30, 2015 and 2014, respectively, due to the amortization of the excess basis related to assets with identifiable useful lives and debt. The excess basis amortization during the three and six months ended June 30, 2015 was offset by the write-off of the excess basis related to debt instruments which Charter repaid during the second quarter of 2015 prior to their contractual maturity.

Due to dilution from Charter warrant and stock option exercises by outside investors (employees and other third parties) at prices below Liberty Broadband's book basis per share, the Company had losses of \$852 thousand and \$4.4 million during the three months ended June 30, 2015 and 2014, respectively, and \$1.3 million and \$50.2 million during the six months ended June 30, 2015 and 2014, respectively.

On March 31, 2015, Liberty Broadband announced its entry into a new stockholders agreement with Charter, a subsidiary of Charter ("New Charter") and Advance/Newhouse Partnership ("A/N") (the "Bright House Stockholders Agreement"), which would have replaced the Company's existing stockholders agreement with Charter, as amended October 14, 2014. Liberty Broadband's entry into the Bright House Stockholders Agreement came as the result of Charter's announcement of a proposed transaction with A/N, pursuant to which New Charter would acquire Bright House Networks ("Bright House") from A/N for \$10.4 billion (the "Bright House Transaction"). The closing of the Bright House Transaction was subject to several conditions, including Charter's receipt of stockholder approval, the expiration of Time Warner Cable's right of first offer for Bright House, the closing of a binding definitive agreement between Charter and Comcast Corporation (the "Comcast Transactions Agreement") and regulatory approval.

As announced by Charter on April 24, 2015, the Comcast Transactions Agreement was terminated by Comcast Corporation. As the closing of the Comcast Transactions Agreement had been a condition to the Bright House Transaction, the parties to the Bright House Stockholders Agreement were to consider and negotiate for a period of 30 days in good faith, amendments to the terms of the Bright House Stockholders Agreement that would be desirable to consummate the Bright House Transaction.

On May 26, 2015, Liberty Broadband announced its entry into an agreement with Charter to invest \$4.3 billion at a price of \$176.95 per share in connection with (and contingent upon) the closing of the proposed merger of Time

LIBERTY BROADBAND CORPORATION

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

Warner Cable and Charter (the “Time Warner Cable Merger”), which was also announced on May 26, 2015. Additionally, Liberty Broadband agreed to purchase an additional \$700 million at a price of \$173.00 per share (adjusted by the applicable exchange rates in the Time Warner Cable Merger) in connection with Charter’s proposed acquisition of Bright House from A/N, which is generally conditioned on the closing of the Time Warner Cable Merger. In connection with these transactions, it is expected that Charter will undergo a corporate reorganization, resulting in New Charter, a current subsidiary of Charter, becoming the new publicly traded parent company.

As discussed previously, in support of the Time Warner Cable Merger, Liberty Broadband will purchase shares of stock in New Charter (the “Charter Shares”) using proceeds of \$4.4 billion related to subscriptions for newly issued shares of Liberty Broadband’s Series C common stock (the “Series C Shares”), at a price per share of \$56.23, which was determined based upon the fair value of Liberty Broadband’s net assets on a sum-of-the parts basis at the time the investment agreements were executed. The purchasers of the Series C Shares are Liberty Interactive through its Liberty Ventures Group and certain third party investors, which will all invest on substantially similar terms. One of the third party investors also holds a position in Time Warner Cable and has agreed to vote its Time Warner Cable shares in favor of the Time Warner Cable Merger. The Series C Share subscriptions are subject to customary closing conditions and funding will only occur in connection with the completion of the Time Warner Cable Merger. Each of Charter and Liberty Broadband intends to seek stockholder approval for the issuance of the Charter Shares and the Series C Shares, respectively, in accordance with the rules and requirements of the Nasdaq Stock Market. If, for any reason, Liberty Broadband does not receive the requisite stockholder approval for the issuance of the Series C Shares, the purchasers will instead acquire a limited number of Series C Shares, together with shares of a newly issued series of non-convertible preferred stock of Liberty Broadband. Further, Liberty Broadband has the right, and may determine, to incur debt financing (subject to certain conditions) to fund a portion of the purchase price for its investment in New Charter, in which case Liberty Broadband may reduce the aggregate subscription for Series C Shares by up to 25%, with such reduction applied pro rata to all investors, including LibertyInteractive.

In connection with the Time Warner Cable Merger, Liberty Broadband has also entered into an agreement with Charter pursuant to which it has agreed to vote all of its shares of Charter’s Class A common stock in favor of the Time Warner Cable Merger, the issuance of the Charter Shares and any related proposals. Liberty Broadband and Liberty Interactive have also entered into an agreement with Charter which provides that Liberty Broadband and Liberty Interactive will exchange, in a tax-free transaction, the shares of Time Warner Cable common stock held by each company for shares of New Charter Class A common stock (subject to certain limitations). In addition, Liberty Interactive has also agreed to grant Liberty Broadband a proxy over the shares of New Charter it receives in the exchange, along with a right of first refusal with respect to the underlying New Charter shares.

Liberty Broadband intends to fund its commitment to purchase up to \$700 million in shares of New Charter at a per share price of \$173.00 (as adjusted) in connection with the Bright House acquisition through cash on hand or other financing. As previously announced, A/N and Liberty Broadband will enter into a proxy agreement, pursuant to which A/N will grant Liberty Broadband a five-year proxy to vote shares of New Charter held by A/N, capped at 7% of New Charter’s outstanding shares. Liberty Broadband is expected to control approximately 25.01% of the aggregate voting power of New Charter following the completion of the Time Warner Cable Merger and the Bright House Transaction and is expected to be New Charter’s largest stockholder.

The terms of a new stockholders agreement among Charter, New Charter, Liberty Broadband and A/N (which will become effective upon the closing of the Bright House Transaction) remain substantially similar to the Bright House Stockholders Agreement, except that the restrictions on Liberty Broadband’s ability to utilize its shares of New Charter in connection with financing transactions have been eliminated and A/N will be entitled to designate two (instead of three) director nominees, among other things.

LIBERTY BROADBAND CORPORATION
Notes to Condensed Consolidated Financial Statements (Continued)
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The Time Warner Cable Merger is subject to approval by stockholders of both Charter and Time Warner Cable, as well as regulatory approval and other customary conditions to closing. The Bright House acquisition is subject to several conditions, including the completion of the Time Warner Cable Merger (subject to certain exceptions if Time Warner Cable enters into another sale transaction), Charter stockholder approval, a separate stockholder vote on the Liberty Broadband transactions, and regulatory approval. Therefore, as these transactions are subject to certain contingencies, we have not reflected any financial impacts in the condensed consolidated financial statements related to the respective agreements as of June 30, 2015.

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

Charter condensed consolidated balance sheet

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Current assets	\$ 456	371
Property and equipment, net	8,244	8,373
Goodwill	1,168	1,168
Intangible assets, net	6,984	7,111
Other assets	467	7,527
Total assets	<u>\$ 17,319</u>	<u>24,550</u>
Current liabilities	\$ 1,636	1,635
Deferred income taxes	1,745	1,674
Long-term debt	13,896	21,023
Other liabilities	73	72
Equity	(31)	146
Total liabilities and shareholders' equity	<u>\$ 17,319</u>	<u>24,550</u>

Charter condensed consolidated statement of operations

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Revenue	\$ 2,430	2,259	4,792	4,461
Cost and expenses:				
Operating costs and expenses (excluding depreciation and amortization)	(1,601)	(1,479)	(3,182)	(2,926)
Depreciation and amortization	(528)	(528)	(1,042)	(1,033)
Other operating expenses, net	(32)	(16)	(50)	(26)
	<u>(2,161)</u>	<u>(2,023)</u>	<u>(4,274)</u>	<u>(3,985)</u>
Operating income	269	236	518	476
Interest expense	(229)	(210)	(518)	(421)
Other income (expense), net	(127)	(6)	(133)	(8)
Income tax expense (benefit)	(35)	(65)	(70)	(129)
Net loss	<u>\$ (122)</u>	<u>(45)</u>	<u>(203)</u>	<u>(82)</u>

LIBERTY BROADBAND CORPORATION

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

(6) Goodwill and Other Intangible Assets

There were no changes in the carrying amount of goodwill during the six months ended June 30, 2015.

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

	June 30, 2015			December 31, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Acquired patents	\$ 8,822	(6,232)	2,590	8,822	(5,801)	3,021
Customer relationships	10,212	(3,394)	6,818	10,212	(2,712)	7,500
Tradename	2,788	(969)	1,819	2,788	(788)	2,000
Capitalized software	10,996	(10,822)	174	10,991	(10,597)	394
	<u>\$ 32,818</u>	<u>(21,417)</u>	<u>11,401</u>	<u>32,813</u>	<u>(19,898)</u>	<u>12,915</u>

Upon acquisition of Skyhook, TruePosition assigned remaining useful lives to each of Skyhook's intangible assets acquired. Patents, tradename and customer relationship intangible assets were amortized straight-line over five years and capitalized software intangible assets were amortized straight-line over three to five years. In connection with the intangible impairment recorded on Skyhook's intangible assets during the fourth quarter of 2014, TruePosition re-evaluated the remaining useful lives of Skyhook's amortizable intangible assets. As a result, as of January 1, 2015, TruePosition determined the remaining useful life of Skyhook's patents to be three and a half years and Skyhook's tradename and customer relationship to be five and a half years. On January 1, 2015, TruePosition began amortizing Skyhook's intangible assets straight-line prospectively over these revised periods. Capitalized software intangible assets continue to be amortized over three to five years. Amortization expense was \$691 thousand and \$1.7 million for the three months ended June 30, 2015 and 2014, respectively and \$1.5 million and \$2.7 million for the six months ended June 30, 2015 and 2014, respectively.

The estimated future amortization expense for the next five years related to intangible assets with definite lives as of June 30, 2015 is as follows (amounts in thousands):

Remainder of 2015	\$ 1,363
2016	\$ 2,673
2017	\$ 2,610
2018	\$ 2,160
2019	\$ 1,731

(7) Debt

On October 30, 2014, in connection with and prior to the effectiveness of the Broadband Spin-Off, a wholly-owned special purpose subsidiary of the Company ("BroadbandSPV") entered into two margin loan agreements (the "Margin Loan Agreements") with each of the lenders party thereto. The Margin Loan Agreements permit BroadbandSPV, subject to certain funding conditions, to borrow term loans up to an aggregate principal amount equal to \$400 million (the "Margin Loans"), of which BroadbandSPV borrowed \$320 million on October 31, 2014. Approximately \$300 million of the amount borrowed pursuant to the Margin Loan Agreements (less certain expenses incurred in connection with the Margin Loans) was distributed to Liberty prior to the Broadband Spin-Off. During November 2014, subsequent to the

LIBERTY BROADBAND CORPORATION

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

Broadband Spin-Off, Liberty Broadband borrowed an additional \$52 million to fund the exercise of the warrants to purchase shares of Charter common stock. As of June 30, 2015, Liberty Broadband had \$372.0 million outstanding under the Margin Loan Agreements, with an additional \$28.0 million available to be drawn. The maturity date of the Margin Loans is October 30, 2017. Borrowings under the Margin Loan Agreements bear interest at the three-month LIBOR rate plus 1.55%. Interest is payable quarterly in arrears beginning on December 31, 2014. The Margin Loan Agreements contain various affirmative and negative covenants that restrict the activities of BroadbandSPV. The Margin Loan Agreements do not include any financial covenants. The Margin Loan Agreements also contain restrictions related to additional indebtedness.

BroadbandSPV's obligations under the Margin Loan Agreements are guaranteed by the Company. In addition, BroadbandSPV's obligations are secured by first priority liens on a portion of the Company's ownership interest in Charter, sufficient for BroadbandSPV to meet its loan to value requirement under the Margin Loan Agreements. Each agreement contains language that indicates that Liberty Broadband, as borrower and transferor of underlying shares as collateral, has the right to exercise all voting, consensual and other powers of ownership pertaining to the transferred shares for all purposes, provided that Liberty Broadband agrees that it will not vote the shares in any manner that would reasonably be expected to give rise to transfer or other certain restrictions. Similarly, the loan agreements indicate that no lender party shall have any voting rights with respect to the shares transferred, except to the extent that a lender party buys any shares in a sale or other disposition made pursuant to the terms of the loan agreements. As of June 30, 2015, 7.0 million shares of Charter with a value of \$1.2 billion were pledged as collateral pursuant to the Margin Loans.

In connection with the collar agreement on shares of Time Warner Cable entered into on March 27, 2015, as discussed in note 3, the Company also entered into a \$234 million revolving loan agreement. On April 7, 2015, Liberty Broadband drew \$40 million on this loan, which was the amount used to match the outstanding call liability. The shares of Time Warner Cable underlying the collar served as collateral for borrowings under the revolving loan agreement. 1.7 million shares of Time Warner Cable with a market value of \$178.17 per share were pledged as collateral for this arrangement as of June 30, 2015. Borrowings outstanding under the revolving loan agreement bore interest at the three-month LIBOR rate plus 0.64%, payable quarterly in arrears beginning on March 31, 2015. The interest rate on the unused portion of the revolving loan agreement was 0.12% per annum. The Company repaid the \$40 million drawn on the loan during July 2015 and the agreement was terminated upon unwinding of the Time Warner Cable collar agreement.

TruePosition had a \$4 million line of credit, which expired on December 25, 2013, covering standby letters of credit issued for the benefit of TruePosition. Pursuant to the terms of the line of credit, upon its expiration, any issued and outstanding letters of credit remained in effect through the remainder of their respective terms, the last of which expired during the first quarter of 2015. Accordingly, there were no letters of credit outstanding at June 30, 2015. \$634 thousand in letters of credit were outstanding as of December 31, 2014. Letters of credit issued under the line of credit bore interest at an annual rate of 1.75%, payable quarterly. Interest expense related to the line of credit was not significant for the three or six months ended June 30, 2015 or 2014. Letters of credit issued under the line of credit prior to its expiration remained collateralized by a cash deposit maintained by the bank, which was cancelled upon the expiration of the last letter of credit during the first quarter of 2015.

(8) Stock-Based Compensation

Liberty Broadband grants, to certain of its directors, employees and employees of its subsidiaries, restricted stock, stock options and stock appreciation rights ("SARs") 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 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

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

the cost of employee services received in exchange for a liability classified Award (such as SARs that will be settled in cash) 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, 2015 and 2014 (amounts in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Operating expense	\$ 16	(22)	16	10
Selling, general and administrative	1,911	36	3,242	368
Research and development	49	75	73	167
	<u>\$ 1,976</u>	<u>89</u>	<u>3,331</u>	<u>545</u>

Liberty Broadband – Grants of Stock Options

During the six months ended June 30, 2015 Liberty Broadband granted 3 thousand options to purchase shares of Series C common stock, with a weighted average grant-date fair value of \$15.03 per share. These options cliff vest over a 2 year vesting period. There were no options to purchase shares of Series A common stock granted during the period.

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

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Notes to Condensed Consolidated Financial Statements (Continued)

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Liberty Broadband – Outstanding Awards

The following table presents 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, 2015	807	\$ 32.21		
Granted	—	\$ —		
Exercised	(57)	\$ 30.68		
Forfeited/Cancelled	(1)	37.17		
Outstanding at June 30, 2015	749	\$ 32.33	3.7	\$ 14
Exercisable at June 30, 2015	634	\$ 32.06	3.6	\$ 12

	Series C (in thousands)	WAEP	Weighted average remaining contractual life (in years)	Aggregate intrinsic value (in millions)
Outstanding at January 1, 2015	3,137	\$ 39.85		
Granted	3	\$ 53.86		
Exercised	(150)	\$ 31.30		
Forfeited/cancelled	(2)	37.14		
Outstanding at June 30, 2015	2,988	\$ 40.29	6.6	\$ 32
Exercisable at June 30, 2015	1,245	\$ 32.02	3.6	\$ 24

As of June 30, 2015, the total unrecognized compensation cost related to unvested Awards was approximately \$22 million. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 3.2 years.

As of June 30, 2015, Liberty Broadband reserved 3.7 million shares of Series A and Series C common stock for issuance under exercise privileges of outstanding stock Awards.

TruePosition Equity Incentive Plans

During the six months ended June 30, 2015, TruePosition issued 72 thousand stand-alone phantom stock appreciation rights (“PARs”), 15 thousand stand-alone phantom stock units (“PSUs”) and 4.0 million Skyhook PARs. As of June 30, 2015, the fair value of outstanding PARs and PSUs was approximately \$4.0 million. As of June 30, 2015, \$1.6 million is included in Other current liabilities in the accompanying condensed consolidated balance sheet for the fair value of TruePosition’s vested long-term incentive plan obligations.

LIBERTY BROADBAND CORPORATION**Notes to Condensed Consolidated Financial Statements (Continued)****(unaudited)****(9) Related Party Transactions**

During the six months ended June 30, 2014, certain of TruePosition's costs and expenses were charged to TruePosition by Liberty. The amounts due to Liberty and the activities for the six months ended June 30, 2014 is summarized as follows (amounts in thousands):

	2014
Receivable at beginning of year	\$ (5,953)
Cost and expenses charged by Liberty	2,904
Amounts due under the tax-sharing arrangement	4,997
Transfer of related party receivable to (from) note receivable	5,306
Payments to Liberty	<u>(2,658)</u>
Payable at end of period	<u>\$ 4,596</u>

Historically, TruePosition also had an intercompany note arrangement with Liberty under which funds could be advanced to Liberty and remitted back to TruePosition as needed. The note bore interest at the three-month LIBOR plus 2%. During September 2014, prior to the completion of the Broadband Spin-Off, Liberty remitted back to TruePosition all principal and accrued interest related to this note and this arrangement was extinguished. Accordingly, no amounts are outstanding pursuant to this arrangement at June 30, 2015 or December 31, 2014.

Prior to the completion of the Broadband Spin-Off, TruePosition was party to certain tax sharing arrangements with Liberty (or its former affiliate). Under these tax-sharing arrangements, TruePosition had been obligated to make cash payments to Liberty (or its former affiliate) in each year TruePosition generated positive taxable income, determined as if TruePosition filed a separate tax return. The amount of such payment had been equal to the amount of TruePosition's taxable income (as so determined) multiplied by the highest corporate tax rate in effect for the applicable tax jurisdiction. If on a separate return basis, TruePosition would have a net operating loss or net tax credit for a particular year, and such loss or credit could be utilized on the actual tax returns filed by Liberty (or its former affiliate), then TruePosition would be entitled to reduce current and future payments to Liberty (or its former affiliate) by the amount of such tax benefit. During the six months ended June 30, 2014, \$5.3 million due to TruePosition from Liberty was transferred to the note receivable from Liberty under this arrangement. During October 2014, prior to the Broadband Spin-Off, TruePosition's income tax receivable from Liberty was transferred to Liberty Broadband and the tax sharing arrangement between Liberty and TruePosition was extinguished.

(10) Commitments and Contingencies***Leases***

TruePosition leases various properties under operating leases expiring at various times through 2017. TruePosition's principal facility is under lease through December 2017. Total rental expense was \$719 thousand and \$780 thousand for each of the three months ended June 30, 2015 and 2014, respectively and \$1.4 million and \$1.6 million for each of the six months ended June 30, 2015 and 2014, respectively.

General Litigation

In the ordinary course of business, the Company and its consolidated companies 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

LIBERTY BROADBAND CORPORATION

Notes to Condensed Consolidated Financial Statements (Continued)

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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.

Litigation

On July 21, 2011, TruePosition filed an antitrust lawsuit in the U.S. District Court for the Eastern District of Pennsylvania against LM Ericsson Telephone Company (“Ericsson”), the Third Generation Partnership Project (“3GPP”) and certain other defendants arising from the standard setting processes for LTE wireless data communication technology as it pertains to location technology. The case was settled, with a cash payment to TruePosition of approximately \$6 million and non-monetary considerations, and was formally dismissed in its entirety on July 30, 2014. Defendants 3GPP and Ericsson did not contribute to the cash portion of the settlement. With respect to the defendants that contributed to the cash settlement, such cash was provided with no finding or implication of liability to avoid the expenditure of litigation costs exceeding the settlement amount, and in consideration for TruePosition’s withdrawal of accusations of wrongdoing.

On May 23, 2012, TruePosition filed a patent infringement lawsuit in the U.S. District Court for the District of Delaware against Polaris Wireless, Inc. (“Polaris”), related to the sale by Polaris of systems used to locate mobile devices. In parallel with the lawsuit, at Polaris’s request, the U.S. Patent and Trademark Office initiated an Inter parties Review. Both the District Court and the Patent Trial and Appeal Board ruled adversely to TruePosition and those rulings are under appeal. Subsequently, on May 14, 2015, Polaris filed a motion in the District Court for an award of approximately \$3 million in attorneys’ fees and expenses incurred in defending the lawsuit. TruePosition denies that there is any basis for the award of attorneys’ fees. The matter has been fully briefed by both parties, and the District Court’s decision on the motion (including a preliminary decision whether to hold a hearing) is pending.

On September 10, 2010, Skyhook filed a patent infringement lawsuit in the U.S. District Court for the District of Massachusetts against Google, Inc. (“Google”). In March 2013, Skyhook amended its lawsuit to add additional claims. In total, at the time the case was to be tried, Skyhook alleged that Google infringed on eight Skyhook patents involving location technology and sought an injunction and/or award of damages in an amount to be determined at trial. The case had been scheduled to be tried before a jury commencing March 9, 2015. However, on March 5, 2015, the parties advised the District Court that the case had been settled and thereby dismissed the action without costs and without prejudice to the right, upon good cause shown within 45 days, to reopen the action if the settlement was not consummated. On March 27, 2015, the parties consummated a final settlement agreement and on April 24, 2015, Google paid Skyhook settlement consideration of \$90 million. In return for payment of the settlement consideration, Google received dismissal of the action with prejudice, a license to the existing Skyhook patents and patent applications (and their continuations, divisionals, continuations-in-part), a three-year covenant not to sue (subject to limited exceptions) and a mutual release of claims. All terms of the settlement were known and agreed to prior to March 31, 2015, therefore the settlement was recorded during the first quarter of 2015. The settlement amount of \$90 million is recorded net of approximately \$29.5 million for legal fees in the statement of operations for the six months ended June 30, 2015.

Indemnification Claims

In the normal course of business, TruePosition provides indemnification to certain customers against specified claims that might arise against those customers from the use of TruePosition’s products. To date, TruePosition has not had to reimburse any of its customers for any losses related to these indemnification provisions. However, six such claims are currently pending. TruePosition’s former customer, T-Mobile, and TruePosition’s current customer, AT&T, have made indemnification claims against TruePosition. There have been no changes or developments to any of the claims since December 31, 2014. AT&T has determined that TruePosition’s total allocated contribution is \$197 thousand and has

LIBERTY BROADBAND CORPORATION

Notes to Condensed Consolidated Financial Statements (Continued)

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invoiced TruePosition accordingly. TruePosition has informed AT&T that TruePosition believes that the allocation method employed by AT&T is flawed and that the actual amount owed is less than \$197 thousand. TruePosition is unable to estimate the maximum potential impact of these indemnification provisions on its future results of operations, although TruePosition's liabilities in certain of those arrangements are customarily limited in various respects, including monetarily.

Certain Risks and Concentrations

The TruePosition business is subject to certain risks and concentrations including dependence on relationships with its customers. TruePosition has one significant customer, the loss of which would have a material adverse effect on the Company's business. For the three months ended June 30, 2015 and 2014, this customer accounted for 78% and 84%, respectively, of the Company's total revenue, and for the six months ended June 30, 2015 and 2014, this customer accounted for 76% and 84%, respectively, of the Company's total revenue. This customer's contract is currently scheduled to expire on January 1, 2016.

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.

(11) Segment Information

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

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

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

For the six months ended June 30, 2015, LibertyBroadband has identified the following consolidated company and equity method investment as its reportable segments:

- TruePosition—a wholly-owned subsidiary of the Company that develops and markets technology for locating wireless phones and other wireless devices on a cellular network, enabling wireless carriers and

LIBERTY BROADBAND CORPORATION

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

government agencies to provide public safety E-9-1-1 services domestically and services in support of national security and law enforcement worldwide. In addition, TruePosition acquired Skyhook in 2014, which operates a global location network providing hybrid wireless positioning technology and contextual location intelligence solutions worldwide.

Charter—an equity method investment of the Company that is one of the largest providers of cable services in the United States, offering a variety of entertainment, information and communications solutions to residential and commercial customers.

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

Performance Measures

	Three months ended June 30,			
	2015		2014	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
	(amounts in thousands)			
TruePosition	\$ 12,645	2,582	17,146	(5,828)
Charter	2,430,000	816,000	2,259,000	779,000
Corporate and other	—	(3,164)	—	—
	<u>2,442,645</u>	<u>815,418</u>	<u>2,276,146</u>	<u>773,172</u>
Eliminate equity method affiliate	<u>(2,430,000)</u>	<u>(816,000)</u>	<u>(2,259,000)</u>	<u>(779,000)</u>
Consolidated Liberty Broadband	<u>\$ 12,645</u>	<u>(582)</u>	<u>17,146</u>	<u>(5,828)</u>

LIBERTY BROADBAND CORPORATION

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

	Six months ended June 30,			
	2015		2014	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
	(amounts in thousands)			
TruePosition	\$ 25,961	63	34,067	(8,285)
Charter	4,792,000	1,598,000	4,461,000	1,536,000
Corporate and other	—	(6,080)	—	—
	4,817,961	1,591,983	4,495,067	1,527,715
Eliminate equity method affiliate	(4,792,000)	(1,598,000)	(4,461,000)	(1,536,000)
Consolidated Liberty Broadband	\$ 25,961	(6,017)	34,067	(8,285)

Other Information

	June 30, 2015		
	Total assets	Investments in affiliates	Capital expenditures
	(amounts in thousands)		
TruePosition	\$ 193,262	—	231
Charter	17,319,000	—	783,000
Corporate and other	3,537,105	2,436,823	—
	21,049,367	2,436,823	783,231
Eliminate equity method affiliate	(17,319,000)	—	(783,000)
Consolidated Liberty Broadband	\$ 3,730,367	2,436,823	231

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(amounts in thousands)			
Consolidated segment Adjusted OIBDA	\$ (582)	(5,828)	(6,017)	(8,285)
Stock-based compensation	(1,976)	(89)	(3,331)	(545)
Depreciation and amortization	(856)	(2,481)	(4,100)	(4,104)
Net gain on legal settlement	—	—	60,505	—
Interest expense	(1,919)	—	(3,680)	—
Dividend and interest income	230	1,580	1,266	3,003
Share of earnings (loss) of affiliates	(18,698)	(31,776)	(61,748)	(61,426)
Realized and unrealized gains (losses) on financial instruments, net	12,354	48,979	11,025	36,277
Gain (loss) on dilution of investment in affiliate	(852)	(4,371)	(1,262)	(50,209)
Other, net	48	(23)	24	(68)
Earnings (loss) before income taxes	\$ (12,251)	5,991	(7,318)	(85,357)

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

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

- Charter's ability to sustain and grow revenue and cash flow from operations by offering video, Internet, voice, advertising and other services to residential and commercial customers, to adequately meet the customer experience demands in its markets and to maintain and grow its customer base, particularly in the face of increasingly aggressive competition, the need for innovation and the related capital expenditures;
- the impact of competition from other market participants, including but not limited to incumbent telephone companies, direct broadcast satellite operators, wireless broadband and telephone providers, digital subscriber line ("DSL") providers, video provided over the Internet and providers of advertising over the Internet;
- general business conditions, economic uncertainty or downturn, high unemployment levels and the level of activity in the housing sector;
- Charter's ability to obtain programming at reasonable prices or to raise prices to offset, in whole or in part, the effects of higher programming costs (including retransmission consents);
- the development and deployment of new products and technologies, including cloud-based user interface, Spectrum Guide®, downloadable security for set top boxes;
- 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 FCC, and adverse outcomes from regulatory proceedings;
- the effects of governmental regulation on our business or potential business combination transactions;
- the ability of suppliers and vendors to deliver products, equipment, software and services;
- the outcome of any pending or threatened litigation;
- availability of qualified personnel;
- changes in the nature of key strategic relationships with partners, vendors and joint venturers;
- the availability and access, in general, of funds to meet debt obligations prior to or when they become due and to fund operations and necessary capital expenditures, either through (i) cash on hand, (ii) free cash flow, or (iii) access to the capital or credit markets;
- the ability of Charter and our company to comply with all covenants in our respective debt instruments, any violation of which, if not cured in a timely manner, could trigger a default of other obligations under cross-default provisions;

- the ability of Charter to complete the Time Warner Cable Merger and Bright House Transaction and our ability to complete the acquisition of New Charter stock in connection therewith;
- our ability to successfully monetize certain of our assets; and
- our ability to successfully deploy the use of proceeds from the rights offering, including the availability of investment opportunities (to the extent such funds are not deployed to acquire shares of New Charter stock).

For additional risk factors, please see Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2014. 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.

Overview

During May 2014, the board of Liberty Media Corporation and its subsidiaries (“Liberty,” formerly named Liberty Spinco, Inc.) authorized management to pursue a plan to spin-off to its stockholders common stock of a newly formed company, Liberty Broadband, and to distribute subscription rights to acquire shares of Liberty Broadband Series C common stock (the “Broadband Spin-Off”). At 5:00 p.m., New York City time, on November 4, 2014, the Broadband Spin-Off was completed and shares of Liberty Broadband common stock were distributed to the shareholders of Liberty as of a record date of 5:00 p.m., New York City time, on October 29, 2014. Liberty Broadband is comprised of, among other things, (i) Liberty’s former interest in Charter Communications, Inc. (“Charter”), (ii) Liberty’s former wholly-owned subsidiary TruePosition, Inc. (“TruePosition”), (iii) Liberty’s former minority equity investment in Time Warner Cable, Inc. (“Time Warner Cable”), (iv) certain deferred tax liabilities, as well as liabilities related to the Time Warner Cable written call option 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.

In the Broadband Spin-Off, record holders of Liberty Series A, Series B and Series C common stock received one-fourth of a share of the corresponding series of Liberty Broadband common stock for each share of Liberty common stock held by them as of 5:00 p.m., New York City time on October 29, 2014 (the “record date”) for the Broadband Spin-Off, with cash paid in lieu of fractional shares. In addition, following the completion of the Broadband Spin-Off, on December 10, 2014, stockholders received a subscription right to acquire one share of Series C Liberty Broadband common stock for every five shares of Liberty Broadband common stock they held as of 5:00 p.m., New York City time, on December 4, 2014 (the “rights record date”) at a per share subscription price of \$40.36, which was a 20% discount to the 20-trading day volume weighted average trading price of the Series C Liberty Broadband common stock following the completion of the Broadband Spin-Off. The rights offering was fully subscribed on January 9, 2015, with 17,277,224 shares of Series C common stock issued to those rightsholders exercising basic and, as applicable, oversubscription privileges. The Broadband Spin-Off and rights offering were intended to be tax-free to stockholders of Liberty and Liberty Broadband, respectively. The subscription rights were issued to raise capital for general corporate purposes of Liberty Broadband.

The financial information represents a combination of the historical financial information of TruePosition, Liberty Broadband’s interest in Charter, Liberty Broadband’s minority equity investment in Time Warner Cable and certain deferred tax liabilities, as well as liabilities related to the Time Warner Cable written call option. This financial information refers to the combination 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, 2015 and 2014

Consolidated operating results:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(amounts in thousands)			
Revenue	\$ 12,645	17,146	25,961	34,067
Operating expenses, excluding stock-based compensation				
Operating expense	852	1,736	3,341	3,765
Research and development	3,626	4,709	9,303	9,029
Selling, general and administrative	8,749	16,529	19,334	29,558
Adjusted OIBDA	(582)	(5,828)	(6,017)	(8,285)
Stock-based compensation	1,976	89	3,331	545
Net gain on legal settlement	—	—	(60,505)	—
Depreciation and amortization	856	2,481	4,100	4,104
Operating income (loss)	\$ (3,414)	(8,398)	47,057	(12,934)

Revenue

Revenue decreased \$4.5 million and \$8.1 million for the three and six months ended June 30, 2015, respectively, as compared to the same periods in the prior year. For the three and six month periods, the decrease in revenue from the prior period was primarily due to reduced domestic software license fees, due to a reduction in the size of the deployed base of the Company's technologies. Revenue for the six month period was also impacted by lower international hardware sales, partially offset by a \$2.4 million increase in revenue resulting from the acquisition of Skyhook during the first quarter of 2014. On January 29, 2015, the FCC adopted indoor location accuracy rules in its Fourth Report and Order, redefining location accuracy standards that wireless carriers will be required to meet in future years. The Company's technologies, including new technologies now under development, will compete with other technologies to satisfy the new standards in the coming years. One of Skyhook's significant customers did not renew its contract for 2015. As a result, a decline in Skyhook's future operating results is expected unless Skyhook is able to generate sufficient new business to replace the financial impacts of this customer. For further discussion see note 1 of the accompanying condensed consolidated financial statements.

Adjusted OIBDA

We define Adjusted OIBDA as revenue less operating expenses and selling, general and administrative expenses (excluding stock compensation). Our chief operating decision maker and management team use this measure of performance in conjunction with other measures to evaluate our businesses and make decisions about allocating resources among our businesses. We believe this is an important indicator of the operational strength and performance of our businesses, including each business's ability to service debt and fund capital expenditures. In addition, this measure allows us to view operating results, perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. This measure of performance excludes such costs as depreciation and amortization, stock-based compensation, separately reported litigation settlements and restructuring and impairment charges that are included in the measurement of operating income pursuant to 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 11 to the accompanying quarterly condensed consolidated financial statements for a reconciliation of Adjusted OIBDA to earnings (loss) before income taxes.

Adjusted OIBDA improved \$5.2 million and \$2.3 million for the three and six months ended June 30, 2015, respectively, as compared to the same periods in the prior year. Despite the reduction in revenue for the corresponding periods, the Adjusted OIBDA improvement for the three and six months ended June 30, 2015 was primarily a result of decreased legal expenses and the impact of cost reduction measures, including headcount reductions, during the current year as compared to the corresponding periods in the prior year.

Legal expenses decreased \$6.3 million and \$9.7 million for the three and six months ended June 30, 2015, respectively, as compared to the same periods in the prior year, primarily as a result of the settlement of TruePosition's antitrust lawsuit in the third quarter of 2014, which involved the standard setting processes for LTE wireless data communication technology as it pertains to location technology, and Skyhook's patent infringement lawsuit against Google during the first quarter of 2015. Legal expenses are included in selling, general and administrative expenses. Additionally, approximately \$1.0 million and \$1.7 million of lobbying costs were incurred during the three and six months ended June 30, 2014, respectively, related to the indoor accuracy regulations proposed by the FCC. Lobbying expenses are also included in selling, general and administrative expenses. Lobbying costs decreased significantly after the first quarter of 2015 based upon rulemaking timelines.

Additionally, merger costs of \$958 thousand related to the Skyhook acquisition were incurred during the first six months of 2014. Merger costs are included in selling, general and administrative costs.

Operating Income (Loss)

Operating income (loss) improved \$5.0 million and \$60.0 million for the three and six months ended June 30, 2015, respectively, as compared to the same periods in the prior year. In addition to those items impacting Adjusted OIBDA for the three and six months ended June 30, 2015, operating income (loss) was also impacted by an increase in stock-based compensation expense of \$1.9 million and \$2.8 million for the three and six months ended June 30, 2015, respectively, a favorable net legal settlement of \$60.5 million for the six months ended June 30, 2015 and a decrease in depreciation and amortization of \$1.6 million and \$4 thousand for the three and six months ended June 30, 2015, respectively.

The increase in stock-based compensation of \$1.9 million and \$2.8 million for the three and six months ended June 30, 2015, respectively, as compared to the corresponding periods in the prior year, was primarily due to an increase in the number of options to purchase shares of Series C Liberty Broadband common stock granted during the current period. This increase was partially offset by a decrease in stock-based compensation at TruePosition due to a decrease in the estimated fair value of TruePosition based on an annual independent appraisal of its value, coupled with a reduction in the outstanding awards under TruePosition's stock-based compensation plan as a result of reduced headcount. Decreases in stock compensation at TruePosition were partially offset by new awards and additional vesting of the outstanding awards under the plans.

On September 10, 2010, Skyhook Wireless, Inc. filed a patent infringement lawsuit in the U.S. District Court for the District of Massachusetts against Google, Inc. In March 2013, Skyhook amended its lawsuit to add additional claims. The case had been scheduled to be tried before a jury commencing March 9, 2015, with Skyhook alleging at that time that Google infringed on eight Skyhook patents involving location technology and seeking an injunction and/or award of damages in an amount to be determined at trial. However, on March 5, 2015, the parties advised the District Court that the case had been settled and thereby dismissed the action without costs and without prejudice to the right, upon good cause shown within 45 days, to reopen the action if settlement is not consummated. On March 27, 2015, the parties consummated a final settlement agreement and on April 24, 2015, Google paid Skyhook settlement consideration of \$90 million. In return for payment of the settlement consideration, Google received dismissal of the action with prejudice, a license to the existing Skyhook patents and patent applications (and their continuations, divisionals, continuations-in-part), a three-year covenant not to sue (subject to limited exceptions) and a mutual release of claims. As a result of the settlement, Skyhook realized a net gain, after legal fees, of approximately \$60.5 million during the first quarter of 2015.

Depreciation and amortization expense decreased by \$1.6 million and \$4 thousand during the three and six months ended June 30, 2015 as compared to the corresponding periods in the prior year. The decrease in depreciation and amortization expense during the three month and six month periods is primarily due to lower amortization expense resulting from the impairment of TruePosition's intangible assets related to Skyhook during the fourth quarter of 2014, offset during the six month period by the write-off of fixed assets during the first quarter of 2015. The assets written off were comprised of assets related to the abandonment of a product development project by TruePosition during the period.

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,	
	2015	2014	2015	2014
(amounts in thousands)				
Other income (expense):				
Interest expense	\$ (1,919)	—	(3,680)	—
Dividend and interest income	230	1,580	1,266	3,003
Share of earnings (losses) of affiliates	(18,698)	(31,776)	(61,748)	(61,426)
Realized and unrealized gains (losses) on financial instruments, net	12,354	48,979	11,025	36,277
Gain (loss) on dilution of investment in affiliate	(852)	(4,371)	(1,262)	(50,209)
Other, net	48	(23)	24	(68)
	<u>\$ (8,837)</u>	<u>14,389</u>	<u>(54,375)</u>	<u>(72,423)</u>

Interest expense

Interest expense increased \$1.9 million and \$3.7 million during the three and six months ended June 30, 2015, respectively, as compared to the corresponding periods in the prior year, primarily due to the Margin Loan Agreements entered into by BroadbandSPV on October 30, 2014.

Dividend and interest income

Dividend and interest income decreased \$1.4 million and \$1.7 million during the three and six months ended June 30, 2015, respectively, as compared to the corresponding periods in the prior year, primarily due to contractual commitments on the Time Warner Cable shares. Although the quarterly Time Warner Cable dividend rate remained the same as the prior year, a larger portion of the dividends were passed through to the counterparty in 2015, as more written call option contracts on Time Warner Cable shares were outstanding during 2015 than 2014.

Share of earnings (losses) of affiliates

Share of losses from affiliates improved \$13.1 million and declined \$322 thousand during the three and six months ended June 30, 2015, respectively, as compared to the corresponding periods in the prior year.

In May 2013, the Company acquired approximately 26.9 million shares of common stock and approximately 1.1 million warrants to purchase shares of Charter common stock, for approximately \$2.6 billion, which represented an approximate 27% beneficial ownership (including the warrants on an as if converted basis) in Charter at the time of purchase. Additionally, the Company purchased 897 thousand additional shares of Charter during May 2014 and exercised all of its outstanding warrants to purchase shares of Charter common stock during November 2014, subsequent to completion of the Broadband Spin-Off. Upon acquisition, Liberty Broadband allocated the excess basis between the book basis of Charter and fair value of the shares acquired primarily to intangible assets and debt. The Company's share of earnings (losses) from affiliates line item in the accompanying condensed consolidated statements of operations includes earnings of \$12.7 million and expenses of \$20.7 million, net of related taxes, for the three months ended June 30, 2015 and 2014, respectively, and expenses of \$9.8 million and \$40.9 million for the six months ended June 30, 2015 and 2014, respectively, due to the amortization related to the excess basis of assets with identifiable useful lives and debt. The excess basis amortization during the three and six months ended June 30, 2015 was offset by the write-off of the excess basis related to debt instruments which Charter repaid during the second quarter of 2015 prior to their contractual maturity.

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,	
	2015	2014	2015	2014
	(amounts in millions)			
Revenue	\$ 2,430	2,259	4,792	4,461
Operating expenses, excluding stock-based compensation	(1,614)	(1,480)	(3,194)	(2,925)
Adjusted OIBDA	816	779	1,598	1,536
Depreciation and amortization	(528)	(528)	(1,042)	(1,033)
Stock-based compensation	(19)	(15)	(38)	(27)
Operating income	269	236	518	476
Other expenses, net	(356)	(216)	(651)	(429)
Net earnings (loss) before income taxes	(87)	20	(133)	47
Income tax expense	(35)	(65)	(70)	(129)
Net loss	\$ (122)	(45)	(203)	(82)

Charter net loss increased \$77 million and \$121 million for the three and six months ended June 30, 2015, respectively, as compared to the corresponding periods in the prior year.

Charter's revenue increased \$171 million and \$331 million for the three and six months ended June 30, 2015, respectively, as compared to the corresponding periods in the prior year. Revenue growth was primarily driven by increases in residential video, residential Internet and commercial revenue. Residential video revenue increased primarily due to price adjustments and bundle revenue increases, partially offset by a decrease in basic video customers. Residential Internet revenue increased both from a rate and volume perspective. The rate increased through incremental service levels and price adjustments, and the number of residential Internet customers increased by 393 thousand compared to the prior year. The increase in commercial revenue is primarily due to an increase in the number of customers, which increased by 71 thousand from the prior year.

The increase in revenue during the three and six months ended June 30, 2015 was partially offset by the net impact of increases in operating expenses, excluding stock-based compensation of \$134 million and \$269 million, respectively. Depreciation and amortization remained flat and increased \$9 million during the three and six months ended June 30, 2015, respectively. Stock compensation expense increased \$4 million and \$11 million during the three and six months ended June 30, 2015, respectively. Charter's results were also impacted by increases in other expenses of \$140 million and \$222 million for the three and six months ended June 30, 2015. Income tax expense decreased \$30 million and \$59 million for the three and six months ended June 30, 2015, respectively. The increase in operating expenses was primarily attributable to an increase in programming costs as a result of annual contractual rate adjustments, including increases in amounts paid for retransmission consents, broader carriage of certain networks as a result of Charter's all-digital initiative and the introduction of new networks to Charter's video offering as well as 2014 expense benefits not recurring in 2015. The increase in depreciation and amortization expense for the six month period is primarily attributable to the depreciation on recent capital expenditures, partially offset by certain assets becoming fully depreciated. The increase in other expenses is primarily attributable to \$26 million and \$112 million of interest expense that was recognized during the three and six months ended June 30, 2015, respectively, related to term loans and notes entered into in connection with the Comcast Transactions Agreement and the Bright House Stockholder Agreement, as defined in note 5 to the accompanying condensed combined financial statements. The term loans and notes were fully repaid during April 2015. Income tax expense decreased primarily due to a reduction in tax amortization for fully amortized intangible assets that are indefinite-lived for book purposes.

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

Realized and unrealized gains on financial instruments, net decreased \$36.6 million and \$25.3 million for the three and six months ended June 30, 2015, respectively, as compared to the corresponding periods in the prior year. Realized and unrealized gains on financial instruments, net during the three and six months ended June 30, 2015 is attributable to net gains

of \$12.4 million and \$11.0 million, respectively, on the net change of our investment in Time Warner Cable shares and corresponding outstanding written call options and collar. The gains during the three and six months ended June 30, 2015 are primarily due to an increase in the trading price of Time Warner Cable shares during the respective periods. Realized and unrealized gains on financial instruments, net during the three and six months ended June 30, 2014 is primarily attributable to gains of \$38.4 million and \$23.2 million, respectively, in the fair value of the Charter warrants due to an improvement in the Charter price per share of outstanding stock during the respective periods. As discussed in note 5 to the accompanying condensed consolidated financial statements, Liberty Broadband exercised of all of the Company's outstanding Charter warrants during November 2014, subsequent to the completion of the Broadband Spin-Off. Additionally, net gains of \$10.6 million and \$13.1 million on the investment in Time Warner Cable shares and outstanding call options were recorded for the three and six months ended June 30, 2014, respectively.

Gain (loss) on dilution of investment in affiliate

The loss in all periods presented is the result of the issuance of Charter common stock from the exercise of warrants and stock options, held by outside investors (employees and other third parties), at prices below Liberty Broadband's book basis per share. As Liberty Broadband's ownership in Charter changes due to exercises of Charter warrants and stock options, a loss is recorded with the effective sale of common stock, because the exercise price of Charter warrants or stock options is typically lower than the book value of the Charter shares held by Liberty Broadband.

Other, net

Other, net remained relatively flat during the three and six months ended June 30, 2015, as compared to the corresponding periods in the prior year.

Income tax benefit (expense)

Our income taxes were a benefit of \$4.4 million and an expense of \$4.1 million for the three months ended June 30, 2015 and 2014, respectively, and benefits of \$4.8 million and \$29.5 million for the six months ended June 30, 2015 and 2014, respectively. The difference between the effective income tax rate of 66.0% and the U.S. Federal income tax rate of 35% for the six months ended June 30, 2015 is primarily due to the reversal of a previously recorded valuation allowance related to certain state net operating loss carryforwards at TruePosition and Skyhook as a result of revised taxable income projections during the period. The difference between the effective income tax rate of 34.6% and the U.S. Federal income tax rate of 35% for the six months ended June 30, 2014 is primarily due to state income taxes. The difference between the effective income tax rate of 36.3% and the U.S. Federal income tax rate of 35% for the three months ended June 30, 2015 is primarily due to state income taxes. The difference between the effective income tax rate of 68.2% and the U.S. Federal income tax rate of 35% for the three months ended June 30, 2014 is primarily due to an adjustment to prior year state income taxes recorded during the period.

Liquidity and Capital Resources

As of June 30, 2015 substantially all of our cash and cash equivalents are invested in U.S. Treasury securities, other government securities or government guaranteed funds, AAA rated money market funds and other highly rated financial and corporate debt instruments.

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

As of June 30, 2015 Liberty Broadband had a cash balance of \$766.3 million. In addition, Liberty Broadband had \$111.9 million of unencumbered available for sale securities.

	<u>Six months ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
	(amounts in thousands)	
Cash flow information		
Net cash provided (used) by operating activities	\$ 63,130	30,869
Net cash provided (used) by investing activities	\$ (238)	(194,965)
Net cash provided (used) by financing activities	\$ 658,558	171,310

TruePosition generally collects the majority of its annual software maintenance from its customers during the first quarter of each calendar year, which is the most significant factor contributing to the cash generated from operations in the six months ended June 30, 2014. The most significant factor contributing to the cash generated from operations during the six months ended June 30, 2015 was the receipt by TruePosition of a net legal settlement of \$58.7 million, after payment of legal fees.

During the six months ended June 30, 2015, the Company paid \$84.9 million in net settlements of financial instruments. However, the Company received net proceeds of \$697.3 million from the rights offering and borrowed \$40.0 million pursuant to a revolving loan agreement during the six months ended June 30, 2015. During the six months ended June 30, 2014 our primary uses of cash were approximately \$124.5 million to acquire an additional 897 shares of Charter, \$48.1 million to acquire Skyhook and a net \$21.6 million loan to Liberty through a note agreement between TruePosition and Liberty. These uses of cash were funded by cash on hand and, during 2014, capital contributions from Liberty.

On December 10, 2014, stockholders received a subscription right to acquire one share of Series C Liberty Broadband common stock for every five shares of Liberty Broadband common stock they held on the rights record date at a per share subscription price of \$40.36, which was a 20% discount to the 20-trading day volume weighted average trading price of our Series C common stock following the completion of the Broadband Spin-Off. The rights offering was fully subscribed on January 9, 2015, with 17,277,224 shares of Series C common stock issued to those rightsholders exercising basic and, as applicable, oversubscription privileges, resulting in \$697.3 million of proceeds.

The projected use of our cash will be primarily to fund any operational needs of our subsidiary and potential investment in location technology at TruePosition or other investment opportunities. As discussed in note 3 of the accompanying condensed consolidated financial statements, we used \$67.1 million of cash on hand to unwind the collar agreement on a portion of our Time Warner Cable shares during July 2015. Additionally, as discussed in note 5 of the accompanying condensed consolidated financial statements, in support of the Time Warner Cable Merger, the Company expects to issue \$4.4 billion additional shares of Liberty Broadband Series C common stock in order to purchase \$4.3 billion in shares of New Charter. However, Liberty Broadband has the right, and may determine, to incur debt financing (subject to certain conditions) to fund a portion of the purchase price for such shares of New Charter, in which case Liberty Broadband may reduce the aggregate Series C share subscriptions by up to 25%, with such reduction applied pro rata to all investors. The Series C share subscriptions are subject to customary closing conditions and stockholder approval, and funding will only occur upon the completion of the Time Warner Cable Merger. Furthermore, as also discussed in note 5 of the accompanying condensed consolidated financial statements, Liberty Broadband expects to use a portion of the proceeds from the rights offering to purchase an additional \$700 million of New Charter shares in connection with Charter's proposed acquisition of Bright House Networks from A/N.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

We are exposed to changes in interest rates primarily as a result of our borrowing and investment activities, which include investments in fixed and floating rate debt instruments and borrowings used to maintain liquidity and to fund business operations. The nature and amount of our long-term and short-term debt are expected to vary as a result of future requirements, market conditions and other factors. We expect to manage our exposure to interest rates by achieving what we believe is an appropriate mix of fixed and variable rate debt. We believe this best protects us from interest rate risk. We anticipate achieving this mix by (i) issuing fixed rate debt that we believe has a low stated interest rate and significant term to maturity, (ii) issuing variable rate debt with appropriate maturities and interest rates and/or (iii) entering into interest rate swap arrangements when we deem appropriate. As of June 30, 2015, 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)			
\$ 412	1.7%	\$ —	NA

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

At June 30, 2015, the fair value of our AFS equity securities was \$421.9 million. Had the market price of such securities been 10% lower at June 30, 2015, the aggregate value of such securities would have been \$42.2 million lower. Additionally, 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, 2015 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 months ended June 30, 2015 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, 2014 includes "Legal Proceedings" disclosure with respect to Charter under Item 3 of Part I, and there have been no material changes from such legal proceedings described in our Form 10-K.

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

There were no repurchases of Series A, B or C Liberty Broadband common stock during the period. During the three months ended June 30, 2015, 119 shares of Series A Liberty Broadband common stock and 238 shares of Series C Liberty Broadband 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):

10.1	Second Amended and Restated Stockholders Agreement, dated as of May 23, 2015, by and among Charter Communications, Inc., CCH I, LLC, Liberty Broadband Corporation and Advance/Newhouse Partnership (incorporated by reference to Exhibit 10.1 to CCH I, LLC's Registration Statement on Form S-4 (File No. 333-205240), filed with the Securities and Exchange Commission on June 26, 2015).
10.2	Form of Proxy and Right of First Refusal Agreement by and among Liberty Broadband Corporation, Advance/Newhouse Partnership and, for the limited purposes set forth therein, Charter Communications, Inc. and CCH I, LLC (incorporated by reference to Exhibit 10.9 to Liberty Broadband Corporation's Current Report on Form 8-K (File No. 001-36713), filed with the Securities and Exchange Commission on May 29, 2015 (the "May 29, 2015 8-K")).
10.3	Investment Agreement, dated May 23, 2015, by and among Charter Communications, Inc., CCH I, LLC and Liberty Broadband Corporation (incorporated by reference to Exhibit 10.1 to the May 29, 2015 8-K).
10.4	Voting Agreement, dated May 23, 2015, by and between Time Warner Cable Inc. and Liberty Broadband Corporation (incorporated by reference to Exhibit 10.2 to the May 29, 2015 8-K).
10.5	Contribution Agreement, dated May 23, 2015, by and among Liberty Broadband Corporation, Liberty Interactive Corporation, Charter Communications, Inc., CCH I, LLC and Nina Corporation I, Inc. (incorporated by reference to Exhibit 10.3 to the May 29, 2015 8-K).
10.6	Proxy and Right of First Refusal Agreement, dated as of May 23, 2015, by and between Liberty Broadband Corporation and Liberty Interactive Corporation (incorporated by reference to Exhibit 10.4 to the May 29, 2015 8-K).
10.7	Amended and Restated Investment Agreement, dated May 28, 2015, by and among Liberty Broadband Corporation, Liberty Interactive Corporation, JANA Nirvana Master Fund, L.P., JANA Master Fund, Ltd. and Coatue Offshore Master Fund, Ltd. (incorporated by reference to Exhibit 10.5 to the May 29, 2015 8-K).
10.8	Amended and Restated Investment Agreement, dated May 29, 2015, by and between Liberty Broadband Corporation and Quantum Partners LP (incorporated by reference to Exhibit 10.6 to the May 29, 2015 8-K).
10.9	Amended and Restated Investment Agreement, dated May 28, 2015, by and among Liberty Broadband Corporation, Soroban Master Fund LP and Soroban Opportunities Master Fund LP (incorporated by reference to Exhibit 10.7 to the May 29, 2015 8-K).
10.10	Amended and Restated Assignment and Assumption Agreement, dated May 28, 2015, by and among Liberty Broadband Corporation, Liberty Interactive Corporation, Soroban Master Fund LP and Soroban Opportunities Master Fund LP (incorporated by reference to Exhibit 10.8 to the May 29, 2015 8-K).
10.11	Non-Qualified Stock Option Agreement under the Liberty Broadband Corporation 2014 Omnibus Incentive Plan for Gregory B. Maffei, effective December 17, 2014.*
10.12	Liberty Broadband Corporation 2014 Omnibus Incentive Plan (Amended and Restated as of March 11, 2015) (incorporated by reference to Annex A to Liberty Broadband Corporation's Proxy Statement on Schedule 14A filed on April 22, 2015 (File No. 001-36713)).
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

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101.LAB	XBRL Taxonomy Label Linkbase Document*
101.PRE	XBRL Taxonomy Presentation Linkbase Document*
101.DEF	XBRL Taxonomy Definition Document*

* Filed herewith

** Furnished herewith

**Information for Recipients of
Liberty Broadband Corporation Nonqualified Stock Options
2014 Omnibus Incentive Plan**

Notice of Grant. Congratulations! You have been granted Nonqualified Stock Options exercisable for shares of Liberty Broadband Corporation Series C Common Stock (“LBRDK”) (the “Options”). A Nonqualified Stock Option Agreement (the “Agreement”) setting forth the terms of the Options follows this informational page. The Options were granted under the Liberty Broadband Corporation 2014 Omnibus Incentive Plan (the “2014 Incentive Plan”).

Acknowledgment of Grant By your electronic acknowledgment of the Options, you are acknowledging the terms and conditions of the award set forth in the Agreement that follows as though you and Liberty Broadband Corporation (the “Company”) had signed an original copy of the Agreement. The Options were granted and became effective as of the Grant Date (as that term is defined in the Agreement) and were granted on the terms and conditions reflected in the Agreement. The number of Options granted to you was approved by the Compensation Committee of the Board of Directors of the Company, and was communicated to you via memo and the Company’s online grant and administration program.

2014 Incentive Plan – Exhibit A. The 2014 Incentive Plan that governs the Options is incorporated into the Agreement as Exhibit A. You can access the 2014 Incentive Plan via the link at the end of the Agreement and in the UBS online library.

SEC Registration Statements. The LBRDK shares issuable upon exercise of the Options were registered with the Securities and Exchange Commission on a Form S-8 filed on November 21, 2014 (Registration No. 333-200438). The statement can be found on the Company’s website at <http://ir.libertybroadband.com/sec.cfm>. Also available on the Company’s website are the most recent annual, quarterly and current reports as filed with the Securities and Exchange Commission. Please refer to these reports as well as the Company’s future filings with the Securities and Exchange Commission (also available on the Company’s website) for important information regarding the Company and its common stock.

Tax and Estate Advice. We recommend that you consult with your personal tax and/or estate advisor regarding the effect of the award of Options on your personal tax and estate situation.

LIBERTY BROADBAND CORPORATION
2014 OMNIBUS INCENTIVE PLAN

NON-QUALIFIED STOCK OPTION AGREEMENT

THIS NON-QUALIFIED STOCK OPTION AGREEMENT (this “Agreement”) is entered into effective as of December 17, 2014 by and between LIBERTY BROADBAND CORPORATION, a Delaware corporation (the “Company”), and Gregory B. Maffei (the “Grantee”).

The Grantee is employed as of the Grant Date as the President and Chief Executive Officer of the Company. The Company has adopted the Liberty Broadband Corporation 2014 Omnibus Incentive Plan (as may be amended prior to or after the Grant Date, the “Plan”), a copy of which as in effect on the Grant Date is attached via a link at the end of this online Agreement as Exhibit A and by this reference made a part hereof, for the benefit of eligible employees and independent contractors of the Company and its Subsidiaries. Capitalized terms used and not otherwise defined herein will have the meaning given thereto in the Plan.

The Company and the Grantee therefore agree as follows:

Definitions. The following terms, when used in this Agreement, have the following meanings:

“Base Price” means \$48.10, the Fair Market Value of a share of Common Stock on the Grant Date.

“Business Day” means any day other than Saturday, Sunday or a day on which banking institutions in Denver, Colorado, are required or authorized to be closed.

“Cause” means: (i) the Grantee’s willful failure to follow the lawful instructions of the Board (other than due to Disability); (ii) the commission by the Grantee of any fraud, misappropriation or misconduct that causes demonstrable material injury to the Company or any Subsidiary; (iii) the Grantee’s conviction of, or plea of guilty or nolo contendere to, a felony; or (iv) the Grantee’s failure to comply in any material respect with any written agreement between the Grantee, on the one hand, and the Company or any Subsidiary, on the other, if such failure causes demonstrable material injury to the Company or any Subsidiary. Notwithstanding anything contained herein to the contrary, the Grantee’s employment may not be terminated for Cause pursuant to clause (i), (ii) or (iv) above unless (A) the decision is made by a majority of the Board at a Board meeting where the Grantee and his counsel had an opportunity to be heard on at least ten days’ prior written notice; (B) the Company provides the Grantee with written notice of the Board’s decision to terminate the Grantee’s employment for Cause specifying the particular act(s) or failure(s) to act serving as the basis for such decision; and (C) if such act or failure to act is capable of being cured, the Grantee fails to cure any such act or failure to act to the reasonable satisfaction of the Board within ten days after such notice.

For purposes of this Agreement, no act or failure to act, on the part of the Grantee, will be considered “willful” unless it is done, or omitted to be done, by the Grantee in bad faith and without reasonable belief that the Grantee’s action or omission was legal, proper, and in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon the advice of counsel for the Company will be conclusively presumed to be done, or omitted to be done, by the Grantee in good faith and in the best interests of the Company.

(e) “Change in Control” means, with respect to the period following the Grant Date:

(i) any merger, consolidation or share exchange to which the Company is a party as a result of which Persons who are common stockholders of the Company immediately prior thereto have less than a majority of the combined voting power of the outstanding capital stock of the surviving corporation ordinarily (and apart from the rights accruing under special circumstances) having the right to vote in the election of directors immediately following such merger, consolidation or share exchange,

(ii) the adoption of any plan or proposal for the liquidation or dissolution of the Company,

(iii) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of (1) the Company, or (2) the Company’s Subsidiaries, taken as a whole, if the assets of the Company’s Subsidiaries, taken as a whole, constitute all or substantially all of the combined assets of the Company and the Company’s Subsidiaries.

(iv) at any time during any period of two consecutive years beginning on or after the Grant Date, individuals who at the beginning of such period were members of the Board (“Original Directors”) and new directors, if any, whose election or nomination for election to the Board was recommended or approved by a majority of the Original Directors and the new directors whose nomination had previously been so approved, cease for any reason to constitute a majority of the then incumbent members of the Board,

(v) any transaction (or series of related transactions) in which any person (as such term is defined in Sections 13(d)(3) and 14(d)(2) of the Exchange Act), corporation or other entity (other than the Company, any of its Subsidiaries, any employee benefit plan sponsored by the Company or any of its Subsidiaries, any Exempt Person (as defined in the Plan) or any member of the Malone Group) shall become the “beneficial owner” (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the then outstanding securities of the Company ordinarily (and apart from the rights accruing under special circumstances) having the right to vote in the election of directors (calculated as provided in Rule 13d-3(d) under the Exchange Act in the case of rights to acquire the Company’s securities), or

(vi) a spin-off, split-off, split-up or other similar event or events (each, a “Spin Transaction”), either in a single transaction or in a series of related or unrelated transactions

(provided that such related or unrelated transactions occur during a period of 24 consecutive months), pursuant to which assets of the Company or of one or more of its Subsidiaries having either a fair market value (as determined in the good faith reasonable judgment of the Board) or book value equal to 40% or more of the total fair market value or book value of the assets of the Company and its Subsidiaries (taken as a whole) are directly or indirectly transferred or distributed by dividend or otherwise, excluding any Spin Transaction in which (A) the Grantee is appointed as the chief executive officer of the separate publicly-traded entity that is the subject of such Spin Transaction, whether or not he elects to accept such appointment, and (B) any equity-based awards previously granted by the Company to the Grantee are adjusted in a manner that (1) preserves the intrinsic value of such equity-based award (or, in the case of the grant of a new equity-based award, preserves the intrinsic value of the equity-based award in respect of which such equity-based award is granted) and (2) complies with, or is exempt from, Section 409A of the Code. For the purpose of calculating whether the 40% threshold described in clause (vi) of this sentence has been reached or exceeded in a series of two or more transactions, the following calculation will apply:

$$X = \frac{40 - P}{100 - P}$$

where

X = percentage of book or fair market value, as applicable, required to reach the 40% threshold as of the date of the second or any subsequent transaction; and

P = percentage of book or fair market value, as applicable, disposed of in all prior spin-off, split-off, split-up or other similar events to which clause (vi) applies, determined as of the date of each such transaction.

“Close of Business” means, on any day, 5:00 p.m., Denver, Colorado time.

“Committee” means the Compensation Committee of the Board of Directors of the Company.

“Common Stock” means the Company’s Series C Common Stock.

“Company” has the meaning specified in the preamble to this Agreement.

“Disability” means the Grantee’s inability to substantially perform his duties to the Company due to physical or mental impairment for six consecutive months and, within 30 days after a notice of termination is given to the Grantee, the Grantee continues to be unable to substantially perform his duties to the Company due to physical or mental impairment. Notwithstanding the foregoing, the Grantee will not be considered Disabled unless the Grantee is also “disabled,” as such term is defined under Section 409A(a)(2)(C) of the Code.

“Fundamental Corporate Event” means a corporate event with respect to the Company which results in a change to the number or type of shares of stock subject to the Options, including a stock dividend, stock split, reverse stock split, reclassification, recapitalization,

reorganization, split-up, spin-off, combination, share exchange, merger, consolidation or similar corporate event.

“Good Reason” means the occurrence of any of the following events:

(i) the failure of the Company to appoint the Grantee to, or to permit him to remain as the President and Chief Executive Officer of the Company, if that failure is not cured within 10 days after written notice from the Grantee or the failure of the Company to nominate and recommend to the stockholders of the Company that the Grantee be elected to the Board whenever the Grantee is scheduled to stand or stands for reelection to the Board at any of the Company’s annual stockholder meetings through December 31, 2019;

(ii) the assignment by the Company to the Grantee of duties materially inconsistent with his status as the chief executive officer of a publicly-traded company or any material diminution in the Grantee’s duties and/or responsibilities, reporting obligations, titles or authority as in effect on the date of this Agreement, if that inconsistency or diminution is not cured within 10 days after written notice from the Grantee;

(iii) any purported termination by the Company of the Grantee’s employment for Cause which is not substantially effected pursuant to the procedures described in the definition of Cause in this Agreement;

(iv) a Change in Control; provided that the Grantee may exercise his right to terminate his employment for Good Reason pursuant to this clause (iv) only during the 30-day period that commences 90 days after the occurrence of such Change in Control; or

(v) any material breach of any written agreement between the Grantee, on the one hand, and the Company or any Subsidiary, on the other, by the Company or such Subsidiary, if not cured within 10 days after written notice from the Grantee.

Notwithstanding the foregoing, Good Reason will not be deemed to exist unless the Grantee gives the Company notice within 120 days (or such shorter period specified above) after the occurrence of the event which the Grantee believes constitutes the basis for Good Reason, specifying the particular act or failure to act which the Grantee believes constitutes the basis for Good Reason.

“Grant Date” means December 17, 2014.

“Grantee” has the meaning specified in the preamble to this Agreement.

“Malone Group” means John C. Malone, his spouse, his children and other lineal descendants or any trust, foundation or other Person established by a member of the Malone Group for the benefit of one or more members of the Malone Group or for a charitable purpose.

“Option” has the meaning specified in Section 2 of this Agreement.

“Option Shares” has the meaning specified in Section 4(a) of this Agreement.

“Plan” has the meaning specified in the recitals to this Agreement.

“Required Withholding Amount” has the meaning specified in Section 5 of this Agreement.

“Separation” means the date as of which the Grantee is no longer employed by the Company or any of its Subsidiaries.

“Subsidiary” has the meaning set forth in the Plan.

“Tranche” has the meaning specified in Section 3(a) of this Agreement.

“Term” has the meaning specified in Section 2 of this Agreement.

Grant of Options. Subject to the terms and conditions herein and in the Plan, the Company hereby awards to the Grantee as of the Grant Date, options to purchase from the Company, exercisable as set forth in Section 3 below during the period commencing on the Grant Date and expiring at the Close of Business on December 17, 2024 (such period, the “Term”), subject to earlier termination as provided in Section 9 below, at the Base Price, 1,500,000 shares of Common Stock. Each option granted hereunder is a “Nonqualified Stock Option” and is hereinafter referred to as an “Option.” The Base Price of each Option and the number of Options granted hereunder are subject to adjustment pursuant to Section 13 below. No fractional shares of Common Stock will be issuable upon exercise of an Option, and the Grantee will receive, in lieu of any fractional share of Common Stock that the Grantee otherwise would receive upon such exercise, cash equal to the fraction representing such fractional share multiplied by the Fair Market Value of one share of Common Stock as of the date on which such exercise is considered to occur pursuant to Section 4 below.

Conditions of Exercise. Unless otherwise determined by the Committee in its sole discretion (provided that such determination is not adverse to the Grantee), the Options will be exercisable only in accordance with the conditions stated in this Section 3.

(a) The Options may be exercised only to the extent they have become vested and exercisable in accordance with the provisions of this Section 3. Except as otherwise provided in this Agreement, subject to the Grantee’s continued employment with the Company or any Subsidiary on each applicable date, one-half of the number of Options subject to this Agreement (with any fractional Option rounded up to the nearest whole Option) will become vested and exercisable on each of December 17, 2018 and December 17, 2019. The Options that become vested and exercisable on each of the foregoing Vesting Dates are referred to as individual “Tranches.”

(b) Notwithstanding the foregoing, (i) all Options will become vested and exercisable on the date of the Grantee’s Separation if (A) the Grantee’s Separation occurs by reason of Disability on or after the Grant Date or (B) the Grantee dies while employed by the Company or a Subsidiary, and (ii) Options that have not theretofore become vested and exercisable will become vested and exercisable (A) to the extent provided in Section 7 of this Agreement, upon the occurrence of a Change in Control, or (B) to the extent provided in Section 8 of this Agreement, on the date of the Grantee’s Separation.

(c) To the extent the Options become vested and exercisable, any or all of such Options may be exercised (at any time or from time to time, except as otherwise provided herein) until expiration of the Term or earlier termination thereof as provided herein.

The Grantee acknowledges and agrees that the Committee, in its discretion and as contemplated by the Plan, may adopt rules and regulations from time to time after the date hereof with respect to the exercise of the Options and that the exercise by the Grantee of Options will be subject to the further condition that such exercise is made in accordance with all such rules and regulations as the Committee may determine are applicable thereto.

Manner of Exercise. Options will be considered exercised (as to the number of Options specified in the notice referred to in Section 4(a) below) on the latest of (i) the date of exercise designated in the written notice referred to in Section 4(a) below, (ii) if the date so designated is not a Business Day, the first Business Day following such date or (iii) the earliest Business Day by which the Company has received all of the following:

(d) Written notice, in such form as the Committee may require, containing such representations and warranties as the Committee may reasonably require and designating, among other things, the date of exercise and the number of shares of Common Stock (“Option Shares”) to be purchased by exercise of Options;

(e) Payment of the Base Price for each Option Share to be purchased in any (or a combination) of the following forms, as determined by the Grantee: (A) cash, (B) check, (C) whole shares of any class or series of the Company’s common stock, (D) the delivery, together with a properly executed exercise notice, of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay the Base Price (and, if applicable the Required Withholding Amount, as described in Section 5 below), or (E) the delivery of irrevocable instructions via the Company’s online grant and administration program for the Company to withhold the number of shares of Common Stock (valued at the Fair Market Value of such Common Stock on the date of exercise) required to pay the Base Price (and, if applicable, the Required Withholding Amount, as described in Section 5 below) that would otherwise be delivered by the Company to the Grantee upon exercise of the Options (it being acknowledged that the method of exercise described in this clause (E) applies to the Options granted pursuant to this Agreement and will not apply to any options granted under the Plan to the Grantee after the Grant Date unless otherwise provided in the applicable award agreement); and

(f) Any other documentation that the Committee may reasonably require.

Mandatory Withholding for Taxes. The Grantee acknowledges and agrees that the Company will deduct from the shares of Common Stock otherwise payable or deliverable upon exercise of any Options that number of shares of Common Stock having a Fair Market Value on the date of exercise that is equal to the amount of all federal, state and local taxes required to be withheld by the Company or any Subsidiary of the Company upon such exercise, as determined by the Company (the “Required Withholding Amount”), unless the Grantee remits

the Required Withholding Amount to the Company or its designee in cash in such form and by such time as the Company may require or other provisions for withholding such amount satisfactory to the Company have been made. If the Grantee elects to make payment of the Base Price by delivery of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay the Base Price, such instructions may also include instructions to deliver the Required Withholding Amount to the Company. In such case, the Company will notify the broker promptly of the Company's determination of the Required Withholding Amount. Notwithstanding the foregoing or anything contained herein to the contrary, (i) the Grantee may, in his sole discretion, direct the Company to deduct from the shares of Common Stock otherwise payable or deliverable upon exercise of any Options that number of shares of Common Stock having a Fair Market Value on the date of exercise that is equal to the Required Withholding Amount and (ii) the Company will not withhold any shares of Common Stock to pay the Required Withholding Amount if the Grantee has remitted cash to the Company or a Subsidiary or designee thereof in an amount equal to the Required Withholding Amount by such time as the Company may require.

Payment or Delivery by the Company. As soon as practicable after receipt of all items referred to in Section 4 above, and subject to the withholding referred to in Section 5 above, the Company will (i) deliver or cause to be delivered to the Grantee certificates issued in the Grantee's name for, or cause to be transferred to a brokerage account through Depository Trust Company for the benefit of the Grantee, the number of shares of Common Stock purchased by exercise of Options, and (ii) deliver any cash payment to which the Grantee is entitled in lieu of a fractional share of Common Stock as provided in Section 2 above. Any delivery of shares of Common Stock will be deemed effected for all purposes when certificates representing such shares have been delivered personally to the Grantee or, if delivery is by mail, when the certificates have been received by the Grantee, or at the time the stock transfer agent completes the transfer of shares to a brokerage account through Depository Trust Company for the benefit of the Grantee, if applicable, and any cash payment will be deemed effected when a check from the Company, payable to the Grantee and in the amount equal to the amount of the cash owed, has been delivered personally to the Grantee or, if delivery is by mail, upon receipt by the Grantee.

Effect of Change in Control on Exercisability of Options. Upon the occurrence of a Change in Control on or after the Grant Date but prior to the Grantee's Separation, any Options that are outstanding and unvested at the time of such Change in Control will immediately become vested and exercisable in full.

Effect of Termination of Employment by the Company Without Cause or by the Grantee For Good Reason on Exercisability of Options.

(g) If the Grantee's Separation occurs on or after the Grant Date on account of a termination of the Grantee's employment by the Company without Cause or on account of a voluntary termination by the Grantee of his employment for Good Reason, a pro rata portion of each Tranche of Options that is not vested on the date of such Separation will vest and become exercisable as of the date of the Grantee's Separation, such pro rata portion with respect to each Tranche to be equal to the product of the number of Option Shares represented by the Options in such Tranche that are not vested on the date of such

Separation multiplied by a fraction, the numerator of which is the number of calendar days that have elapsed from the Grant Date through the date of Separation plus an additional 548 calendar days, and the denominator of which is the number of days in the entire vesting period for such Tranche (in no event to exceed the total number of Option Shares represented by the unvested Options in such Tranche as of the date of Separation). For purposes of this Agreement, the vesting period for each Tranche is the period that begins on the Grant Date and ends on the Vesting Date for such Tranche.

(h) Notwithstanding Section 8(a), if (A) members of the Malone Group cease to beneficially own (within the meaning of Rule 13d-3 under the Exchange Act), directly or indirectly, securities of the Company representing at least 20% of the combined voting power of the then outstanding securities of the Company ordinarily (and apart from rights accruing under special circumstances) having the right to vote in the election of directors (such percentage to be calculated as provided in Rule 13d-3(d) under the Exchange Act in the case of rights to acquire the Company's securities) and (B) within the period beginning 90 days before and ending 210 days after the date the condition prescribed in the foregoing clause (A) is satisfied (the "Malone Termination Period"), there shall occur a Separation on account of a termination of the Grantee's employment by the Company without Cause or on account of a voluntary termination by the Grantee of his employment for Good Reason, and (C) at the time the condition prescribed in clause (A) is satisfied or immediately following the satisfaction of such condition, the Grantee does not beneficially own (within the meaning of Rule 13d-3 under the Exchange Act), directly or indirectly, securities of the Company representing at least 20% of the combined voting power of the then outstanding securities of the Company ordinarily (and apart from rights accruing under special circumstances) having the right to vote in the election of directors (such percentage to be calculated as provided in Rule 13d-3(d) under the Exchange Act in the case of rights to acquire the Company's securities), then all of the outstanding, unvested Options will vest and become exercisable in full as of the date of such Separation.

Termination of Options. The Options will terminate at the time specified below:

(i) If a Change in Control occurs after the Grant Date but prior to the Grantee's Separation, all Options will terminate at the expiration of the Term.

(j) If a Change in Control has not then occurred after the Grant Date and the Grantee's Separation occurs prior to the Close of Business on December 31, 2019 on account of a termination of the Grantee's employment for Cause, all Options that are not vested and exercisable as of the Close of Business on the date of Separation will terminate at that time and all Options that are vested and exercisable as of the Close of Business on the date of Separation will terminate at the Close of Business on the first Business Day following the expiration of the 90-day period that began on the date of the Grantee's Separation.

(k) If (i) the Grantee's Separation does not occur prior to the Close of Business on December 31, 2019, or (ii) a Change in Control has not then occurred after the Grant Date and the Grantee's Separation occurs (A) on account of a termination of the

Grantee's employment without Cause, (B) on account of a termination of the Grantee's employment by the Grantee with or without Good Reason, or (C) by reason of the death or Disability of the Grantee, then all Options that are not vested and exercisable as of the Close of Business on the date of Separation after giving effect to the provisions of Section 3 and Section 8 will terminate at that time, and all Options that are vested and exercisable as of the Close of Business on the date of Separation after giving effect to the provisions of Section 3 and Section 8 will terminate at the expiration of the Term.

In any event in which Options remain exercisable for a period of time following the date of the Grantee's Separation as provided above, the Options may be exercised during such period of time only to the extent the same were vested and exercisable as provided in Section 3 above on such date of Separation (after giving effect to the application of Section 8 above). Notwithstanding any period of time referenced in this Section 9 or any other provision of this Agreement or any other agreement that may be construed to the contrary, the Options will in any event terminate not later than upon the expiration of the Term.

Nontransferability. Options are not transferable (either voluntarily or involuntarily), before or after Grantee's death, except as follows: (a) during Grantee's lifetime, pursuant to a domestic relations order, issued by a court of competent jurisdiction, that is not contrary to the terms and conditions of the Plan or this Agreement, and in a form acceptable to the Committee; or (b) after Grantee's death, by will or pursuant to the applicable laws of descent and distribution, as may be the case. Any person to whom Options are transferred in accordance with the provisions of the preceding sentence shall take such Options subject to all of the terms and conditions of the Plan and this Agreement, including that the vesting and termination provisions of this Agreement will continue to be applied with respect to the Grantee. Options are exercisable only by the Grantee (or, during the Grantee's lifetime, by the Grantee's court appointed legal representative) or a person to whom the Options have been transferred in accordance with this Section.

Forfeiture for Misconduct and Repayment of Certain Amounts. If (i) a material restatement of any financial statement of the Company (including any consolidated financial statement of the Company and its consolidated subsidiaries) is required and (ii) in the reasonable judgment of the Committee, (A) such restatement is due to material noncompliance with any financial reporting requirement under applicable securities laws and (B) such noncompliance is a result of misconduct on the part of the Grantee, the Grantee will repay to the Company Forfeitable Benefits received by the Grantee during the Misstatement Period in such amount as the Committee may reasonably determine, taking into account, in addition to any other factors deemed relevant by the Committee, the extent to which the market value of Common Stock during the Misstatement Period was affected by the error(s) giving rise to the need for such restatement. "Forfeitable Benefits" means (i) any and all cash and/or shares of Common Stock received by the Grantee (A) upon the exercise during the Misstatement Period of any SARs held by the Grantee or (B) upon the payment during the Misstatement Period of any Cash Award or Performance Award held by the Grantee, the value of which is determined in whole or in part with reference to the value of Common Stock, and (ii) any proceeds received by the Grantee from the sale, exchange, transfer or other disposition during the Misstatement Period of any shares of Common Stock received by the Grantee upon the exercise, vesting or payment during the Misstatement Period of any Award held by the Grantee. By way of clarification,

“Forfeitable Benefits” will not include any shares of Common Stock received upon exercise of any Options during the Misstatement Period that are not sold, exchanged, transferred or otherwise disposed of during the Misstatement Period. “Misstatement Period” means the 12-month period beginning on the date of the first public issuance or the filing with the Securities and Exchange Commission, whichever occurs earlier, of the financial statement requiring restatement.

No Stockholder Rights. Prior to the exercise of Options in accordance with the terms and conditions set forth in this Agreement, the Grantee will not be deemed for any purpose to be, or to have any of the rights of, a stockholder of the Company with respect to any shares of Common Stock underlying the Options, as applicable, nor will the existence of this Agreement affect in any way the right or power of the Company or any stockholder of the Company to accomplish any corporate act, including, without limitation, any reclassification, reorganization or other change of or to its capital or business structure, merger, consolidation, liquidation, or sale or other disposition of all or any part of its business or assets.

Adjustments. If the outstanding shares of Common Stock are subdivided into a greater number of shares (by stock dividend, stock split, reclassification or otherwise) or are combined into a smaller number of shares (by reverse stock split, reclassification or otherwise), or if the Committee determines that any stock dividend, extraordinary cash dividend, reclassification, recapitalization, reorganization, split-up, spin-off, combination, exchange of shares, warrants or rights offering to purchase any shares of Common Stock or other similar corporate event (including mergers or consolidations) affects shares of Common Stock such that an adjustment is required to preserve the benefits or potential benefits intended to be made available under this Agreement, then the Options will be subject to adjustment (including, without limitation, as to the number of Options and the Base Price per share of such Options) in such manner as the Committee, in its sole discretion, deems equitable and appropriate in connection with the occurrence of any of the events described in this Section 13 following the Grant Date.

Restrictions Imposed by Law. Without limiting the generality of Section 10.8 of the Plan, the Grantee will not exercise the Options, and the Company will not be obligated to make any cash payment or issue or cause to be issued any shares of Common Stock if counsel to the Company determines that such exercise, payment or issuance would violate any applicable law or any rule or regulation of any governmental authority or any rule or regulation of, or agreement of the Company with, any securities exchange or association upon which shares of Common Stock are listed or quoted. The Company will in no event be obligated to take any affirmative action in order to cause the exercise of the Options or the resulting payment of cash or issuance of shares of Common Stock to comply with any such law, rule, regulation or agreement.

Notice. Unless the Company notifies the Grantee in writing of a different procedure or address, any notice or other communication to the Company with respect to this Agreement will be in writing and will be delivered personally or sent by United States first class mail, postage prepaid and addressed as follows:

Liberty Broadband Corporation
12300 Liberty Boulevard
Englewood, Colorado 80112
Attn: General Counsel

Unless the Company elects to notify the Grantee electronically pursuant to the online grant and administration program or via email, any notice or other communication to the Grantee with respect to this Agreement will be in writing and will be delivered personally, or will be sent by United States first class mail, postage prepaid, to the Grantee's address as listed in the records of the Company on the date of this Agreement, unless the Company has received written notification from the Grantee of a change of address.

Amendment. Notwithstanding any other provision hereof, this Agreement may be amended from time to time as approved by the Committee as contemplated in the Plan. Without limiting the generality of the foregoing, without the consent of the Grantee,

(l) this Agreement may be amended from time to time as approved by the Committee (i) to cure any ambiguity or to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or (ii) to add to the covenants and agreements of the Company for the benefit of the Grantee or surrender any right or power reserved to or conferred upon the Company in this Agreement, subject to any required approval of the Company's stockholders and, provided, in each case, that such changes or corrections will not adversely affect the rights of the Grantee with respect to the Award evidenced hereby, or (iii) to make such other changes as the Company, upon advice of counsel, determines are necessary because of the adoption or promulgation of, or change in or of the interpretation of, any law or governmental rule or regulation, including any applicable federal or state securities laws; and

(m) subject to any required action by the Board or the stockholders of the Company, the Options granted under this Agreement may be canceled by the Company and a new Award made in substitution therefor, provided, that the Award so substituted will satisfy all of the requirements of the Plan as of the date such new Award is made and no such action will adversely affect any Options.

Grantee Employment. Nothing contained in this Agreement, and no action of the Company or the Committee with respect hereto, will confer or be construed to confer on the Grantee any right to continue in the employ of the Company or interfere in any way with the right of the Company to terminate the Grantee's employment at any time, with or without Cause.

Nonalienation of Benefits. Except as provided in Section 10 of this Agreement, (i) no right or benefit under this Agreement will be subject to anticipation, alienation, sale, assignment, hypothecation, pledge, exchange, transfer, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, hypothecate, pledge, exchange, transfer, encumber or charge the same will be void, and (ii) no right or benefit hereunder will in any manner be liable for or subject to the debts, contracts, liabilities or torts of the Grantee or other person entitled to such benefits.

Governing Law. This Agreement will be governed by, and construed in accordance with, the internal laws of the State of Colorado.

Construction. References in this Agreement to “this Agreement” and the words “herein,” “hereof,” “hereunder” and similar terms include all Exhibits and Schedules appended hereto, including the Plan. The word “include” and all variations thereof are used in an illustrative sense and not in a limiting sense. All decisions of the Committee upon questions regarding this Agreement or the Plan will be conclusive. Unless otherwise expressly stated herein, in the event of any inconsistency between the terms of the Plan and this Agreement, the terms of the Plan will control. The headings of the sections of this Agreement have been included for convenience of reference only, are not to be considered a part hereof and will in no way modify or restrict any of the terms or provisions hereof.

Rules by Committee. The rights of the Grantee and the obligations of the Company hereunder will be subject to such reasonable rules and regulations as the Committee may adopt from time to time.

Entire Agreement. This Agreement is in satisfaction of and in lieu of all prior discussions and agreements, oral or written, between the Company and the Grantee regarding the subject matter hereof. The Grantee and the Company hereby declare and represent that no promise or agreement not expressed herein has been made regarding the Award and that this Agreement contains the entire agreement between the parties hereto with respect to the Award and replaces and makes null and void any prior agreements between the Grantee and the Company regarding the Award. Subject to the restrictions set forth in Sections 10 and 18, this Agreement will be binding upon and inure to the benefit of the parties and their respective heirs, successors and assigns.

Grantee Acceptance. The Grantee will signify acceptance of the terms and conditions of this Agreement by acknowledging the acceptance of this Agreement via the procedures described in the online grant and administration program utilized by the Company or by such other method as may be agreed by the Grantee and the Company.

Code Section 409A Compliance. To the extent that the provisions of Section 409A of the Code or any U.S. Department of the Treasury regulations promulgated thereunder are applicable to any Option, the parties intend that this Agreement will meet the requirements of such Code section and regulations and that the provisions hereof will be interpreted in a manner that is consistent with such intent. If, however, the Grantee is liable for the payment of any tax, penalty or interest pursuant to Section 409A of the Code, or any successor or like provision (the “409A Tax”), with respect to any payments or property transfers received or to be received under this Agreement or otherwise, the Company will pay the Grantee an amount (the “Special Reimbursement”) which, after payment to the Grantee (or on the Grantee’s behalf) of any federal, state and local taxes, including, without limitation, any further tax, penalty or interest under Section 409A of the Code, with respect to or resulting from the Special Reimbursement, equals the net amount of the 409A Tax. Any payment due to the Grantee under this Section will be made to the Grantee, or on behalf of the Grantee, as soon as practicable after the determination of the amount of such payment, but no sooner than the date on which the Company is required to withhold such amount or the Grantee is required to pay such amount to

the Internal Revenue Service. Notwithstanding the foregoing, all payments under this Section will be made to the Grantee, or on the Grantee's behalf, no later than the end of the year following the year in which the Grantee or the Company paid the related taxes, interest or penalties. The Grantee will cooperate with the Company in taking such actions as the Company may reasonably request to assure that this Agreement will meet the requirements of Section 409A of the Code and any U.S. Department of the Treasury regulations promulgated thereunder and to limit the amount of any additional payments required by this Section to be made to the Grantee.

Replacement Awards. Any restricted stock unit, restricted stock, option or other equity or equity derivative that is issued after the Grant Date to the Grantee by the Company or any other Person pursuant to a Fundamental Corporate Event in full or partial replacement of, as an adjustment to, or otherwise with respect to, an Option granted pursuant to this Agreement (a "Replacement Award"), will have the same term and the same vesting and exercisability terms and conditions as the Options, except that if the Company is not the issuer of a Replacement Award, the definition of Change in Control with respect to such Replacement Award will be applied with respect to the issuer of such Replacement Award as if it were the "Company" for purposes of such definition. By way of illustration, a Change in Control of the Company will not cause acceleration of any Replacement Awards that are not issued by the Company and a Change in Control of the issuer of any Replacement Awards with respect to which the Company is not the issuer will not cause acceleration of any remaining Options with respect to which the Company is the issuer.

Legal Fees and Other Expenses. The Company will pay or reimburse the Grantee for all legal fees and expenses incurred by the Grantee in connection with the review, preparation and negotiation of this Agreement and will also pay or reimburse the Grantee for any HSR filing fees incurred by him in connection with his receipt of Options and/or shares of Common Stock pursuant to this Agreement. Any such reimbursement will be made as soon as practicable following submission of a reimbursement request, but no later than the end of the year following the year during which the underlying expense was incurred.

Confidential Information. The Grantee will not, during or after his employment with the Company, without the prior express written consent of the Company, directly or indirectly use or divulge, disclose or make available or accessible any Confidential Information (as defined below) to any person, firm, partnership, corporation, trust or any other entity or third party (other than when required to do so in good faith to perform the Grantee's duties and responsibilities to the Company or when (i) required to do so by a lawful order of a court of competent jurisdiction, any governmental authority or agency, or any recognized subpoena power, or (ii) necessary to prosecute the Grantee's rights against the Company or its Subsidiaries or to defend himself against any allegations). The Grantee will also proffer to the Company, no later than the effective date of any termination of the Grantee's engagement with the Company for any reason, and without retaining any copies, notes or excerpts thereof, all memoranda, computer disks or other media, computer programs, diaries, notes, records, data, customer or client lists, marketing plans and strategies, and any other documents consisting of or containing Confidential Information that are in the Grantee's actual or constructive possession or which are subject to the Grantee's control at such time. For purposes of this Agreement, "Confidential Information" will mean all information respecting the business and activities of the Company or

any Subsidiary, including, without limitation, the clients, customers, suppliers, employees, consultants, computer or other files, projects, products, computer disks or other media, computer hardware or computer software programs, marketing plans, financial information, methodologies, know-how, processes, practices, approaches, projections, forecasts, formats, systems, trade secrets, data gathering methods and/or strategies of the Company or any Subsidiary. Notwithstanding the immediately preceding sentence, Confidential Information will not include any information that is, or becomes, generally available to the public (unless such availability occurs as a result of the Grantee's breach of any of his obligations under this Section). If the Grantee is in breach of any of the provisions of this Section or if any such breach is threatened by the Grantee, in addition to and without limiting or waiving any other rights or remedies available to the Company at law or in equity, the Company shall be entitled to immediate injunctive relief in any court, domestic or foreign, having the capacity to grant such relief, without the necessity of posting a bond, to restrain any such breach or threatened breach and to enforce the provisions of this Section. The Grantee agrees that there is no adequate remedy at law for any such breach or threatened breach and, if any action or proceeding is brought seeking injunctive relief, the Grantee will not use as a defense thereto that there is an adequate remedy at law.

Arbitration. Except as provided in Section 27 of this Agreement, any controversy, claim or dispute arising out of or in any way relating to this Agreement or the Grantee's employment with, or termination of employment from, the Company (including whether such controversy, claim or dispute is subject to arbitration), excepting only claims that may not, by statute, be arbitrated, will be submitted to binding arbitration. Both the Grantee and the Company acknowledge that they are relinquishing their right to a jury trial. The Grantee and the Company agree that arbitration will be the exclusive method for resolving disputes arising out of or related to this Agreement or to the Grantee's employment with, or termination of employment from, the Company.

The arbitration will be administered by JAMS in accordance with the Employment Arbitration Rules & Procedures of JAMS then in effect and subject to JAMS Policy on Employment Arbitration Minimum Standards, except as otherwise provided in this Agreement. Arbitration will be commenced and heard in the Denver, Colorado metropolitan area. Only one arbitrator will preside over the proceedings, who will be selected by agreement of the parties from a list of five or more qualified arbitrators provided by the arbitration tribunal, or if the parties are unable to agree on an arbitrator within 10 Business Days following receipt of such list, the arbitration tribunal will select the arbitrator. The arbitrator will apply the substantive law (and the law of remedies, if applicable) of Colorado or federal law, or both, as applicable to the claim(s) asserted. In any arbitration, the burden of proof will be allocated as provided by applicable law. The arbitrator will have the authority to award any and all legal and equitable relief authorized by the law applicable to the claim(s) being asserted in the arbitration, as if the claim(s) were brought in a federal court of law. Either party may bring an action in court to compel arbitration under this Agreement and to enforce an arbitration award. Discovery, such as depositions or document requests, will be available to the Company and the Grantee as though the dispute were pending in U.S. federal court. The arbitrator will have the ability to rule on pre-hearing motions as though the matter were in a U.S. federal court, including the ability to rule on a motion for summary judgment.

If permitted by applicable law, the fees of the arbitrator and any other fees for the administration of the arbitration that would not normally be incurred if the action were brought in a court of law (e.g., filing fees or room rental fees) will be shared equally by the parties. If the foregoing is not permitted by applicable law, the fees of the arbitrator and any other fees for the administration of the arbitration that would not normally be incurred if the action were brought in a court of law will be paid by the Company. Each party will pay its own attorneys' fees and other costs incurred in connection with the arbitration, unless the relief authorized by law allows otherwise and the arbitrator determines that such fees and costs will be paid in a different manner. The arbitrator must provide a written decision. If any part of this arbitration provision is deemed to be unenforceable by an arbitrator or a court of law, that part may be severed or reformed so as to make the balance of this arbitration provision enforceable.

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)) 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) 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
 - c) 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 13, 2015

/s/ GREGORY B. MAFFEI

Gregory B. Maffei
President and Chief Executive Officer

CERTIFICATION

I, Christopher W. Shean, 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)) 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) 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
 - c) 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 13, 2015

/s/ CHRISTOPHER W. SHEAN

Christopher W. Shean
Senior Vice President and Chief Financial Officer
