UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2016

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 No. 0-5890

GCI, INC.

(Exact name of registrant as specified in its charter)

State of Alaska	**91-1820757**
(State or other jurisdiction of incorporation or organization)	(I.R.S Employer Identification No.)
2550 Denali Street **Suite 1000** **Anchorage, Alaska**	**99503**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (907) 868-5600
Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Act.
Yes ☐ No ☒

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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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 a 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 Act). Yes ☐ No ☒

THE REGISTRANT MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTIONS I(1)(a) AND (b) OF FORM 10-k AND IS THEREFORE FILING THIS FORM WITH THE REDUCED DISCLOSURE FORMAT.

GCI, INC.
A WHOLLY OWNED SUBSIDIARIY OF GENERAL COMMUNICATION, INC.
2016 ANNUAL REPORT ON FORM 10-K
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Cautionary Statement Regarding Forward-Looking Statements

You should carefully review the information contained in this Annual Report, but should particularly consider any risk factors that we set forth in this Annual Report and in other reports or documents that we file from time to time with the Securities and Exchange Commission ("SEC"). In this Annual Report, in addition to historical information, we state our future strategies, plans, objectives or goals and our beliefs of future events and of our future operating results, financial position and cash flows. In some cases, you can identify those so-called "forward-looking statements" by words such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "project," or "continue" or the negative of those words and other comparable words. All forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance, achievements, plans and objectives to differ materially from any future results, performance, achievements, plans and objectives expressed or implied by these forward-looking statements. In evaluating those statements, you should specifically consider various factors, including those identified under "Risk Factors," and elsewhere in this Annual Report. Those factors may cause our actual results to differ materially from any of our forward-looking statements. For these forward-looking statements, we claim the protection of the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995.

You should not place undue reliance on any such forward-looking statements. Further, any forward-looking statement, and the related risks, uncertainties and other factors speak only as of the date on which they were originally made and we expressly disclaim any obligation or undertaking to update or revise any forward-looking statement to reflect any change in our expectations with regard to these statements or any other change in events, conditions or circumstances on which any such statement is based. New factors emerge from time to time, and it is not possible for us to predict what factors will arise or when. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Part I

Item 1. Business

General

In this Annual Report, "we," "us," "our," and "the Company" refer to GCI, Inc. and its direct and indirect subsidiaries.

GCI, Inc. was incorporated in 1997 to effect the issuance of Senior Notes as further described in note 6 to the accompanying "Consolidated Financial Statements" included in Part IV of this Report. GCI, Inc. as a wholly owned subsidiary of General Communication, Inc. ("GCI"), received through its initial capitalization all ownership interests in subsidiaries previously held by GCI. GCI was incorporated in 1979 under the laws of the State of Alaska and has its principal executive offices at 2550 Denali Street, Suite 1000, Anchorage, AK 99503-2781 (telephone number 907-868-5600).

GCI, Inc. is primarily a holding company and together with its direct and indirect subsidiaries, is a diversified communications provider with operations primarily in the State of Alaska.

Availability of Reports and Other Information

Our Internet website address is www.gci.com. The information on our website is not incorporated by reference in this annual report on Form 10-K. We make available, free of charge, access to our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, GCI's Proxy Statement on Schedule 14A and amendments to those materials filed or furnished pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934 as soon as reasonably practicable after we electronically submit such material to the SEC.

Financial Information about Industry Segments

For financial information about our two reportable segments - Wireless and Wireline, see "Part II — Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations." Also refer to Note 11 included in "Part II — Item 8 — Consolidated Financial Statements and Supplementary Data."

Narrative Description of our Business

General

We are the largest Alaska-based communications provider as measured by revenues. We provide a full range of wireless, data, video, voice, and managed services to residential customers, businesses, governmental entities, and educational and medical institutions primarily in Alaska under our GCI brand. Due to the unique nature of the markets we serve, including harsh winter weather and remote geographies, our customers rely extensively on our systems to meet their communication and entertainment needs.

Since GCI's founding in 1979 as a competitive long distance provider, we have consistently expanded our product portfolio and facilities to become the leading integrated communication services provider in our markets. Our facilities include redundant and geographically diverse digital undersea fiber optic cable systems linking our Alaska terrestrial networks to the networks of other carriers in the lower 48 contiguous states. In recent years, we expanded our efforts in wireless and presently operate the only statewide wireless network.

For the year ended December 31, 2016, we generated consolidated revenues of $933.8 million. We ended the period with 222,500 wireless subscribers, 140,800 cable modem subscribers and 125,800 basic video subscribers.

Development of our Business During the Past Fiscal Year

Tower Sale and Leaseback. In August 2016, we sold to Vertical Bridge Towers II, LLC ("Vertical Bridge") 276 cell sites ("Tower Sites") in exchange for net proceeds of $90.8 million. We entered into a master lease agreement in which we lease back space at the Tower Sites for an initial term of ten years, followed by the option to renew for eight additional five year periods, for a total possible lease term of 50 years. Each lease is subject to a 2% annual increase in lease payments throughout the life of the initial lease and all subsequent lease renewals. See Note 2 included in "Part II - Item 8 - Consolidated Financial Statements and Supplementary Data" for additional information.

Universal Service Fund Alaska High Cost Order. On August 31, 2016, the Federal Communications Commission ("FCC") published a Report and Order to reform the methodology for distributing Universal Service Fund ("USF") high cost support for both wireline and wireless voice and broadband service (“Alaska High Cost Order”). The Alaska High Cost Order was a significant program change that required a reassessment of our high cost support revenue recognition. See Note 1 included in "Part II - Item 8 - Consolidated Financial Statements and Supplementary Data" for additional information. As a result of the Alaska High Cost Order, our 2016 high cost support revenue under the USF program was $2.5 million less than the $66.2 million of high cost support revenue recognized in 2015. Additionally, we expect high cost support revenue under the USF program to be less than the 2015 level by approximately $5.0 million in each of 2017 and 2018, and $14.8 million annually from 2019 through 2026, the date the Alaska High Cost Order ends.

You should see “Part I — Item 1. Business — Regulation” for additional regulatory developments.

Business Strategy

We intend to continue to increase Adjusted EBITDA, as defined in Note 11 in "Part II - Item 8 - Consolidated Financial Statements and Supplementary Data," using the following strategies:

Expand Our Product Portfolio and Footprint in Alaska. Throughout our history, we have successfully added and expect to continue to add new products to our product portfolio. We have a demonstrated history of new product evaluation, development and deployment for our customers, and we continue to assess revenue-enhancing opportunities that create value for our customers. Where feasible and where economic analysis supports geographic expansion of our network coverage, we are currently pursuing or expect to pursue opportunities to increase the scale of our facilities, enhance our ability to serve our existing customers’ needs and attract new customers. Additionally, due to the unique market conditions in Alaska, we, and in some cases our customers, participate in several federal (and to a lesser extent locally) subsidized programs designed to financially support the implementation and purchase of telecommunications services like ours in high cost areas. With these programs we have been able to expand our network into previously undeveloped areas of Alaska and, for the first time, offer comprehensive communications services in many rural parts of the state where we would not otherwise be able to construct facilities within appropriate return-on-investment requirements.

Make Strategic Acquisitions. We have a history of making and integrating acquisitions of telecommunications providers and other providers of complementary services. Our management team will continue to actively pursue and make investments that we believe fit with our strategy and networks and that enhance earnings.

Maximize Sales Opportunities. We sell new and enhanced services and products to our existing customer base to achieve increased revenues and penetration of our services. Through close coordination of our customer service and sales and marketing efforts, our customer service representatives suggest to our customers other services they can purchase or enhanced versions of services they already purchase. Many calls into our customer service centers or visits into one of our retail stores result in sales of additional services and products.

Deliver Industry Leading Customer Service. We have positioned ourselves as a customer service leader in the Alaska communications market. We operate our own customer service department and have empowered our customer service representatives to handle most service issues and questions on a single call. We prioritize our customer services to expedite handling of our most valuable customers' issues, particularly for our largest commercial customers. We believe our integrated approach to customer service, including service set-up, programming various network databases with the customer's information, installation, and ongoing service, allows us to provide a customer experience that fosters customer loyalty.

Leverage Communications Operations. We continue to expand and evolve our integrated network for the delivery of our services. Our bundled strategy and integrated approach to serving our customers creates efficiencies of scale and maximizes network utilization. By offering multiple services, we are better able to leverage our network assets and increase returns on our invested capital. We periodically evaluate our network assets and continually monitor technological developments that we can potentially deploy to increase network efficiency and performance.

Description of our Business by Reportable Segment

Overview

Our two reportable segments are Wireless and Wireline. The following discussion includes information about significant services and products, sales and marketing, facilities, competition and seasonality for each of our reportable segments. For a discussion and analysis of financial condition and results of operations please see "Part II – Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations."

Wireless Segment

Wireless segment revenues for 2016, 2015 and 2014 are summarized as follows (amounts in thousands):

	Year Ended December 31,		
	2016	2015	2014
Total Wireless segment revenues[1]	$ 208,109	267,676	269,977

[1] See "Part II — Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 11 included in "Part II — Item 8 — Consolidated Financial Statements and Supplementary Data" for more information regarding the financial performance of our Wireless segment.

Services and Products

Our Wireless segment offers wholesale wireless services and products to wireless carriers. We provide network transport and access to our wireless network to wireless carriers. These services allow wireless carriers to provide full wireless services to their customers.

Sales and Marketing

Our Wireless segment sales and marketing efforts are primarily directed toward increasing the number of wireless carriers we serve and the number of voice and data circuits leased. We sell our wireless services primarily through direct contact marketing.

Facilities

We own and operate a statewide network providing voice and data services to the urban and rural communities of Alaska. Our statewide wireless network provides 4G LTE data service, EVDO, 3G UMTS/HSPA+, 2G CDMA, and 2G GSM/EDGE service. We continue to expand and upgrade these services to provide a modern network for

Alaska. We own and operate Wi-Fi access points that create a Wi-Fi network branded as TurboZone in Anchorage, Fairbanks, Juneau, Kenai-Soldotna, Matanuska-Susitna Valley, and other areas of the State ("TurboZone").

Competition
Our Wireless segment competes with AT&T, Verizon, and smaller companies. We compete in the wholesale wireless market by offering competitive rates and by providing a comprehensive statewide network to meet the needs of carrier customers.

Seasonality
Our Wireless segment services and products do not exhibit significant seasonality. Our ability to implement construction projects is hampered during the winter months because of cold temperatures, snow, and short daylight hours.

Major Customer
The Wireless segment had no major customer in 2016. Verizon was the only major customer of the Wireless segment in 2015 and 2014.

Wireline Segment
Wireline segment revenues for 2016, 2015 and 2014 are summarized as follows (amounts in thousands):

	Year Ended December 31,		
	2016	2015	2014
Total Wireline segment revenues[1]	$ 725,703	710,858	640,221

[1] See “Part II — Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 11 included in “Part II — Item 8 — Consolidated Financial Statements and Supplementary Data” for more information regarding the financial performance of our Wireline segment.

Services and Products
Our Wireline segment offers services and products to two major customer groups as follows:

	Customer Group	
Wireline Segment Services and Products	Consumer	Business
Retail wireless	X	X
Data:		
Internet	X	X
Data networks		X
Managed services		X
Video	X	X
Voice:		
Long-distance	X	X
Local access	X	X

- Consumer - We offer a full range of retail wireless, data, video, and voice services to residential customers.
- Business Services - We offer a full range of wireless, data, video, voice, and managed services to businesses, governmental entities, and educational institutions and wholesale data and voice services to common carrier customers and regulated voice services to residential and commercial customers in rural communities primarily in Southwest Alaska.

Sales and Marketing

We offer our services directly to consumer and business customers through our call center, direct mail advertising, television advertising, Internet advertising, local media advertising, and through our retail stores. Our sales efforts are primarily directed toward increasing the number of subscribers we serve, selling bundled services, and generating incremental revenues through product and feature up-sell opportunities. We sell our managed services, wholesale data and voice services, and data services to rural schools and health organizations through direct contact marketing.

Facilities

We operate a modern, competitive communications network providing switched and dedicated voice and broadband services. Our fiber network employs digital transmission technology over our fiber optic facilities within Alaska and between Alaska and the lower 48 states.

We serve many rural and remote Alaska locations solely via satellite communications. Each of our satellite transponders is backed up on alternate spacecraft with multiple backup transponders. We operate a hybrid fiber optic cable and digital microwave system ("TERRA") linking Anchorage with the Bristol Bay, Yukon-Kuskokwim, and northwest regions of the state.

Our video businesses are located throughout Alaska and serve the majority of the population. Our facilities include hybrid-fiber-coax plant and head-end distribution equipment. The majority of our locations on the fiber routes are served from head-end distribution equipment in Anchorage. All of our cable systems are completely digital.

Our dedicated Internet access and Internet protocol data services are delivered to an Ethernet port located at the service end-point. Our management platform continuously monitors the network and service end-points for performance. The availability and quality of service, as well as statistical information on traffic loading, are continuously monitored for quality assurance. The management platform has the capability to remotely access network elements and service end-points, permitting changes in configuration without the need to physically be at the service end-point. This management platform allows us to offer network monitoring and management services to businesses and governmental entities.

Competition

We operate in intensely competitive industries and compete with a growing number of companies that provide a broad range of communication, entertainment, and information products and services. Technological changes are further intensifying and complicating the competitive landscape and consumer behavior.

<u>Retail Wireless Services and Products Competition</u>

We compete with AT&T, Verizon, and other community or regional-based wireless providers, and resellers of those services in Anchorage and other markets. Regulatory policies favor robust competition in wireless markets. Wireless local number portability helps to maintain a high level of competition in the industry because it allows subscribers to switch carriers without having to change their telephone numbers.

The communications industry continues to experience significant technological changes, as evidenced by the increasing pace of improvements in the capacity and quality of digital technology, shorter cycles for new products and enhancements and changes in consumer preferences and expectations. Accordingly, we expect competition in the wireless communications industry to continue to be dynamic and intense as a result of the development of new technologies, services and products.

The national wireless carriers with whom we compete, AT&T and Verizon, have resources that are greater than ours. These companies have significantly greater capital, financial, marketing, human capital, distribution and other resources than we do. Specifically, as a regional wireless carrier we may not have immediate access to some wireless handsets that are available to these national wireless carriers.

We compete for customers based principally upon price, bundled services, the services and enhancements offered, network quality, customer service, statewide network coverage and capacity, TurboZone, the type of wireless handsets offered, and the availability of differentiated features and services. Our ability to compete successfully will depend, in part, on our marketing efforts and our ability to anticipate and respond to various competitive factors affecting the industry.

Data Services and Products Competition
The Internet industry is highly competitive, rapidly evolving and subject to constant technological change. Competition is based upon price and pricing plans, service bundles, the types of services offered, the technologies used, customer service, billing services, and perceived quality, reliability and availability. We compete with other providers some of which are headquartered outside of Alaska and have substantially greater financial, technical and marketing resources than we do.

We expect to continue to provide, at reasonable prices and in competitive bundles, a greater variety of data services than are available through other alternative delivery sources. Additionally, we believe we offer superior technical performance and speed, and responsive community-based customer service. Increased competition, however, may adversely affect our market share and results of operations from our data services product offerings.

Presently, there are a number of competing companies in Alaska that actively sell and maintain data and voice communications systems. Our ability to integrate communications networks and data communications equipment has allowed us to maintain our market position based on customer support services rather than price competition alone. These services are blended with other transport products into unique customer solutions, including managed services and outsourcing.

Video Services and Products Competition
Our video systems face competition from services and devices that offer distribution of movies, television shows and other video programming, using alternative methods such as Internet video streaming and direct broadcast satellite ("DBS"). Our video systems also face competition from potential overbuilds of our existing cable systems. The extent to which our video systems are competitive depends, in part, upon our ability to provide quality programming and other services at competitive prices.

Internet video streaming is a major source of competition for our video services. Additionally, some online video services are also beginning to produce or acquire their own original content. However, as a major Internet-provider ourselves, the competition may result in additional data service subscriber revenue to the extent we grow average Internet revenue per subscriber.

The DBS industry is another major source of competition for our video services. Two major companies, AT&T-owned DIRECTV and DISH DBS Corporation, are currently offering high-power DBS services in Alaska.

Competitive forces may be counteracted by offering subscribers expanded programming. We have retransmission agreements with various broadcasters and provide for the uplink/downlink of their signals into certain of our systems, and local programming for our customers. Additionally, our ownership of television stations provides us the opportunity to create unique content for our subscribers.

Video systems generally operate pursuant to franchises granted on a non-exclusive basis. The 1992 Cable Act gives local franchising authorities jurisdiction over basic video service rates and equipment in the absence of “effective competition.” The 1992 Cable Act also prohibits franchising authorities from unreasonably denying requests for additional franchises and permits franchising authorities to operate video systems. Well-financed businesses from outside the video industry may become competitors for franchises or providers of competing services.

We expect to continue to provide, at reasonable prices and in competitive bundles, a greater variety of video services than are available off-air or through other alternative delivery sources. Additionally, we believe we offer superior technical performance and responsive community-based customer service. Increased competition, however, may adversely affect our market share and results of operations from our video services product offerings.

Voice Services and Products Competition
Our most significant competition for local access and long-distance comes from wireless substitution and voice over Internet protocol services. Wireless local number portability allows consumers to retain the same phone number as they change service providers allowing for interchangeable and portable fixed-line and wireless numbers. A growing number of consumers now use wireless service as their primary voice phone service for local calling. We

also compete against Incumbent Local Exchange Carriers ("ILECs"), long-distance resellers and certain smaller rural local telephone companies for local access and long-distance. We have competed by offering what we believe is excellent customer service and by providing desirable bundles of services.

See “Regulation — Wireline Voice Services and Products” below for more information.

Seasonality

Our Wireline segment services and products do not exhibit significant seasonality. Our ability to implement construction projects is hampered during the winter months because of cold temperatures, snow and short daylight hours.

Major Customer

We had no Wireline segment major customers in 2016, 2015 or 2014.

Sales and Marketing – Company-wide

Our sales and marketing strategy hinges on our ability to leverage (i) our unique position as an integrated provider of multiple communications, data and video services, (ii) our well-recognized and respected brand names in the Alaskan marketplace and (iii) our leading market positions in the services and products we offer. By continuing to pursue a marketing strategy that takes advantage of these characteristics, we believe we can increase our customer market penetration and retention rates, increase our share of our customers’ aggregate voice, video, data and wireless services expenditures and managed services expenditures, and achieve continued growth in revenues and operating cash flow.

Environmental Regulations

We undertake activities that may, under certain circumstances, affect the environment. Accordingly, they may be subject to federal, state, and local laws designed to preserve or protect the environment, including the Clean Water Act and the Emergency Planning and Community Right-to-Know Act. The FCC, Bureau of Land Management, U.S. Forest Service, U.S. Fish and Wildlife Service, U.S. Army Corps of Engineers, Bureau of Indian Affairs, and National Park Service are among the federal agencies required by the National Environmental Policy Act of 1969 and National Historic Preservation Act to consider the environmental impact of actions they authorize, including facility construction.

The principal effect of our facilities on the environment would be in the form of construction of facilities and networks at various locations in Alaska and between Alaska, Washington, and Oregon. Our facilities have been constructed in accordance with federal, state and local building codes and zoning regulations whenever and wherever applicable. We obtain federal, state, and local permits, as required, for our projects and operations. We are unaware of any material violations of federal, state or local regulations or permits.

Patents, Trademarks, and Licenses

We do not hold patents, franchises (with the exception of video services as described below) or concessions for communications services or local access services. We hold a number of federally registered service marks used by our reportable segments. The Communications Act of 1934, as amended, gives the FCC the authority to license and regulate the use of the electromagnetic spectrum for radio communications. We hold licenses for our satellite and microwave transmission facilities for provision of long-distance services provided by our Wireline segment. We hold various licenses for spectrum and broadcast television use. These licenses may be revoked and license renewal applications may be denied for cause. However, we expect these licenses to be renewed in due course when, at the end of the license period, a renewal application will be filed.

We hold licenses for earth stations that are generally licensed for fifteen years. The FCC also issues a single blanket license for a large number of technically identical earth stations. Our operations may require additional licenses in the future.

We are certified through the Regulatory Commission of Alaska ("RCA") to provide local, long distance, and video service by Certificates of Public Convenience and Necessity (“CPCN”). These CPCNs are nonexclusive certificates defining each authorized service area. Although CPCNs have no stated expiration date, they may be revoked due to cause.

Regulation

Our businesses are subject to substantial government regulation and oversight. The following summary of regulatory issues does not purport to describe all existing and proposed federal, state, and local laws and regulations, or judicial and regulatory proceedings that affect our businesses. Existing laws and regulations are reviewed frequently by legislative bodies, regulatory agencies, and the courts and are subject to change. We cannot predict at this time the outcome of any present or future consideration of proposed changes to governing laws and regulations.

Wireless Services and Products

General. The FCC regulates the licensing, construction, interconnection, operation, acquisition, and transfer of wireless network systems in the United States pursuant to the Communications Act. As wireless licensees, we are subject to regulation by the FCC, and must comply with certain build-out and other license conditions, as well as with the FCC's specific regulations governing wireless services. The FCC does not currently regulate rates for services offered by commercial mobile radio service providers (the official legal description for wireless service providers).

Commercial mobile radio service wireless systems are subject to Federal Aviation Administration and FCC regulations governing the location, lighting, construction, modification, and registration of antenna structures on which our antennas and associated equipment are located and are also subject to regulation under federal environmental laws and the FCC's environmental regulations, including limits on radio frequency radiation from wireless handsets and antennas.

Universal Service. The High Cost Program of the USF pays Eligible Telecommunications Carriers ("ETCs") to support the provision of facilities-based wireless telephone service in high cost areas. A wireless carrier may seek ETC status so that it can receive support from the USF. Under FCC regulations and RCA orders, we are an authorized ETC for purposes of providing wireless telephone service in Anchorage, Juneau, Fairbanks, the Matanuska-Susitna Valley, and other small areas throughout Alaska. Without ETC status, we would not qualify for USF support in these areas or other rural areas where we propose to offer facilities-based wireless telephone services, and our net cost of providing wireless telephone services in these areas would be materially adversely affected.

On August 31, 2016, the FCC published the Alaska High Cost Order. Per the Alaska High Cost Order, as of January 1, 2017, Remote high cost support payments to Alaska High Cost participants was frozen on a per-company basis at adjusted December 2014 levels for a ten-year term in exchange for meeting individualized performance obligations to offer voice and broadband services meeting the service obligations at specified minimum speeds by five-year and ten-year service milestones to a specified number of locations. Remote high cost support is no longer dependent upon line counts and line count filings are no longer required. Prior to the Alaska High Cost Order, Urban high cost support payments were frozen and had phased down to 60% of the monthly average of the 2011 annual support. The Alaska High Cost Order mandates that as of January 1, 2017, Urban high cost support for 2017 and 2018 will be two-thirds and one-third of the December 2014 level of support received, respectively, with Urban high cost support ending effective December 31, 2018.

On April 27, 2016, the FCC released a Third Report and Order to reform and modernize the USF's Lifeline program ("Lifeline Order"). The Lifeline program is administered by the Universal Service Administrative Company ("USAC") and is designed to ensure that quality telecommunications services are available to low-income customers at just, reasonable, and affordable rates. The Lifeline Order adopted several reforms, including incentivizing and sometimes requiring broadband providers to offer fixed and/or mobile broadband service to Lifeline subscribers. The Lifeline Order also limited the number of federal programs that confer Lifeline eligibility, and made small changes to the requirement for annual recertification of all Lifeline subscribers. Failure to correctly judge eligibility and recertify Lifeline subscribers could materially adversely affect our Lifeline revenues and/or increase our costs in the form of FCC fines for failure to comply with Lifeline rules.

Interconnection. We have completed negotiations and the RCA has approved current direct wireless interconnection agreements with all of the major Alaska ILECs. These are in addition to indirect interconnection arrangements utilized elsewhere.

See "Description of Our Business by Reportable Segment — Regulation — Wireline Voice Services and Products — Regulatory Regime Applicable to IP-based Networks" for more information.

Emergency 911. The FCC has imposed rules requiring carriers to provide emergency 911 services, including enhanced 911 ("E911") services that provide to local public safety dispatch agencies the caller's phone number and approximate location. Providers are required to transmit the geographic coordinates of the customer's location, either by means of network-based or handset-based technologies, within accuracy parameters revised by the FCC, to be implemented over a phase-in period. Due to Alaska's relatively low population and low cell-site densities, we have excluded certain areas from E911 coverage where cell triangulation is not feasible, pursuant to FCC rule. We have also filed for a waiver, which remains pending, for remaining areas where triangulation may be technically feasible, but where the cell-site densities are insufficient to reach the FCC's standard. The FCC also imposed requirements to allow users to text-to-911 if the local public safety dispatch agency requests and is able to receive such texts. We have developed a text-to-911 technical solution and have certified to the FCC that we are now capable of meeting the FCC requirements. Providers may not demand cost recovery as a condition of providing E911, although they are permitted to negotiate cost recovery if it is not mandated by the state or local governments.

State and Local Regulation. While the Communications Act generally preempts state and local governments from regulating the entry of, and the rates charged by, wireless carriers, it also permits a state to petition the FCC to allow it to impose commercial mobile radio service rate regulation when market conditions fail to adequately protect customers and such service is a replacement for a substantial portion of the telephone wireline exchange service within a state. No state currently has such a petition on file, and all prior efforts have been rejected.
In addition, the Communications Act does not expressly preempt the states from regulating the "terms and conditions" of wireless service. Several states have invoked this "terms and conditions" authority to impose or propose various consumer protection regulations on the wireless industry. State attorneys general have also become more active in enforcing state consumer protection laws against sales practices and services of wireless carriers. States also may impose their own universal service support requirements on wireless and other communications carriers, similar to the contribution requirements that have been established by the FCC.

States have become more active in attempting to impose new taxes and fees on wireless carriers, such as gross receipts taxes. Where successful, these taxes and fees are generally passed through to customers and result in higher costs to customers.

At the local level, wireless facilities typically are subject to zoning and land use regulation. Neither local nor state governments may categorically prohibit the construction of wireless facilities in any community or take actions, such as indefinite moratoria, which have the effect of prohibiting construction. Pursuant to Section 6409(a) of the Middle Class Tax Relief Act of 2012, state and local governments are further constrained in their regulation of changes to existing wireless infrastructure. Nonetheless, securing state and local government approvals for new antenna structures has been and is likely to continue to be difficult, lengthy and costly.

Data Services and Products
General. There is no one entity or organization that governs the global operation of the Internet. Each facilities-based network provider that is interconnected with the global Internet controls operational aspects of their own network. Certain functions, such as IP addressing, domain name routing, and the definition of the TCP/IP protocol, are coordinated by an array of quasi-governmental, intergovernmental, and non-governmental bodies. The legal authority of these bodies is not precisely defined.

The vast majority of users connect to the Internet over facilities of existing communications carriers. Those communications carriers are subject to varying levels of regulation at both the federal and state level. Thus, non-Internet-specific regulatory decisions exercise a significant influence over the economics of the Internet market.

Many aspects of the coordination and regulation of Internet activities and the underlying networks over which those activities are conducted are evolving. Internet-specific and non-Internet-specific changes in the regulatory environment, including changes that affect communications costs or increase competition from ILECs or other communications services providers, could adversely affect our costs and the prices at which we sell Internet-based services.

On February 26, 2015, the FCC adopted an order reclassifying Internet service as a telecommunications service under Title II of the Communications Act. This order prohibits broadband providers from blocking or throttling most lawful public Internet traffic, and from engaging in paid prioritization of that traffic. The order also strengthens its transparency rules, which require accurate and truthful service disclosures, sufficient for consumers to make informed choices, for example, about speed, price and fees, latency, and network management practices. The order allows broadband providers to engage in reasonable network management, including using techniques to address traffic congestion. These rules apply equally to wired and wireless broadband services. The order refrains from applying rate regulation and tariff requirements on broadband services. While we do not believe that the FCC order conflicts with our existing practices or offerings, the order will impose regulatory burdens, likely increase our costs, and could adversely affect the manner and price of providing service.

Rural Health Care Program. On December 12, 2012, the FCC created the Healthcare Connect Fund to supplement the existing Telecommunications Program of the Rural Health Care ("RHC") Program of the USF. Healthcare providers can choose to participate under the existing Telecommunications Program and/or the new Healthcare Connect Fund. On January 13, 2017, USAC announced that current projections for the funding year ending June 30, 2017 show that the total dollar value of all qualifying funding requests will for the first time either meet or exceed the program's $400 million annual cap. We cannot predict the impact of this change at this time.

Schools and Libraries Program. On July 11 and December 11, 2014, the FCC adopted orders modernizing the USF Schools and Libraries Program ("E-Rate"). These orders, among other things, increased the annual E-Rate cap by approximately $1.5 billion, designated funds for internal connections within schools and libraries, and eliminated funding for certain legacy services, such as voice, to increase the availability of 21st century connectivity to support digital learning in schools nationwide. These orders did not have a material effect on the overall E-Rate support available to our schools and libraries customers, and therefore did not materially affect our revenue from such customers.

Video Services and Products

General. Because video communications systems use local streets and rights-of-way, they generally are operated pursuant to franchises (which can take the form of certificates, permits or licenses) granted by a municipality or other state or local government entity. The RCA is the franchising authority for all of Alaska. We believe that we have generally met the terms of our franchises, which do not require periodic renewal, and have provided quality levels of service. Military franchise requirements also affect our ability to provide video services to military bases.

The RCA previously regulated the basic service tier on our video system in Juneau. On June 3, 2015, the FCC adopted a rebuttable presumption that cable providers are subject to Effective Competition, and the RCA did not rebut that presumption by the filing deadline set by the new rules. Because the RCA did not rebut the presumption, we can now unwind our informational tariff in Juneau, with proper customer notice under the FCC rules, and apply our statewide basic service tier pricing in Juneau. The RCA does not regulate rates for cable modem service.

Must Carry/Retransmission Consent. The 1992 Cable Act contains broadcast signal carriage requirements that allow local commercial television broadcast stations to elect once every three years to require a cable system to carry the station, subject to certain exceptions, or to negotiate for "retransmission consent" to carry the station.

The FCC has adopted rules to require cable operators to carry the digital programming streams of broadcast television stations. Further, the FCC has declined to require any cable operator to carry multiple digital programming streams from a single broadcast television station, but should the FCC change this policy, we would be required to devote additional cable capacity to carrying broadcast television programming streams, a step that could require the removal of other programming services.

Pole Attachments. The Communications Act requires the FCC to regulate the rates, terms and conditions imposed by public utilities for cable systems' use of utility pole and conduit space unless state authorities can demonstrate that they adequately regulate pole attachment rates. In the absence of state regulation, the FCC administers pole attachment rates on a formula basis. This formula governs the maximum rate certain utilities may charge for attachments to their poles and conduit by companies providing communications services, including cable operators. The RCA, however, does not use the federal formula and instead has adopted its own formula that has been in place since 1987. This formula could be subject to further revisions upon petition to the RCA. In addition, on April 7, 2011, the FCC adopted an order to rationalize different pole attachment rates among types of services, and on November 17, 2015, took further steps to bring telecommunications and cable pole attachment rates into parity. Though the general purpose of the rule changes was to ensure pole attachment rates as low and as uniform as possible, we do not expect the rules to have an immediate impact on the terms under which we access poles. In addition, because the RCA has adopted its own formula, the FCC's reclassification of broadband service as a "telecommunications service" is not anticipated to have any near-term impact. We cannot predict the likelihood of the RCA changing its formula, adopting the federal formula, or relinquishing its oversight of pole attachments to the FCC, any of which could increase the cost of our operations.

Copyright. Cable television systems are subject to federal copyright licensing covering carriage of television and radio broadcast signals. In exchange for filing certain reports and contributing a percentage of their revenues to a federal copyright royalty pool that varies depending on the size of the system, the number of distant broadcast television signals carried, and the location of the cable system, cable operators can obtain blanket permission to retransmit copyrighted material included in broadcast signals. The possible modification or elimination of this compulsory copyright license is the subject of continuing legislative review. We cannot predict the outcome of this legislative review, which could adversely affect our ability to obtain desired broadcast programming. Copyright clearances for non-broadcast programming services are arranged through private negotiations.

Wireline Voice Services and Products

General. As an interexchange carrier, we are subject to regulation by the FCC and the RCA as a non-dominant provider of interstate, international, and intrastate long-distance services. As a state-certificated competitive local exchange carrier, we are subject to regulation by the FCC and the RCA as a non-dominant provider of local communications services. Military franchise requirements also affect our ability to provide communications services to military bases.

Universal Service. The USF pays ETCs to support the provision of facilities-based wireline telephone service in high cost areas. Under FCC regulations and RCA orders, we are an authorized ETC for purposes of providing wireline local exchange service in Anchorage, Juneau, Fairbanks, the Matanuska-Susitna Valley, and other small areas throughout Alaska. Without ETC status, we would not qualify for USF support in these areas or other rural areas where we propose to offer facilities-based wireline telephone services, and our net cost of providing local telephone services in these areas would be materially adversely affected. See "Description of Our Business by Reportable Segment - Regulation - Wireless Services and Products - Universal Service" for information on USF reform.

Rural Exemption and Interconnection. A Rural Telephone Company is exempt from compliance with certain material interconnection requirements under Section 251(c) of the 1996 Telecom Act, including the obligation to negotiate Section 251(b) and (c) interconnection requirements in good faith, unless and until a state regulatory commission lifts such "rural exemption" or otherwise finds it not to apply. All ILECs in Alaska are Rural Telephone Companies except ACS in its Anchorage study area. We participated in numerous proceedings regarding the rural exemptions of various ILECs in order to achieve the necessary interconnection agreements with the remaining ILECs. In other cases the interconnection agreements were reached by negotiation without regard to the implications of the ILEC's rural exemption.

We have completed negotiation and/or arbitration of the necessary interconnection provisions and the RCA has approved current wireline Interconnection Agreements between GCI and all of the major ILECs. We have entered all of the major Alaskan markets with local access services.

See "Description of Our Business by Reportable Segment — Wireline — Competition — Voice Services and Products Competition" for more information.

Access Charges and Other Regulated Fees. The FCC regulates the fees that local telephone companies charge long-distance companies for access to their local networks. On November 29, 2011, the FCC released rules to restructure and reduce over time originating interstate access charges, along with a proposal to adopt similar reforms applicable to terminating interstate access charges. The details of implementation in general and between different classes of technology continue to be addressed, and could affect the economics of some aspects of our business. We cannot predict at this time the impact of this implementation or future implementation of adopted reforms, but we do not expect it to have a material adverse impact on our operations.

Access to Unbundled Network Elements. The ability to obtain unbundled network elements ("UNEs") is an important element of our local access services business. We cannot predict the extent to which existing FCC rules governing access to and pricing for UNEs will be changed in the face of additional legal action and the impact of any further rule modifications that are yet to be determined by the FCC. Moreover, the future regulatory classification of services that are transmitted over facilities may impact the extent to which we will be permitted access to such facilities. Changes to the applicable regulations could result in a change in our cost of serving new and existing markets.

Local Regulation. We may be required to obtain local permits for street opening and construction permits to install and expand our networks. Local zoning authorities often regulate our use of towers for microwave and other communications sites. We also are subject to general regulations concerning building codes and local licensing. The Communications Act requires that fees charged to communications carriers be applied in a competitively neutral manner, but there can be no assurance that ILECs and others with whom we will be competing will bear costs similar to those we will bear in this regard.

Regulatory Regime Applicable to IP-based Networks. On January 30, 2014, the FCC adopted an order calling for experiments to examine how best to accelerate the technological and regulatory transitions from traditional TDM-based networks to IP-based technologies. Although no entity has proposed conducting a technology transition experiment in our service territory in response to the FCC's January 2014 order, additional proposals for experiments are possible. We cannot predict whether additional proposals for experiments might be submitted to the FCC nor any resulting proceedings or their effect on us. The FCC also has other open dockets through which it might make changes to the regulatory regime applicable to IP-based networks. A change in regulatory obligation or classification that interferes with our ability to exchange traffic with other providers, that raises the cost of doing so, or that adversely affects eligibility for USF support could materially affect our net cost of and revenue from providing local services.

Financial Information about our Foreign and Domestic Operations and Export Sales

We do not have significant foreign operations or export sales. We conduct our operations throughout the contiguous United States and Alaska and believe that any subdivision of our operations into distinct geographic areas would not be meaningful.

Company-Sponsored Research

We have not expended material amounts during the last three fiscal years on company-sponsored research activities.

Employees

We employed 2,310 persons as of December 31, 2016, and we are not subject to any collective bargaining agreements with our employees. We believe our future success will depend upon our continued ability to attract and retain highly skilled and qualified employees. We believe that relations with our employees are satisfactory.

Other

No material portion of our business is subject to renegotiation of profits or termination of contracts at the election of the federal government.

Item 1A. Risk Factors.

Factors That May Affect Our Business and Future Results

Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business operations. Any of the following risks could materially and adversely affect our business, financial position, results of operations or liquidity.

We face competition that may reduce our market share and harm our financial performance.

There is substantial competition in the telecommunications and entertainment industries. Through mergers and various service integration strategies, major providers are striving to provide integrated communications services offerings within and across geographic markets. We face increased wireless services competition from national carriers in the Alaska market and increasing video services competition from DBS providers and over-the-top content providers who are often able to offer more flexible subscription packages and exclusive content.

We expect competition to increase as a result of the rapid development of new technologies, services and products. We cannot predict which of many possible future technologies, products or services will be important to maintain our competitive position or what expenditures will be required to develop and provide these technologies, products or services. Our ability to compete successfully will depend on marketing and on our ability to anticipate and respond to various competitive factors affecting the industry, including new services that may be introduced, changes in consumer preferences, economic conditions and pricing strategies by competitors. To the extent we do not keep pace with technological advances or fail to timely respond to changes in competitive factors in our industry and in our markets, we could lose market share or experience a decline in our revenue and net income. Competitive conditions create a risk of market share loss and the risk that customers shift to less profitable lower margin services. Competitive pressures also create challenges for our ability to grow new businesses or introduce new services successfully and execute our business plan. We also face the risk of potential price cuts by our competitors that could materially adversely affect our market share and gross margins.

Our wholesale customers including our major roaming customers may construct facilities in locations where they contract with us to use our network to provide service on their behalf. We would experience a decline in revenue and net income if any of our wholesale customers constructed or expanded their existing networks in places where service is provided on our network. Some of our wholesale customers have greater access to financial, technical, and other resources than we do. We expect to continue to offer competitive alternatives to such customers in order to retain significant traffic on our network. We cannot predict whether such negotiations will be successful. Our inability to negotiate such contracts could have a material adverse effect on our business, financial condition and results of operations.

For more information about competition by segment, see the sections titled “Competition” included in “Part 1 — Item 1 — Business — Description of our Business by Reportable Segment.”

If we experience low or negative rates of subscriber acquisition or high rates of turnover, our financial performance will be impaired.

We are in the business of selling communications and entertainment services to subscribers, and our economic success is based on our ability to retain current subscribers and attract new subscribers. If we are unable to retain and attract subscribers, our financial performance will be impaired. Our rates of subscriber acquisition and turnover are affected by a number of competitive factors including the size of our service areas, network performance and reliability issues, our device and service offerings, subscribers’ perceptions of our services, and customer care quality. Managing these factors and subscribers’ expectations is essential in attracting and retaining subscribers. Although we have implemented programs to attract new subscribers and address subscriber turnover, we cannot assure you that these programs or our strategies to address subscriber acquisition and turnover will be successful. A high rate of turnover or low or negative rate of new subscriber acquisition would reduce revenues and increase the total marketing expenditures required to attract the minimum number of subscribers required to sustain our business plan which, in turn, could have a material adverse effect on our business, financial condition and results of operations.

We may be unable to obtain or maintain the roaming services we need from other carriers to remain competitive.

Some of our competitors have national networks which enable them to offer nationwide coverage to their subscribers at a lower cost than we can offer. The networks we operate do not, by themselves, provide national coverage and we must pay fees to other carriers who provide roaming services to us. We currently rely on roaming agreements with several carriers for the majority of our roaming services.

The FCC requires commercial mobile radio service providers to provide roaming, upon request, for voice and SMS text messaging services on just, reasonable and non-discriminatory terms. The FCC also requires carriers to offer data roaming services. The rules do not provide or mandate any specific mechanism for determining the reasonableness of roaming rates for voice, SMS text messaging or data services and require that roaming complaints be resolved on a case-by-case basis, based on a non-exclusive list of factors that can be taken into account in determining the reasonableness of particular conduct or rates. If we were to lose the benefit of one or more key roaming or wholesale agreements unexpectedly, we may be unable to obtain similar replacement agreements and as a result may be unable to continue providing nationwide voice and data roaming services for our customers or may be unable to provide such services on a cost-effective basis. Our inability to obtain new or replacement roaming services on a cost-effective basis may limit our ability to compete effectively for wireless customers, which may increase our turnover and decrease our revenues, which in turn could materially adversely affect our business, financial condition and results of operations.

Our business is subject to extensive governmental legislation and regulation. Applicable legislation and regulations and changes to them could adversely affect our business, financial position, results of operations or liquidity.

Wireless Services. The licensing, construction, operation, sale and interconnection arrangements of wireless communications systems are regulated by the FCC and, depending on the jurisdiction, state and local regulatory agencies. In particular, the FCC imposes significant regulation on licensees of wireless spectrum with respect to:

- How radio spectrum is used by licensees;
- The nature of the services that licensees may offer and how such services may be offered; and
- Resolution of issues of interference between spectrum bands.

Although the Communications Act of 1934, as amended, preempts state and local regulation of market entry and the rates charged by commercial mobile radio service providers, states may exercise authority over such things as certain billing practices and consumer-related issues. These regulations could increase the costs of our wireless operations. The FCC grants wireless licenses for terms of generally ten years that are subject to renewal and revocation. FCC rules require all wireless licensees to meet certain build-out requirements and substantially comply with applicable FCC rules and policies and the Communications Act of 1934, as amended, in order to retain their licenses. Failure to comply with FCC requirements in a given license area could result in revocation of the license for that license area. There is no guarantee that our licenses will be renewed.

Commercial mobile radio service providers must implement E911 capabilities in accordance with FCC rules. While we believe that we are currently in compliance with such FCC rules, the failure to deploy E911 service consistent with FCC requirements could subject us to significant fines.

The FCC, together with the Federal Aviation Administration, also regulates tower marking and lighting. In addition, tower construction is affected by federal, state and local statutes addressing zoning, environmental protection and historic preservation. The FCC requires local notice in any community in which it is seeking FCC Antenna Structure Registration to build a tower. Local notice provides members of the community with an opportunity to comment on or challenge the tower construction for environmental reasons. This rule could cause delay for certain tower construction projects.

Internet Services. On February 26, 2015, the FCC adopted an order reclassifying Internet service as a telecommunications service under Title II of the Communications Act. The order prohibits broadband providers from blocking or throttling most lawful public Internet traffic, and from engaging in paid prioritization of that traffic. The order also strengthens transparency rules, which require accurate and truthful service disclosures, sufficient for consumers to make informed choices, for example, about speed, price and fees, latency, and network management practices. The order allows broadband providers to engage in reasonable network management, including using techniques to address traffic congestion. The new rules apply equally to wired and wireless broadband services. The order refrains from imposing rate regulation or tariff requirements on broadband services.

We cannot predict how the FCC will interpret or apply its new rules. In addition, although the FCC forbore from many of the provisions of Title II, we cannot predict how the FCC will interpret or apply the statutory provisions and regulations from which it did not forbear. It is possible that the FCC could interpret or apply its new rules or “Title II” statutory provisions or regulations in a way that has a material adverse effect on our business, financial position, results of operations, or liquidity. There also is a risk class action lawsuits arising under the provisions of Title II from which the FCC did not forbear could have similar negative impacts.

Proposals have been made before Congress to mandate Open Internet regulation that could supplement or supplant in whole or part the FCC’s new rules. We currently cannot predict whether any such legislation will be adopted nor what impacts are most likely.

Video Services. The cable television industry is subject to extensive regulation at various levels, and many aspects of such regulation are currently the subject of judicial proceedings and administrative or legislative proposals. The law permits certified local franchising authorities to order refunds of rates paid in the previous 12-month period determined to be in excess of the reasonable rates. It is possible that rate reductions or refunds of previously collected fees may be required of us in the future.

Other existing federal regulations, currently the subject of judicial, legislative, and administrative review, could change, in varying degrees, the manner in which video systems operate. Neither the outcome of these proceedings nor their impact on the cable television industry in general, or on our activities and prospects in the cable television business in particular, can be predicted at this time. There can be no assurance that future regulatory actions taken by Congress, the FCC or other federal, state or local government authorities will not have a material adverse effect on our business, financial position, results of operations or liquidity.

Local Access Services. Our success in the local telephone market depends on our continued ability to obtain interconnection, access and related services from local exchange carriers on terms that are reasonable and that are based on the cost of providing these services. Our local telephone services business faces the risk of unfavorable changes in regulation or legislation or the introduction of new regulations. Our ability to provide service in the local telephone market depends on our negotiation or arbitration with local exchange carriers to allow interconnection to the carrier's existing local telephone network (in some Alaska markets at cost-based rates), to establish dialing parity, to obtain access to rights-of-way, to resell services offered by the local exchange carrier, and in some cases, to allow the purchase, at cost-based rates, of access to unbundled network elements. Future negotiations or arbitration proceedings with respect to new or existing markets could result in a change in our cost of serving these markets via the facilities of the ILEC or via wholesale offerings.

For more information about Regulations affecting our operations, see "Part 1 —Item 1 — Business — Regulation."

Loss of our ETC status would disqualify us for USF support.

The USF pays support to ETCs to support the provision of facilities-based wireline and wireless telephone service in high cost areas. If we were to lose our ETC status in any of the study areas where we are currently an authorized ETC whether due to legislative or regulatory reform or our failure to comply with applicable laws and regulations, we would be ineligible to receive USF support for providing service in that area. Loss of our ETC status could have an adverse effect on our business, financial position, results of operations or liquidity.

Revenues and accounts receivable from USF support may be reduced or lost.

We receive support from each of the various USF programs: high cost, low income, rural health care, and schools and libraries. This support was 24%, 19%, and 19% of our revenue for the years ended December 31, 2016, 2015 and 2014, respectively. We had USF net receivables of $92.0 million and $98.1 million at December 31, 2016 and 2015, respectively. The programs are subject to change by regulatory actions taken by the FCC or legislative actions. Changes to any of the USF programs that we participate in could result in a material decrease in revenue and accounts receivable, which could have an adverse effect on our business, financial position, results of operations or liquidity.

See "Description of Our Business by Reportable Segment — Regulation — Wireless Services and Products — Universal Service" and "Description of Our Business by Reportable Segment — Regulation — Wireline Voice Services and Products — Universal Service" for more information.

We may not meet our performance plan milestones under the Alaska High Cost Order.

As an ETC, we receive support from the USF to support the provision of wireline local access and wireless service in high cost areas. On August 31, 2016, the FCC published the Alaska High Cost Order which requires us to submit to the FCC a performance plan with five-year and ten-year commitments. If we are unable to meet the final performance plan milestones approved by the FCC we will be required to repay 1.89 times the average amount of support per location received over the ten-year term for the relevant number of locations that we failed to deploy to, plus ten percent of our total Alaska High Cost Order support received over the ten-year term. Inability to meet our performance plan milestones could have an adverse effect on our business, financial position, results of operations or liquidity.

We may lose USF high cost support if another carrier adds 4G LTE service in an area where we currently provide 4G LTE service.

Under the Alaska High Cost Order, the FCC adopted a process for revisiting after five years whether and to what extent there is duplicative support for 4G LTE service in rural Alaska and to take steps to eliminate such duplicative support levels in the second half of the ten-year term. As a result, if another carrier builds 4G LTE service in an area where we are the sole provider and the FCC decides to redistribute the support then our high cost support may be reduced which could have an adverse effect on our business, financial position, results of operations or liquidity.

Programming expenses for our video services are increasing, which could adversely affect our business.

We expect programming expenses for our video services to continue to increase in the foreseeable future. The multichannel video provider industry has continued to experience an increase in the cost of programming, especially sports programming and costs to retransmit local broadcast stations. As our contracts with content providers expire, there can be no assurance that they will be renewed on acceptable terms or that they will be renewed at all, in which case we may be unable to provide such content as part of our video services and our business could be adversely affected. If we add programming to our video services or if we choose to distribute existing programming to our customers through additional delivery platforms, we may incur increased programming expenses. If we are unable to raise our customers’ rates or offset such programming cost increases through the sale of additional services, the increasing cost of programming could have an adverse impact on our business, financial condition, or results of operations.

The decline in our Wireline segment voice services’ results of operations, which include long-distance and local access services, may accelerate.

We expect our Wireline voice services’ results of operations, which include long-distance and local access services, will continue to decline. As competition from wireless carriers, such as ourselves, increases we expect our long-distance and local access services' subscribers and revenues will continue to decline and the rate of decline may accelerate.

We may not be able to satisfy the requirements of our participation in a New Markets Tax Credit ("NMTC") program for funding our TERRA-NW project.

In 2011 and 2012 we entered into three separate arrangements under the NMTC program with US Bancorp to help fund various phases of our TERRA-NW project. In connection with the NMTC transactions we received proceeds which were restricted for use on TERRA-NW. The NMTCs are subject to 100% recapture of the tax credit for a period of seven years as provided in the Internal Revenue Code. We are required to be in compliance with various regulations and contractual provisions that apply to the NMTC arrangements. We have agreed to indemnify US Bancorp for any loss or recapture of its $56.0 million in NMTCs until such time as our obligation to deliver tax benefits is relieved in December 2019. Non-compliance with applicable requirements could result in projected tax benefits not being realized by US Bancorp and could have an adverse effect on our financial position, results of operations or liquidity.

Failure to complete testing and deployment of a new technology that supports new services could affect our ability to compete in the industry. In addition, the technology we use may place us at a competitive disadvantage.

We test and deploy various new technologies and support systems intended to enhance our competitiveness by both supporting new services and features and reducing the costs associated with providing those services or features. Successful implementation of new technologies and support systems depend, in part, on the willingness of third parties to develop new applications in a timely manner. We may not successfully complete the rollout of new technology and related features or services in a timely manner, and they may not be widely accepted by our customers or may not be profitable, in which case we could not recover our investment in the technology. Deployment of technology supporting new service offerings may also adversely affect the performance or reliability of our networks with respect to both the new and existing services. Any resulting customer dissatisfaction could affect our ability to retain customers and may have an adverse effect on our financial position, results of operations, or liquidity. In addition to introducing new technologies and offerings, we must phase out outdated and unprofitable technologies and services. If we are unable to do so on a cost-effective basis, we could experience reduced profits.

Our business is geographically concentrated in Alaska and is impacted by the economic conditions in Alaska.

We offer products and services to customers primarily throughout Alaska. Because of this geographic concentration, growth of our business and operations depends upon economic conditions in Alaska. The economy of Alaska is dependent upon the oil industry, state government spending, United States military spending, investment earnings and tourism. Prolonged periods of low oil prices will adversely impact the Alaska economy, which in turn could have an adverse impact on the demand for our products and services and on our results of operations and financial condition. Oil prices have continued to remain low which has put significant pressure on the Alaska state government budget since the majority of its revenues come from the oil industry. While the Alaska state government has significant reserves that we believe will help fund the state government for the next couple of years, major structural budgetary reforms will need to be implemented in order to offset the impact of declining oil prices. The State of Alaska failed to pass a workable long-term fiscal plan during the 2016 legislative session. As a result, we plan to reduce our 2017 Alaska capital expenditure budget by 20% to 25% of the 2016 target of $210.0 million due substantially to the continued uncertainty of the ability of the State of Alaska to adopt and implement a workable long-term fiscal plan.

The Alaska economy is officially in a recession. If the recession continues, it could negatively affect our business including our financial position, results of operations, or liquidity, as well as our ability to service debt, pay other obligations and enhance shareholder returns. While it is difficult for us to predict the impact of the recession on our business, these conditions could adversely affect the affordability of and demand for some of our products and services and could cause customers to shift to lower priced products and services or to delay or forgo purchases of our products and services. One or more of these circumstances could cause our revenue to decline. Also, our customers may not be able to obtain adequate access to credit, which could affect their ability to make timely payments to us. If that were to occur, we could be required to increase our allowance for doubtful accounts, and the number of days outstanding for our accounts receivable could increase.

Additionally, the customer base in Alaska is limited and we have already achieved significant market penetration with respect to our service offerings in Anchorage and other locations in Alaska. We may not be able to continue to increase our share of the existing markets for our services, and no assurance can be given that the Alaskan economy will grow and increase the size of the markets we serve or increase the demand for the services we offer. As a result, the best opportunities for expanding our business may arise in other geographic areas such as the lower 49 states. There can be no assurance that we will find attractive opportunities to grow our businesses outside of Alaska or that we will have the necessary expertise to take advantage of such opportunities. The markets in Alaska for wireless and wireline telecommunications and video services are unique and distinct within the United States due to Alaska's large geographical size, its sparse population located in a limited number of clusters, and its distance from the rest of the United States. The expertise we have developed in operating our businesses in Alaska may not provide us with the necessary expertise to successfully enter other geographic markets.

Natural or man-made disasters or terrorist attacks could have an adverse effect on our business.

Our technical infrastructure (including our communications network infrastructure and ancillary functions supporting our network such as service activation, billing and customer care) is vulnerable to damage or interruption from technology failures, power surges or outages, natural disasters, fires, human error, terrorism, intentional wrongdoing or similar events. As a communications provider, there is an increased risk that our technological infrastructure may be targeted in connection with terrorism or cyberattacks, either as a primary target, or as a means of facilitating additional attacks on other targets.

In addition, earthquakes, floods, fires and other unforeseen natural disasters or events could materially disrupt our business operations or our provision of service in one or more markets. Costs we incur to restore, repair or replace our network or technical infrastructure, as well as costs associated with detecting, monitoring or reducing the incidence of unauthorized use, may be substantial and increase our cost of providing service. Any failure in or interruption of systems that we or third parties maintain to support ancillary functions, such as billing, point of sale, inventory management, customer care and financial reporting, could materially impact our ability to timely and accurately record, process and report information important to our business. If any of the above events were to occur, we could experience higher churn, reduced revenues and increased costs, any of which could harm our reputation and have a material adverse effect on our business, financial condition or results of operations.

Additionally, our insurance may not be adequate to cover the costs associated with a natural disaster or terrorist attack.

Cyberattacks or other network disruptions could have an adverse effect on our business.

Cyberattacks against our technological infrastructure or breaches of network information technology may cause equipment failures, disruption of our operations, and potentially unauthorized access to confidential customer data. Cyberattacks, which include the use of malware, computer viruses, and other means for service disruption or unauthorized access to confidential customer data, have increased in frequency, scope, and potential harm for businesses in recent years. It is possible for such cyberattacks to go undetected for an extended period of time, increasing the potential harm to our customers, our assets, and our reputation.

To date, we have not been subject to cyberattacks or network disruptions that individually or in the aggregate, have been material to our operations or financial condition. Nevertheless, we engage in a variety of preventive measures at an increased cost to us, in order to reduce the risk of cyberattacks and safeguard our infrastructure and confidential customer information. Such measures include, but are not limited to the following industry best practices: application whitelisting, anti-malware, message and spam filtering, encryption, advanced firewalls, threat detection, and URL filtering. Despite these preventive and detective actions, our efforts may be insufficient to repel a major cyberattack or network disruption in the future.

Some of the most significant risks to our information technology systems, networks, and infrastructure include:

- Cyberattacks that disrupt, damage, and gain unauthorized access to our network and computer systems including data breaches caused by criminal or terrorist activities;
- Undesired human actions including intentional or accidental errors;
- Malware (including viruses, worms, cryptoware, and Trojan horses), software defects, unsolicited mass advertising, denial of service, ransomware, and other malicious or abusive attacks by third parties; and,
- Unauthorized access to our information technology, billing, customer care, and provisioning systems and networks and those of our vendors and other providers.

If hackers or cyberthieves gain improper access to our technology systems, networks, or infrastructure, they may be able to access, steal, publish, delete, misappropriate, modify or otherwise disrupt access to confidential customer data. Moreover, additional harm to customers could be perpetrated by third parties who are given access to the confidential customer data. A network disruption (including one resulting from a cyberattack) could cause an interruption or degradation of service as well as permit access, theft, publishing, deletion, misappropriation, or modification to or of confidential customer data. Due to the evolving techniques used in cyberattacks to disrupt or gain unauthorized access to technology networks, we may not be able to anticipate or prevent such disruption or unauthorized access.

The costs imposed on us as a result of a cyberattack or network disruption could be significant. Among others, such costs could include increased expenditures on cyber security measures, litigation, fines, and sanctions, lost revenues from business interruption, and damage to the public’s perception regarding our ability to provide a secure service. As a result, a cyberattack or network disruption could have a material adverse effect on our business, financial condition, and operating results.

Increases in data usage on our wired and wireless networks may cause network capacity limitations, resulting in service disruptions, reduced capacity or slower transmission speeds for our customers.

Video streaming services and peer-to-peer file sharing applications use significantly more bandwidth than traditional Internet activity such as web browsing and email. As use of these newer services continues to grow, our customers will likely use more bandwidth than in the past. Additionally, new wireless handsets and devices may place a higher demand for data on our wireless network. If this occurs, we could be required to make significant capital expenditures to increase network capacity in order to avoid service disruptions, service degradation or slower transmission speeds for our customers. Alternatively, we could choose to implement network management practices to reduce the network capacity available to bandwidth-intensive activities during certain times in market areas experiencing congestion, which could negatively affect our ability to retain and attract customers in affected areas. While we believe demand for these services may drive customers to pay for faster speeds, competitive or regulatory constraints may preclude us from recovering the costs of the necessary network investments which could result in an adverse impact to our business, financial condition, and operating results.

Prolonged service interruptions or system failures could affect our business.

We rely heavily on our network equipment, communications providers, data and software to support all of our functions. We rely on our networks and the networks of others for substantially all of our revenues. We are able to deliver services and serve our customers only to the extent that we can protect our network systems against damage from power or communication failures, computer viruses, natural disasters, unauthorized access and other disruptions. While we endeavor to provide for failures in the network by providing back-up systems and procedures, we cannot guarantee that these back-up systems and procedures will operate satisfactorily in an emergency. Disruption to our billing systems due to a failure of existing hardware and backup protocols could have an adverse effect on our revenue and cash flow. Should we experience a prolonged failure, it could seriously jeopardize our ability to continue operations. In particular, should a significant service interruption occur, our ongoing customers may choose a different provider, and our reputation may be damaged, reducing our attractiveness to new customers.

If failures occur in our undersea fiber optic cable systems or our TERRA facilities and its extensions, our ability to immediately restore the entirety of our service may be limited and we could incur significant costs.

Our communications facilities include undersea fiber optic cable systems that carry a large portion of our traffic to and from the contiguous lower 48 states, one of which provides an alternative geographically diverse backup communication facility to the other. Our facilities also include TERRA and its extensions which are unringed, operating in a remote environment and are at times difficult to access for repairs. If a failure of both sides of the ring of our undersea fiber optic facilities or of our unringed TERRA facility and its extensions occurs and we are not able to secure alternative facilities, some of the communications services we offer to our customers could be interrupted which could have a material adverse effect on our business, financial position, results of operations or liquidity. Damage to an undersea fiber optic cable system or TERRA and its extensions could result in significant unplanned expense which could have a material adverse effect on our business, financial position, results of operations or liquidity.

If a failure occurs in our satellite communications systems, our ability to immediately restore the entirety of our service may be limited.

Our communications facilities include satellite transponders that we use to serve many rural and remote Alaska locations. Each of our C-band and Ku-band satellite transponders is backed up using on-board transponder redundancy. In the event of a complete spacecraft failure the services are restored using capacity on other spacecraft that are held in reserve. If a failure of our satellite transponders occurs and we are not able to secure alternative facilities, some of the communications services we offer to our customers could be interrupted which could have a material adverse effect on our business, financial position, results of operations or liquidity.

We depend on a limited number of third-party vendors to supply communications equipment. If we do not obtain the necessary communications equipment, we will not be able to meet the needs of our customers.

We depend on a limited number of third-party vendors to supply wireless, Internet, video and other telephony-related equipment. If our providers of this equipment are unable to timely supply the equipment necessary to meet our needs or provide them at an acceptable cost, we may not be able to satisfy demand for our services and competitors may fulfill this demand. Due to the unique characteristics of the Alaska communications markets (i.e., remote locations, rural, satellite-served, low density populations, and our leading edge services and products), in many situations we deploy and utilize specialized, advanced technology and equipment that may not have a large market or demand. Our vendors may not succeed in developing sufficient market penetration to sustain continuing production and may fail. Vendor bankruptcy, or acquisition without continuing product support by the acquiring company, may require us to replace technology before its otherwise useful end of life due to lack of on-going vendor support and product development.

The suppliers and vendors on which we rely may also be subject to litigation with respect to technology on which we depend, including litigation involving claims of patent infringement. Such claims have been growing rapidly in the communications industry. We are unable to predict whether our business will be affected by any such litigation. We expect our dependence on key suppliers to continue as they develop and introduce more advanced generations of technology.

We do not have insurance to cover certain risks to which we are subject, which could lead to the occurrence of uninsured liabilities.

As is typical in the communications industry, we are self-insured for damage or loss to certain of our transmission facilities, including our buried, undersea and above-ground fiber optic cable systems. If we become subject to substantial uninsured liabilities due to damage or loss to such facilities, our financial position, results of operations or liquidity may be adversely affected.

We are in the process of transferring our customer billing systems to a new third-party vendor. Any unanticipated difficulties, disruption or significant delays could have adverse operational, financial and reputational effects on our business.

We are currently implementing a new customer billing system, which involves moving to a new third-party billing services vendor and platform in 2018. The implementation may cause major system or business disruptions or we may fail to implement the new billing system in a timely or effective manner. In addition, the third-party billing services vendor may experience errors, cyber-attacks or other operational disruptions that could negatively impact us and over which we may have limited control. Interruptions and/or failure of this new billing services system could disrupt our operations and impact our ability to provide or bill for our services, retain customers, or attract new customers, and negatively impact overall customer experience. Any occurrence of the foregoing could cause material adverse effects on our operations and financial condition, material weaknesses in our internal control over financial reporting and reputational damage.

Our significant debt and lease obligations could adversely affect our business.

We have and will continue to have a significant amount of debt and lease obligations including capital, operating, and the tower obligation (see Note 2 included in "Part II - Item 8 - Consolidated Financial Statements and Supplementary Data" for additional information). Our high level of debt and lease obligations could have important consequences, including the following:

- Increasing our vulnerability to adverse economic, industry, or competitive developments;
- Requiring a substantial portion of our cash flows from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flows to fund operations, capital expenditures, and future business opportunities;
- Exposing us to the risk of increased interest rates to the extent of any future borrowings at variable rates of interest;
- Making it more difficult for us to satisfy our obligations with respect to our indebtedness. Any failure to comply with the obligations of any of our debt instruments, including restrictive covenants and borrowing conditions, could result in an event of default;
- Restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;
- Limiting our ability to obtain additional financing for working capital, capital expenditures, product and service development, debt service requirements, acquisitions, and general corporate or other purposes; and
- Limiting our flexibility in planning for, or reacting to, changes in our business or market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged and who, therefore, may be able to take advantage of opportunities that our leverage may prevent us from exploiting.

We will require a significant amount of cash to service our debt and to meet other obligations. Our ability to generate cash depends on many factors beyond our control. If we are unable to meet our future capital needs it may be necessary for us to curtail, delay or abandon our business growth plans. If we incur significant additional indebtedness to fund our plans, it could cause a decline in our credit rating and could increase our borrowing costs or limit our ability to raise additional capital.

We will continue to require a significant amount of cash to satisfy our debt service requirements and to meet other obligations. Our ability to make payments on and to refinance our debt and to fund planned capital expenditures and acquisitions will depend on our ability to generate cash and to arrange additional financing in the future. These abilities are subject to, among other factors, our credit rating, our financial performance, general economic conditions, prevailing market conditions, the state of competition in our market, the outcome of certain legislative and regulatory issues and other factors that may be beyond our control. Our business may not generate sufficient cash flow from operations and future borrowings may not be available to us in an amount sufficient to enable us to pay our debt or to fund our other liquidity needs. We may need to refinance all or a portion of our debt on or before maturity. We may not be able to refinance any of our debt on commercially reasonable terms or at all.

The terms of our debt obligations impose restrictions on us that may affect our ability to successfully operate our business and our ability to make payments on the debt obligations.

The indentures governing our Senior Notes and/or the credit agreements governing our Senior Credit Facility and other loans contain various covenants that could materially and adversely affect our ability to finance our future operations or capital needs and to engage in other business activities that may be in our best interest.

All of these covenants may restrict our ability to expand or to pursue our business strategies. Our ability to comply with these covenants may be affected by events beyond our control, such as prevailing economic conditions and changes in regulations, and if such events occur, we cannot be sure that we will be able to comply. A breach of these covenants could result in a default under the indentures and/or the credit agreements. If there were an event of default under the indentures and/or the credit agreements, holders of such defaulted debt could cause all amounts borrowed under these instruments to be due and payable immediately. Additionally, if we fail to repay the debt under the Senior Credit Facility when it becomes due, the lenders under the Senior Credit Facility could proceed against certain of our assets and capital stock of our subsidiaries that we have pledged to them as security. Our assets or cash flow may not be sufficient to repay borrowings under our outstanding debt instruments in the event of a default thereunder.

When our Senior Credit Facility and Senior Notes mature, we may not be able to refinance or replace one or both.

When our Senior Credit Facility and Senior Notes mature, we will likely need to refinance them and may not be able to do so on favorable terms or at all. If we are able to refinance maturing indebtedness, the terms of any refinancing or alternate credit arrangements may contain terms and covenants that restrict our financial and operating flexibility.

Variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Our borrowings under our Senior Credit Facility are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness could increase even though the amount borrowed remained the same, and our net income and cash flow could decrease.

In order to manage our exposure to interest rate risk, in the future, we may enter into derivative financial instruments, typically interest rate swaps and caps, involving the exchange of floating for fixed rate interest payments. If we are unable to enter into interest rate swaps, it may adversely affect our cash flow and may impact our ability to make required principal and interest payments on our indebtedness.

Any significant impairment of our indefinite-lived intangible assets would lead to a decrease in our assets and a reduction in our net operating performance.

We had $526.3 million of indefinite-lived intangible assets at December 31, 2016, consisting of goodwill of $239.3 million, cable certificates of $191.6 million, wireless licenses of $92.3 million and broadcast licenses of $3.1

million. Our cable certificates represent agreements with government entities to construct and operate a video business. Our wireless licenses are from the FCC and give us the right to provide wireless service within a certain geographical area. Our broadcast licenses represent permission to use a portion of the radio frequency spectrum in a given geographical area for broadcasting purposes. Goodwill represents the excess of cost over fair value of net assets acquired in connection with business acquisitions.

If we make changes in our business strategy or if market or other conditions adversely affect our operations, we may be forced to record an impairment charge, which would lead to a decrease in our assets and a reduction in our net operating performance. Our indefinite-lived intangible assets are tested annually for impairment during the fourth quarter and at any time upon the occurrence of certain events or substantive changes in circumstances that indicate the assets might be impaired. If the testing performed indicates that impairment has occurred, we are required to record an impairment charge for the difference between the carrying value and the fair value of the goodwill and/or the indefinite-lived intangible assets, as appropriate, in the period in which the determination is made. The testing of goodwill and indefinite-lived intangible assets for impairment requires us to make significant estimates about our future performance and cash flows, as well as other assumptions. These estimates can be affected by numerous factors, including changes in economic, industry or market conditions, changes in underlying business operations, future operating performance, changes in competition, or changes in technologies. Any changes to key assumptions, or actual performance compared with those assumptions, about our business and its future prospects or other assumptions could affect the fair value, resulting in an impairment charge.

Our ability to use net operating loss carryforwards to reduce future tax payments could be negatively impacted if there is an "ownership change" as defined under Section 382 of the Internal Revenue Code.

GCI, Inc. as a wholly owned subsidiary and member of the GCI controlled group of corporations, files its income tax returns as part of the consolidated group of corporations under GCI. Accordingly, all discussions regarding income taxes reflect the consolidated group's activity. At December 31, 2016, we have tax net operating loss carryforwards of $268.0 million for U.S. federal income tax purposes and, under the Internal Revenue Code, we may carry forward these net operating losses in certain circumstances to offset any current and future taxable income and thus reduce our federal income tax liability, subject to certain requirements and restrictions. If GCI experiences an "ownership change," as defined in Section 382 of the Internal Revenue Code and related Treasury regulations at a time when its market capitalization is below a certain level, our ability to use the net operating loss carryforwards could be substantially limited. This limit could impact the timing of the usage of the net operating loss carryforwards, thus accelerating cash tax payments or causing net operating loss carryforwards to expire prior to their use, which could affect the ultimate realization of that deferred tax asset.

Concerns about health/safety risks associated with wireless equipment may reduce the demand for our wireless services.

We do not manufacture devices or other equipment sold by us, and we depend on our suppliers to provide defect-free and safe equipment. Suppliers are required by applicable law to manufacture their devices to meet certain governmentally imposed safety criteria. However, even if the devices we sell meet the regulatory safety criteria, we could be held liable with the equipment manufacturers and suppliers for any harm caused by products we sell if such products are later found to have design or manufacturing defects. We cannot guarantee that we will be fully protected against all losses associated with a product that is found to be defective.

Portable communications devices have been alleged to pose health risks, including cancer, due to radio frequency emissions from these devices. Purported class actions and other lawsuits have been filed from time to time against other wireless companies seeking not only damages but also remedies that could increase the cost of doing business. We cannot be sure of the outcome of any such cases or that the industry will not be adversely affected by litigation of this nature or public perception about health risks. The actual or perceived risk of mobile communications devices could adversely affect us through a reduction in subscribers. Further research and studies are ongoing, with no linkage between health risks and mobile phone use established to date by a credible public source. However, we cannot be sure that additional studies will not demonstrate a link between radio frequency emissions and health concerns.

Additionally, there are safety risks associated with the use of wireless devices while operating vehicles or equipment. Concerns over any of these risks and the effect of any legislation, rules or regulations that have been and may be adopted in response to these risks could limit our ability to sell our wireless services.

A significant percentage of GCI's voting securities are owned by a small number of shareholders and these shareholders can control shareholder decisions on very important matters.

As of December 31, 2016, GCI's executive officers and directors and their affiliates owned 16% of its combined outstanding Class A and Class B common stock, representing 25% of the combined voting power of that stock. These shareholders can significantly influence, if not control, our management policy and all fundamental corporate actions, including mergers, substantial acquisitions and dispositions, and election of directors to GCI's Board.

Item 1B. Unresolved Staff Comments.
Not applicable.

Item 2. Properties
Our properties do not lend themselves to description by location of principal units. The majority of our properties are located in Alaska.

We lease most of our executive, corporate and administrative facilities and business offices. Our operating, executive, corporate and administrative properties are in good condition. We consider our properties suitable and adequate for our present needs and they are being fully utilized.

Our Wireline and Wireless segments have properties that consist primarily of undersea and terrestrial fiber optic cable networks, switching equipment, satellite transponders and earth stations, microwave radio, cable and wire facilities, cable head-end equipment, wireless towers and equipment, coaxial distribution networks, connecting lines (aerial, underground and buried cable), routers, servers, transportation equipment, computer equipment, general office equipment, land, land improvements, landing stations and other buildings. See Note 5 included in “Part II — Item 8 — Consolidated Financial Statements and Supplementary Data” for more information on our properties. Substantial amounts of our properties are located on or in leased real property or facilities. Substantially all of our properties secure our Senior Credit Facility. See Note 7 included in “Part II — Item 8 — Consolidated Financial Statements and Supplementary Data” for more information on our Senior Credit Facility.

Item 3. Legal Proceedings
We are involved in various lawsuits, billing disputes, legal proceedings, and regulatory matters that have arisen from time to time in the normal course of business. Management believes there are no proceedings from asserted and unasserted claims which if determined adversely would have a material adverse effect on our financial position, results of operations or liquidity.

Item 4. Mine Safety Disclosures
Not Applicable.

Part II

Item 5. Market for the Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information for Common Stock
All issued and outstanding shares of GCI, Inc's Class A common stock are held by GCI and are not publicly traded. GCI's Class A and Class B common stock are publicly traded.

Dividends
GCI and GCI, Inc. have never paid cash dividends on GCI's common stock, and we have no present intention of doing so. Payment of cash dividends in the future, if any, will be determined by GCI's Board of Directors in light of our earnings, financial condition and other relevant considerations. Our existing debt agreements contain provisions that limit payment of dividends on common stock, other than stock dividends (see Note 7 included in “Part II — Item 8 — Consolidated Financial Statements and Supplementary Data” for more information).

Stock Transfer Agent and Registrar

Computershare is GCI's stock transfer agent and registrar.

Item 6. Selected Financial Data

The following table presents selected historical information relating to financial condition and results of operations over the past five years.

		Years Ended December 31,				
		2016	2015	2014	2013	2012
(Amounts in thousands)						
Revenues	$	933,812	978,534	910,198	811,648	710,181
Income (loss) before income taxes	$	5,404	(9,951)	69,273	42,684	21,250
Net income (loss)	$	(1,676)	(10,032)	59,244	31,727	9,162
Net income (loss) attributable to non-controlling interest	$	(469)	159	51,687	22,321	(511)
Net income (loss) attributable to GCI, Inc. common stockholder	$	(1,207)	(10,191)	7,557	9,406	9,673
Total assets[1]	$	2,065,939	1,966,940	1,992,761	1,961,536	1,479,479
Long-term debt, including current portion and net of unamortized discount and deferred loan fees[1]	$	1,280,132	1,277,928	1,027,061	1,037,462	866,811
Obligations under capital leases, including current portion	$	59,647	68,359	76,456	74,605	80,612
Tower obligation	$	87,653	—	—	—	—
Total GCI, Inc. stockholder's equity	$	110,388	179,097	167,356	157,144	153,272
Dividends declared per common share	$	—	—	—	—	—

[1] Total assets and long-term debt, including current portion and net of unamortized discount and deferred loan fees have been recast as if we had adopted Accounting Standards Update 2015-03 as of December 31, 2012. See Note 1 included in "Part II - Item 8 - Consolidated Financial Statements and Supplementary Data" for additional information on ASU 2015-03.

The Selected Financial Data should be read in conjunction with “Part II — Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

In the following discussion, GCI, Inc. and its direct and indirect subsidiaries are referred to as “we,” “us” and “our.”

Management’s Discussion and Analysis of Financial Condition and Results of Operations discusses our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, we evaluate our estimates and judgments, including those described in Note 1 in the "Notes to Consolidated Financial Statements" included in Part IV of of this annual report on Form 10-K. We base our estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. See also our “Cautionary Statement Regarding Forward-Looking Statements.”

GCI, Inc. was incorporated under the laws of the State of Alaska in 1997 to affect the issuance of Senior Notes. GCI, Inc., a wholly owned subsidiary of GCI, received through its initial capitalization all ownership interests in subsidiaries previously held by GCI. Shares of GCI's Class A common stock are traded on the Nasdaq National Market tier of the Nasdaq Stock Market under the symbol of GNCMA. Shares of GCI's Class B common stock are traded on the OTCQX market. Shares of GCI, Inc.'s common stock are wholly owned by GCI and are not publicly traded. The GCI and GCI, Inc. consolidated financial statements include substantially the same account activity.

Emerging Growth Company

We qualify as an "emerging growth company" under the Jumpstart Our Business Startups Act (the "JOBS Act") enacted on April 5, 2012. As a result, we are permitted to rely on exemptions from certain disclosure requirements that are applicable to companies that are not emerging growth companies.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we are choosing to "opt out" of such extended transition period, and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

The following discussion and analysis of financial condition and results of operations should be read in conjunction with our consolidated financial statements and supplementary data as presented in Part IV of this Form 10-K.

Update on Economic Conditions

We offer wireless and wireline telecommunication services, data services, video services, and managed services to customers primarily throughout Alaska. Because of this geographic concentration, growth of our business and operations depends upon economic conditions in Alaska. The economy of Alaska is dependent upon the oil industry, state government spending, United States military spending, investment earnings and tourism. Prolonged periods of low oil prices will adversely impact the Alaska economy, which in turn could have an adverse impact on the demand for our products and services and on our results of operations and financial condition.

Oil prices have continued to remain low which has put significant pressure on the Alaska state government budget since the majority of its revenues come from the oil industry. While the Alaska state government has significant reserves that we believe will help fund the state government for the next couple of years, major structural budgetary reforms will need to be implemented in order to offset the impact of declining oil prices. The State of Alaska failed to pass a workable long-term fiscal plan during the 2016 legislative session. As a result, we plan to reduce our 2017 Alaska capital expenditure budget by 20% to 25% of the 2016 target of $210.0 million due substantially to the continued uncertainty of the ability of the State of Alaska to adopt and implement a workable long-term fiscal plan.

The Alaska economy is officially in a recession. If the recession continues, it could negatively affect our business including our financial position, results of operations, or liquidity, as well as our ability to service debt, pay other obligations and enhance shareholder returns. While it is difficult for us to predict the impact of the recession on our business, these conditions could adversely affect the affordability of and demand for some of our products and services and could cause customers to shift to lower priced products and services or to delay or forgo purchases of our products and services. One or more of these circumstances could cause our revenue to decline. Also, our customers may not be able to obtain adequate access to credit, which could affect their ability to make timely payments to us. If that were to occur, we could be required to increase our allowance for doubtful accounts, and the number of days outstanding for our accounts receivable could increase.

General Overview

Through our focus on long-term results, acquisitions, and strategic capital investments, we strive to consistently grow our Adjusted EBITDA, as defined in Note 11 in the "Notes to Consolidated Financial Statements" included in Part IV of this annual report on Form 10-K. We have historically met our cash needs for operations, regular capital expenditures and maintenance capital expenditures through our cash flows from operating activities. Historically, cash requirements for significant acquisitions and major capital expenditures have been provided largely through our financing activities.

Major Developments
In the third quarter of 2016, we received $90.8 million for the initial closing to sell the majority of our urban wireless rooftop and tower sites to Vertical Bridge ("Tower Transaction"). Additionally, we entered into a Master Lease Agreement with Vertical Bridge to lease collocation space on communications towers and facilities that were sold to Vertical Bridge.

In December 2012, the FCC created the Healthcare Connect Fund to supplement the existing Telecommunications Program of the RHC Program of the USF. Healthcare providers can choose to participate under the existing Telecommunications Program and/or the new Healthcare Connect Fund. In January 2017, USAC announced that current projections for the funding year ending June 30, 2017 show that the total dollar value of all qualifying funding requests will for the first time either meet or exceed the program’s $400 million annual cap. We cannot predict the impact of this change at this time.

In August 2016, the FCC published the Alaska High Cost Order which was a significant program change that required a reassessment of our high cost support revenue recognition. See Note 1 in "Part I - Item 1 - Condensed Notes to Interim Consolidated Financial Statements" for additional information. As a result of the Alaska High Cost Order, our 2016 high cost support revenue under the USF program was $2.5 million less than the $66.2 million of high cost support revenue recognized in 2015. Additionally, we expect high cost support revenue under the USF program to be less than the 2015 level by approximately $5.0 million in each of 2017 and 2018, and $14.8 million annually from 2019 through 2026, the date the Alaska High Cost Order ends.

In February 2015, we purchased ACS' interest in The Alaska Wireless Network, LLC ("AWN") and substantially all the assets of ACS and its affiliates related to ACS’s wireless operations (“Acquired ACS Assets”) (collectively the "Wireless Acquisition"). Under the terms of the agreement, we transfered to ACS a cash payment of $293.2 million excluding working capital adjustments and agreed to terminate or amend certain agreements related to the use of ACS network assets that were included as part of the original transaction that closed in July 2013. The Acquired ACS Assets include substantially all of ACS’s wireless subscriber assets, including subscriber contracts, and certain of ACS’s CDMA network assets, including fiber strands and associated cell site electronics and microwave facilities and associated electronics. We assumed from ACS post-closing liabilities of ACS and its affiliates under contracts assumed by us and liabilities with respect to the ownership by ACS of its equity interest in AWN to the extent accruing and related to the period after closing. All other liabilities were retained by ACS and its affiliates. Following the close of the Wireless Acquisition, AWN is a wholly owned subsidiary and we are entitled to 100% of the future cash flows from AWN. We funded the purchase with a $275.0 million Term Loan B under our Senior Credit Facility and a contribution from GCI.

Results of Operations

The following table sets forth selected financial data as a percentage of total revenues for the periods indicated (underlying data rounded to the nearest thousand):

	Year Ended December 31, 2016	2015	2014	Percentage Change[1] 2016 vs. 2015	Percentage Change[1] 2015 vs. 2014
Statements of Operations Data:					
Revenues:					
Wireless segment	22%	27%	30%	(22)%	(1)%
Wireline segment	78%	73%	70%	2%	11%
Total revenues	100%	100%	100%	(5)%	8%
Selling, general and administrative expenses	38%	35%	32%	6%	15%
Depreciation and amortization expense	21%	19%	19%	7%	7%
Software impairment charge	—%	3%	—%	(100)%	100%
Operating income	8%	11%	16%	(26)%	(26)%
Other expense, net	8%	12%	8%	(37)%	56%
Income (loss) before income taxes	1%	(1)%	8%	154%	(114)%
Net income (loss)	—%	(1)%	7%	83%	(117)%
Net income (loss) attributable to non-controlling interests	—%	—%	6%	(395)%	(100)%
Net income (loss) attributable to GCI, Inc.	—%	(1)%	1%	88%	(235)%

[1] Percentage change in underlying data

We evaluate performance and allocate resources based on Adjusted EBITDA, which is defined as earnings plus imputed interest on financed devices before:

- Net interest expense,
- Income taxes,
- Depreciation and amortization expense,
- Loss on extinguishment of debt,
- Software impairment charge,
- Share-based compensation expense,
- Accretion expense,
- Loss attributable to non-controlling interest resulting from NMTC transactions,
- Gains and impairment losses on equity and cost method investments,
- Gain recorded for adjusting to fair value assets that were included as consideration paid to acquire a fiber system, and
- Other non-cash adjustments.

Management believes that this measure is useful to investors and other users of our financial information in understanding and evaluating operating performance as an analytical indicator of income generated to service debt and fund capital expenditures. In addition, multiples of current or projected Adjusted EBITDA are used to estimate current or prospective enterprise value.

Overview of Revenues and Cost of Goods Sold

Total revenue, cost of goods sold (exclusive of depreciation and amortization expense)("Cost of Goods Sold"), and Adjusted EBITDA for 2016, 2015, and 2014 are as follows (amounts in thousands):

	Year Ended December 31,			Percentage Change 2016 vs. 2015	Percentage Change 2015 vs. 2014
	2016	2015	2014		
Revenue	933,812	978,534	910,198	(5)%	8%
Cost of Goods Sold	302,578	322,338	302,704	(6)%	6%
Adjusted EBITDA	288,044	330,351	323,116	(13)%	2%

See the discussion below for more information by segment. See Note 11 in the "Notes to Consolidated Financial Statements" included in Part IV of this annual report on Form 10-K for a reconciliation of consolidated Adjusted EBITDA, a non-GAAP financial measure, to consolidated income (loss) before income taxes.

Wireless Segment Overview
The Wireless segment was impacted by the Wireless Acquisition discussed above in the General Overview section. During 2014 and to the close of the Wireless Acquisition on February 2, 2015, AWN provided wholesale services to GCI and ACS and roaming services to other wireless carriers. During that time, AWN received a portion of revenue from GCI and ACS' retail wireless customers. Additionally, AWN paid an incentive to GCI and ACS for the sale of wireless handsets to their respective retail customers. Following the close of the Wireless Acquisition, the Wireless segment continues to provide roaming services to other wireless carriers and provides wholesale services to the Wireline segment for which it receives a portion of revenue from wireless retail customers. Additionally, the Wireless segment started recording a portion of the wireless equipment costs to encourage the Wireline segment to transition customers from our CDMA network to our GSM network.

Wireless segment revenue, Cost of Goods Sold, and Adjusted EBITDA are as follows (amounts in thousands):

		2016	2015	2014	Percentage Change 2016 vs. 2015	Percentage Change 2015 vs. 2014
Revenue	$	208,109	267,676	269,977	(22)%	(1)%
Cost of Goods Sold	$	62,487	70,899	90,920	(12)%	(22)%
Adjusted EBITDA	$	129,435	179,199	158,159	(28)%	13 %

See Note 11 in the "Notes to Consolidated Financial Statements" included in Part IV of this annual report on Form 10-K for a reconciliation of consolidated Adjusted EBITDA, a non-GAAP financial measure, to consolidated income (loss) before income taxes.

Wireless Segment Revenues
The decrease in revenue for 2016 is primarily due to the following:

- A $53.2 million or 48% decrease in roaming revenue due to long-term roaming agreements we have entered into with our largest roaming partners (please see "Liquidity and Capital Resources" below for additional discussion of the long-term roaming agreements), and
- a $15.9 million or 19% decrease in plan fee revenue primarily due to a decrease in subscribers and discounts given to customers who finance or bring their own device.

The decrease in revenue for 2015 is primarily due to a $26.2 million or 24% decrease in plan fee revenue due to our transition to a fixed percentage allocation of plan fee revenue from the Wireline segment following the February 2, 2015 close of the Wireless Acquisition. The decrease is partially offset by the following:

- A $14.2 million or 15% increase in roaming revenue primarily due to increased traffic from our roaming partners, and
- A $8.6 million or 95% decrease in the contra-revenue wireless handset cash incentives to ACS for the sale of wireless handsets to their retail customers prior to the February 2, 2015 close of the Wireless Acquisition.

Wireless Segment Cost of Goods Sold
The decrease in Cost of Goods Sold for 2016 and 2015 is primarily due to the following:

- A $9.8 million or 55% and $10.1 million or 36% decrease in roaming costs for 2016 and 2015, respectively, primarily due to renegotiated roaming agreements and better management of our roaming customers,

- A $7.7 million or 100% and $9.6 million or 55% decrease in wireless equipment costs for 2016 and 2015, respectively. The Wireless segment gave a wireless equipment subsidy to the Wireline segment in accordance with the AWN agreements in 2014. This subsidy was discontinued following the February 2, 2015 close of of the Wireless Acquisition, but the Wireless segment started recording a portion of the wireless equipment costs to encourage the Wireline segment to transition customers from our CDMA network to our GSM network which partially offset the decrease. The Wireless segment did not incur any wireless equipment costs in 2016 as all such costs were recorded in the Wireline segment in 2016, and
- A $4.8 million or 23% decrease in distribution and capacity costs for 2015 primarily because we were able to extend an agreement with a vendor which resulted in the resolution of certain issues and the release of the related reserve and a reduction in capacity costs and costs to terminate long distance traffic. The decrease for 2016 was partially offset by the absence of the reserve that was released in 2015.

The decrease in Cost of Goods Sold for 2016 and 2015 is partially offset by the following:
- A $4.5 million or 100.0% increase in non-cash wireless spectrum leasing costs in 2016 due to a non-cash exchange with a wireless carrier, and
- A $4.2 million or 17% increase in network maintenance costs in 2015 primarily due to the the expansion of our network and an increase in the utility and operating costs.

We primarily control our roaming costs through multi-year contracts with our roaming partners that allow our retail wireless customers to roam on their networks.

Wireless Segment Adjusted EBITDA
The decrease in Adjusted EBITDA in 2016 is primarily due to decreased revenue as described above in “Wireless Segment Revenues.” These decreases were partially offset by decreased Cost of Goods Sold as described above in "Wireless Segment Cost of Goods Sold" and a decrease in selling, general and administrative expense.
The increase in Adjusted EBITDA in 2015 is primarily due to decreases in Cost of Goods Sold as described above in "Wireless Segment Cost of Goods Sold" and selling, general and administrative expense partially offset by a decrease in revenue as described above in “Wireless Segment Revenues.”

Wireline Segment Overview
Please see "Part I - Item 1. Business - Description of our Business by Reportable Segment - Overview" for a description of our Wireline segment services and products by major customer group.

The components of Wireline segment revenue are as follows (amounts in thousands):

	2016	2015	2014	Percentage Change 2016 vs. 2015	Percentage Change 2015 vs. 2014
Consumer					
Wireless	$ 66,225	75,799	30,998	(13)%	145 %
Data	140,196	130,213	113,306	8 %	15 %
Video	107,305	115,074	111,175	(7)%	4 %
Voice	26,734	30,110	32,535	(11)%	(7)%
Business Services					
Wireless	8,822	8,097	2,749	9 %	195 %
Data	296,202	269,472	249,949	10 %	8 %
Video	20,102	18,819	33,259	7 %	(43)%
Voice	60,117	63,274	66,250	(5)%	(4)%
Total Wireline segment revenue	$ 725,703	710,858	640,221	2 %	11 %

Wireline segment Cost of Goods Sold and Adjusted EBITDA are as follows (amounts in thousands):

		2016	2015	2014	Percentage Change 2016 vs. 2015	Percentage Change 2015 vs. 2014
Wireline segment Cost of Goods Sold	$	240,091	251,439	211,784	(5)%	19 %
Wireline segment Adjusted EBITDA	$	158,609	151,152	164,957	5 %	(8)%

See Note 11 in the "Notes to Consolidated Financial Statements" included in Part IV of this annual report on Form 10-K for a reconciliation of consolidated Adjusted EBITDA, a non-GAAP financial measure, to consolidated income (loss) before income taxes.

Selected key performance indicators for our Wireline segment follow:

	2016	2015	2014	Percentage Change 2016 vs. 2015	Percentage Change 2015 vs. 2014
Consumer					
Data:					
Cable modem subscribers[1]	127,600	127,300	119,100	— %	7 %
Video:					
Basic subscribers[2]	107,700	114,000	116,400	(6)%	(2)%
Digital programming tier subscribers[3]	52,000	59,500	63,800	(13)%	(7)%
HD/DVR converter boxes[4]	115,900	114,000	108,400	2 %	5 %
Homes passed	250,800	251,900	248,200	— %	1 %
Video ARPU[5]	$ 80.87	$ 83.95	$ 79.29	(4)%	6 %
Voice:					
Total local access lines in service[6]	48,600	50,400	54,600	(4)%	(8)%
Business Services					
Data:					
Cable modem subscribers[1]	13,200	12,700	14,100	4 %	(10)%
Voice:					
Total local access lines in service[6]	45,900	46,600	47,400	(2)%	(2)%
Combined Consumer and Business Services					
Wireless					
Consumer Lifeline wireless lines in service[7]	27,200	28,100	25,000	(3)%	12 %
Consumer prepaid wireless lines in service[8]	28,500	23,800	10,600	20 %	125 %
Consumer postpaid wireless lines in service[9]	139,200	146,300	95,800	(5)%	53 %
Business Services postpaid wireless lines in service[9]	27,600	29,600	18,200	(7)%	63 %
Total wireless lines in service	222,500	227,800	149,600	(2)%	52 %
Wireless ARPU[10]	$ 38.41	$ 45.82	$ 49.97	(16)%	(8)%
Cable modem ARPU[11]	$ 88.37	$ 85.03	$ 78.87	4 %	8 %

[1] A cable modem subscriber is defined by the purchase of cable modem service regardless of the level of service purchased. If one entity purchases multiple cable modem service access points, each access point is counted as a subscriber.

[2] A basic subscriber is defined as one basic tier of service delivered to an address or separate subunits thereof regardless of the number of outlets purchased.

[3] A digital programming tier subscriber is defined as one digital programming tier of service delivered to an address or separate subunits thereof regardless of the number of outlets or digital programming tiers purchased. Digital programming tier subscribers are a subset of basic subscribers.

[4] A high-definition/digital video recorder ("HD/DVR") converter box is defined as one box rented by a digital programming or basic tier subscriber. A digital programming or basic tier subscriber is not required to rent an HD/DVR converter box to receive service.

[5] Applicable average monthly video revenues divided by the average number of basic subscribers at the beginning and end of each month in 2016, 2015, and 2014.

[6] A local access line in service is defined as a revenue generating circuit or channel connecting a customer to the public switched telephone network.

[7] A Lifeline wireless line in service is defined as a revenue generating wireless device that is eligible for Lifeline support. The Universal Service Fund's Lifeline program is administered by the Universal Service Administrative Company and is designed to ensure that quality telecommunications services are available to low-income customers at affordable rates.

[8] A prepaid wireless line in service is defined as a revenue generating wireless device where service is purchased in advance of use. The purchased credit is used to pay for wireless services at the point the service is accessed or consumed.

[9] A postpaid wireless line in service is defined as a revenue generating wireless device where service is provided by a prior arrangement with a subscriber and the subscriber is billed after the fact according to their use of wireless services at the end of each month.

[10] Average monthly wireless revenues, excluding those from common carrier customers, divided by the average of wireless subscribers at the beginning and end of each month in 2016 and 2014. Average monthly wireless revenues, excluding those from common carrier customers, divided by the number of wireless subscribers at the end of each month for each of the months in 2015. This calculation includes applicable revenue from the Wireline segment - Consumer - Wireless and Wireline segment - Business Services - Wireless and wholesale wireless revenues earned from GCI retail subscribers included in the Wireless segment.

[11] Applicable average monthly cable modem revenues divided by the average number of subscribers at the beginning and end of each month in 2016, 2015, and 2014.

Wireline Segment Revenues

Consumer

The items contributing to the decrease in wireless revenue for 2016 include:

- A $5.3 million or 31% decrease in plan fee revenue primarily due to a decrease in the number of postpaid subscribers and discounts given to customers who finance or bring their own device partially offset by an increase in revenue from prepaid subscribers, and
- A $2.4 million or 7% decrease in equipment sales revenue due to a decrease in the number of wireless devices sold. The decrease in equipment sales revenue was partially offset by a $4.1 million adjustment to lower the guarantee liability for our Upgrade Now program (please see Note 1 in the "Notes to Consolidated Financial Statements" included in Part IV of this annual report on Form 10-K for additional information on the guarantee liability) that was recorded in the third quarter of 2016. Based on a review of historical information, we determined that our customers were not trading their devices in as early and frequently as originally estimated. Additionally, we found that we were able to resell the used handsets for prices higher than originally estimated. Based on this new information, we determined that it was appropriate to reduce the guarantee liability recorded for financed devices in our Upgrade Now program.

The items contributing to the increase in wireless revenue for 2015 include:

- A $14.7 million or 548% increase in plan fee revenue primarily due to the acquisition of ACS' wireless subscribers following the February 2, 2015 close of the Wireless Acquisition. The increase was off-set by decreasing plan fee revenue due to discounts given to customers who finance or bring their own device, and
- A $27.2 million or 446% increase in equipment sales revenue due to an increase in the number of financed devices. In late 2014, we began encouraging our customers to purchase wireless devices through our financing program instead of subsidizing their device purchases. We offer a discount on the monthly plan fee for customers who choose to finance their device rather than buying a subsidized device. The transition from subsidized devices to more financed devices will result in higher revenues when a contract is signed and a decrease in the monthly Wireless ARPU going forward.

The increase in data revenue is primarily due to a $12.8 million or 11% and $20.3 million or 20% increase in cable modem revenue for 2016 and 2015, respectively, due to an increase in the average number of subscribers and our subscribers' selection of plans that offer higher speeds and higher usage limits in 2016 and 2015.

Consumer video revenue faces challenges as more customers choose to have their video content delivered via the Internet. However, as a major Internet-provider ourselves, this selection may result in additional data service revenue to the extent we grow average Internet revenue per subscriber.

We expect Consumer voice revenue to continue to decrease due to a growing number of customers using wireless service as their primary voice phone service for local and long distance calling.

Business Services
Business Services data revenue is comprised of monthly recurring charges for data services and charges billed on a time and materials basis largely for personnel providing on-site customer support. This latter category can vary significantly based on project activity. This revenue faces challenges due to the continued decline of oil prices which negatively impacts certain of our customers. Additionally, we face rate compression for data transport and storage services. As discussed above in the General Overview section, USAC announced that current projections for the funding year ending June 30, 2017 show that the total dollar value of all qualifying funding requests will for the first time either meet or exceed the program's $400 million annual cap. We cannot predict at this time the impact of this change but we do not expect it to have an immediate material adverse impact on our operations.

The increase in data revenue in 2016 and 2015 is primarily due to a $32.4 million or 15% and $20.5 million or 10.3% increase, respectively, in data transport and storage revenue due to new customers and increased purchases by our existing customers partially offset by decreases due to rate compression. The increase in data revenue was partially offset by a $5.3 million or 11% and $1.3 million or 3% decrease in time and materials revenue due to a decrease in special project work for 2016 and 2015, respectively.

Advertising is the primary driver for video revenue, therefore, we can see large variations in revenue due to the election cycle or other major televised events such as the Olympics. The variations may be more extreme in years when there are highly contested political elections or ballot initiatives. The $14.4 million or 43% decrease in video revenue in 2015 is primarily due to a decrease in advertising after the completion of the highly contested political elections in 2014.

Business Services voice revenue continues to face competition and rate compression and to a lesser extent the substitution of wireless devices.

Wireline Segment Cost of Goods Sold
The individually significant items contributing to the 2016 decrease in Wireline segment Cost of Goods Sold include:

- A 16% or $7.9 million decrease in wireless device Cost of Goods Sold primarily due to a decrease in the number of handsets sold partially offset by the absence of a wireless equipment subsidy from the Wireless segment as a portion of the wireless equipment costs were recorded in the Wireless segment in 2015,
- A 11% or $4.6 million decrease in time and materials Cost of Goods Sold related to the decreased special project work described above in "Wireline Segment Revenues - Business Services", and
- A 11% or $3.3 million decrease in voice Cost of Goods Sold primarily due to a decrease in minutes and the movement of more traffic to our own facilities.

The decrease in 2016 is partially offset by a 11% or $4.0 million increase in transport and storage Cost of Goods Sold primarily due to an increase in circuit costs in satellite served locations related to the increased data transport and storage revenue described above in "Wireline Segment Revenues - Business Services."

The individually significant items contributing to the 2015 increase in Wireline segment Cost of Goods Sold include:

- A 82% or $22.5 million increase in wireless device Cost of Goods Sold primarily due to an increase in the number of handsets sold and and a change in the allocation between the Wireline and Wireless segments following the February 2, 2015 close of the Wireless Acquisition. The Wireline segment received a wireless equipment subsidy from the Wireless segment in accordance with the AWN agreements during 2014. Following the close of the Wireless Acquisition this subsidy was discontinued except the Wireless segment started recording a portion of the wireless equipment costs to encourage the Wireline segment to transition customers from our CDMA network to our GSM network which partially offset the increase,

- A 16% or $4.9 million increase in transport and storage Cost of Goods Sold primarily due to an increase in circuit costs in satellite served locations related to the increased data transport and storage revenue described above in "Wireline Segment Revenues - Business Services", and
- A 8% or $5.5 million increase in video Cost of Goods Sold primarily due to increased rates paid to programmers partially offset by a decrease in basic video subscribers.

We expect to face continued increases in programming costs that may require us to drop certain channels or increase the rates paid by our customers that may result in a loss of additional video customers.

Wireline Segment Adjusted EBITDA
The increase in Adjusted EBITDA for 2016 is primarily due to an increase in revenues as described above in "Wireline Segment Revenues" and a decrease in Cost of Goods Sold as described above in "Wireline Segment Cost of Goods Sold" partially offset by an increase in selling, general and administrative expense. The decrease in Adjusted EBITDA for 2015 is primarily due to an increase in Cost of Goods Sold as described above in "Wireline Segment Cost of Goods Sold" and selling, general and administrative expense partially offset by an increase in revenues as described above in "Wireline Segment Revenues."

Selling, General and Administrative Expenses
Selling, general and administrative expenses are as follows (amounts in thousands):

	2016	2015	2014	Percentage Change 2016 vs. 2015	Percentage Change 2015 vs. 2014
Selling, general and administrative expenses	$ 358,356	338,379	293,647	6%	15%

Individually significant items contributing to the increases in selling, general and administrative expenses include:
- A $11.5 million and $17.9 million increase in labor and health insurance costs for 2016 and 2015, respectively,
- A $4.0 million and $3.3 million increase in software contracts with subscription licenses instead of perpetual licenses for 2016 and 2015, respectively,
- A $8.0 million and $3.1 million increase in the use of contract labor for 2016 and 2015, respectively,
- A $2.0 million and $2.3 million increase in bad debt expense for 2016 and 2015, respectively,
- A $2.4 million increase to support a campaign to encourage public action related to the State of Alaska budget in 2016,
- A $15.8 million increase in costs related to the acquisition of ACS' wireless subscribers and its non-controlling interest in AWN in 2015,
- A $2.9 million increase for 2015 due to liquidated damages accrued for a contract,
- A $2.5 million increase in share-based compensation expense for 2015 due to an increase in our stock price, and
- A $2.3 million increase in inventory adjustments for 2015 primarily due to the write-off of obsolete wireless handsets.

The increases discussed above for 2016 are partially offset by the following items:
- The absence of $9.0 million for costs related to the acquisition of ACS' wireless subscribers and its non-controlling interest in AWN, and
- The absence of $2.9 million for liquidated damages accrued for a contract in 2015.

As a percentage of total revenues, selling, general and administrative expenses were 38%, 35%, and 32% of revenue for 2016, 2015, and 2014, respectively. The 2016 increase in selling, general and administrative expenses as percentage of total revenues is primarily due to increases in labor and contract labor costs without corresponding increases in revenue due to spending on our billing system conversion. The 2015 increase in selling, general, and administrative expenses as a percentage of total revenues is primarily due to the costs related to the acquisition of ACS' wireless subscribers and its non-controlling interest in AWN.

Depreciation and Amortization Expense
Depreciation and amortization expense follows (amounts in thousands):

		2016	2015	2014	Percentage Change 2016 vs. 2015	Percentage Change 2015 vs. 2014
Depreciation and amortization expense	$	193,775	181,767	170,285	7%	7%

The increases in 2016 and 2015 are primarily due to new assets placed in service in those years partially offset by assets which became fully depreciated during those years.

Software Impairment Charge
Software impairment charge decreased $29.8 million in 2016 primarily due to the absence of an impairment charge recorded in 2015 as discussed below.

During the years ended December 31, 2013 and 2014, we internally developed computer software to replace our wireless, Internet, video, local service, and long distance customer billing systems. During the first quarter of 2015, we completed a detailed assessment of our progress to date and determined it was no longer probable that the computer software being developed would be completed and placed in service. Our assessment concluded that the cost of continuing the development would be much higher than originally estimated, and the timing and scope risks were substantial. We identified development work, hardware, and software recorded as Construction in Progress through the first quarter of 2015, that may be applicable to our replacement customer billing solution, future internally developed software, and other system needs and therefore should remain capital assets. We considered the remaining capital expenditures for this billing system to have a fair value of $0 and recorded an impairment charge of $20.7 million during 2015 by recording an expense which is included in Software Impairment Charge in our Consolidated Statements of Operations. We have signed a contract with an established billing solution provider and have begun the multi-year implementation.

During the first quarter of 2015, we reassessed our plans for our internally developed machine-to-machine billing system and decided to no longer market this system to third parties. Accordingly we recognized an impairment of $7.1 million during 2015 by recording an expense which is included in Software Impairment Charge in our Consolidated Statements of Operations.

During the third quarter of 2015, we evaluated user management software we purchased in 2014 and determined that we would not be able to use the software. Accordingly we recognized an impairment of $1.0 million during 2015 by recording an expense which is included in Software Impairment Charge in our Consolidated Statement of Operations.

Other Expense, Net
Other expense, net of other income, follows (amounts in thousands):

		2016	2015	2014	Percentage Change 2016 vs. 2015	Percentage Change 2015 vs. 2014
Other expense, net	$	73,699	116,162	74,289	(37)%	56%

Items contributing to the decrease in 2016 include:

- A $27.1 million decrease in loss on extinguishment of debt primarily due to the retirement of our 2019 Notes in 2015 (please see Part II - Item 7 - "Liquidity and Capital Resources" for additional information),
- The absence of a $12.6 million impairment charge recorded in 2015 to reflect an other than temporary decline in fair value of an equity investment,
- A $3.2 million gain recorded for adjusting to fair value assets that were included in the consideration paid to acquire a fiber system, and

Items contributing to the increase in 2015 include:

- A $27.7 million loss on extinguishment of debt due to the retirement of our 2019 Notes in 2015,
- A $6.3 million increase in interest expense primarily attributable to increased borrowing on our Senior Credit Facility,
- A $12.6 million impairment charge recorded to reflect an other than temporary decline in fair value of an equity investment,
- A $4.7 million gain recorded upon the sale of a cost method investment, and
- A $2.6 million net loss for adjusting to fair value the assets included in the consideration transfered in the Wireless Acquisition and adjusting to fair value amendments to certain agreements related to the right to use ACS network assets.

Income Tax Expense
GCI, Inc., as a wholly owned subsidiary and member of the GCI controlled group of corporations, files its income tax return as part of the consolidated group of corporations under GCI. Accordingly, all discussions regarding income taxes reflect the consolidated group's activity. Our income tax expense and deferred income tax assets and liabilities are presented herein using the separate-entity method.

Income tax expense totaled $7.1 million, $0.1 million, and $10.0 million in 2016, 2015, and 2014, respectively. Our effective income tax rate was 131%, (1)%, and 14% in 2016, 2015, and 2014, respectively. Our effective tax rate is impacted by the the amount of permanent differences as compared to our net income (loss) before income taxes.

Our 2014 effective tax rate was impacted by the inclusion of income attributable to the non-controlling interest in AWN in income before income taxes and the exclusion of income taxes on income attributable to the non-controlling interest in AWN. We completed the Wireless Acquisition on February 2, 2015, after which ACS no longer has a non-controlling interest in AWN.

At December 31, 2016, we have income tax net operating loss carryforwards of $268.0 million that will begin expiring in 2022 if not utilized, and alternative minimum tax credit carryforwards of $1.7 million available to offset regular income taxes payable in future years.

We have recorded deferred tax assets of $109.6 million associated with income tax net operating losses that were generated from 2002 to 2015 and that expire from 2022 to 2035, respectively, and with charitable contributions that were converted to net operating losses in 2004 through 2009, 2011, and 2012 and that expire in 2024 through 2029, 2031, and 2032, respectively.

Tax benefits associated with recorded deferred tax assets are considered to be more likely than not realizable through future reversals of existing temporary differences and future taxable income exclusive of reversing temporary differences and carryforwards. The amount of deferred tax assets considered realizable, however, could be reduced if estimates of future taxable income during the carryforward period are reduced which would result in additional income tax expense. We estimate that our effective annual income tax rate for financial statement purposes will be 53% to 58% in the year ending December 31, 2017. The effective tax rate is expected to be much higher due to an increase in the pretax book income amount and the relative impact that the expected tax adjustments have on that pretax income amount.

Liquidity and Capital Resources
Our principal sources of current liquidity are cash and cash equivalents. We believe, but can provide no assurances, that we will be able to meet our current and long-term liquidity, capital requirements and fixed charges through our cash flows from operating activities, existing cash, cash equivalents, credit facilities, and other external financing and equity sources. Should operating cash flows be insufficient to support additional borrowings and principal payments scheduled under our existing credit facilities, capital expenditures will likely be reduced, which would likely reduce future revenues.

In the fourth quarter of 2016, we amended our Senior Credit Facility. The amended Senior Credit Facility provides a $215.0 million Term Loan A, a $245.9 million Term Loan B, and a $200.0 million revolving credit facility, with a $50.0 million sub-limit for standby letters of credit. The borrowings under the Term Loan A and revolving credit facility are scheduled to mature on November 17, 2021, and the Term Loan B is scheduled to mature on February 2, 2022; provided that, if the 2021 Senior Notes are not refinanced by December 3, 2020, then all of the loans under the Senior Credit Facility become due on such date. We paid $4.1 million in fees associated with the amendment.

As discussed above in the General Overview section, in the third quarter of 2016 we received $90.8 million for the Tower Transaction.

In the first quarter of 2016, we entered into new long-term roaming and backhaul agreements with our largest roaming partners. The revenue recognized for these contracts was determined by calculating the cumulative minimum cash payments and recognizing the amount evenly over the life of the contracts. In the early years of the contracts, the cash received is in excess of the revenue recognized resulting in a significant increase in long-term deferred revenue; in the later years the cash received will be less than the revenue recognized and will lower long-term deferred revenue.

In the first quarter of 2015, we completed the Wireless Acquisition to purchase ACS' wireless subscriber base and its one-third ownership interest in AWN for $293.2 million excluding working capital adjustments and the termination or amendment of certain agreements related to the use of ACS network assets that were included as part of the original transaction that closed in July 2013. Following the close of the transaction, AWN is our wholly owned subsidiary and we are entitled to 100% of the future cash flows from AWN. We used proceeds from our Senior Credit Facility and a contribution from GCI to fund the purchase from ACS.

In the second quarter of 2015, we closed on the issuance of $450.0 million of new 6.875% Senior Notes due 2025 ("2025 Notes") at an issue price of 99.105%. The net proceeds of the offering were used to retire our existing 2019 Notes. We paid closing costs totaling $7.9 million in connection with the offering, which were recorded as deferred loan costs and will be amortized over the term of the 2025 Notes. We recorded a $27.7 million loss on extinguishment of debt during 2015.

While our short-term and long-term financing abilities are believed to be adequate as a supplement to internally generated cash flows to fund capital expenditures and acquisitions as opportunities arise, turmoil in the global financial markets may negatively impact our ability to further access the capital markets in a timely manner and on attractive terms, which may have a negative impact on our ability to grow our business.

We monitor the third-party depository institutions that hold our cash and cash equivalents. Our emphasis is primarily on safety of principal and secondarily on maximizing yield on those funds.

Investing Activities
Net cash used for investing activities consists primarily of cash paid for capital expenditures. Our most significant recurring investing activity has been capital expenditures and we expect that this will continue in the future. A significant portion of our capital expenditures is based on the level of customer growth and the technology being deployed.

Our cash expenditures for property and equipment, including construction in progress, totaled $194.5 million and $176.2 million during 2016 and 2015, respectively. Depending on available opportunities and the amount of cash flow we generate during 2017, we expect our 2017 capital expenditures to total approximately $165.0 million. This estimate is based on purchases in 2017 regardless of the timing of cash payments.

Financing Activities
Net cash provided by financing activities in 2016 consists primarily of cash received from the Tower Transaction partially offset by repurchases of GCI's stock, payments on our Senior Credit Facility, net of borrowings, and costs paid for the amendment to our Senior Credit Facility. Net cash used for financing activities in 2015 consists primarily of our payment to complete the Wireless Acquisition, costs paid to retire our 2019 Notes, costs paid for the 2025 Notes, and repurchases of GCI's stock partially offset by borrowings on our Senior Credit Facility and a contribution from GCI to fund the Wireless Acquisition. Our borrowings fluctuate from year to year based on our liquidity needs. We may use excess cash to make optional repayments on our debt or repurchase GCI's common stock depending on various factors, such as market conditions.

<u>Available Borrowings Under Senior Credit Facility</u>
We had a $55.0 million outstanding balance and $21.0 million in letters of credit under the $200.0 million Senior Credit Facility Revolver at December 31, 2016, which leaves $124.0 million available for borrowing as of December 31, 2016.

Debt Covenants
We are subject to covenants and restrictions applicable to our $325.0 million in aggregate principal amount of 6.75% Senior Notes due 2021 ("2021 Notes"), our 2025 Notes, Senior Credit Facility, and Wells Fargo note payable. We are in compliance with the covenants, and we believe that neither the covenants nor the restrictions in our indentures or loan documents will limit our ability to operate our business.

Share Repurchases
GCI's Board of Directors has authorized a common stock buyback program for the repurchase of GCI Class A and Class B common stock in order to reduce the outstanding shares of Class A and Class B common stock. Under this program, GCI is currently authorized to make up to $60.3 million of repurchases as of December 31, 2016. GCI is authorized to increase its repurchase limit $5.0 million per quarter indefinitely and to use stock option exercise proceeds to repurchase additional shares. If stock repurchases are less than the total approved quarterly amount the difference may be carried forward and applied against future stock repurchases. During 2016 we repurchased, on GCI's behalf, 3.5 million shares of GCI common stock under the stock buyback program at a cost of $55.2 million. The common stock buyback program is expected to continue for an indefinite period dependent on leverage, liquidity, company performance, and market conditions and subject to continued oversight by GCI's Board of Directors. The open market repurchases have and will continue to comply with the restrictions of Securities Exchange Act of 1934 Rule 10b-18.

Schedule of Certain Known Contractual Obligations
The following table details future projected payments associated with certain known contractual obligations as of December 31, 2016 (amounts in thousands):

	Payments Due by Period				
	Total	Less Than 1 Year	1 to 3 Years	4 to 5 Years	More Than 5 Years
Long-term debt	$ 1,298,783	3,326	6,706	601,779	686,972
Interest on long-term debt	442,155	70,411	140,456	128,025	103,263
Capital lease obligations, including interest	73,531	13,433	26,890	25,503	7,705
Tower obligations, including interest	186,526	6,996	14,415	14,998	150,117
Operating lease commitments	185,503	46,249	63,347	38,844	37,063
Purchase obligations	54,471	54,471	—	—	—
Total contractual obligations	$ 2,240,969	194,886	251,814	809,149	985,120

Long-term debt listed in the table above includes principal payments on our 2021 and 2025 Notes, Senior Credit Facility, and the Wells Fargo note payable. Interest on the amounts outstanding under our Senior Credit Facility and Wells Fargo note payable are based on variable rates. We used the current rate paid on our Senior Credit Facility to estimate our future interest payments. Our 2021 Notes require semi-annual interest payments of $11.0 million through June 2021 and our 2025 Notes require semi-annual interest payments of $15.5 million through April 2025. For a discussion of our long-term debt see Note 7 in the accompanying "Notes to Consolidated Financial Statements."

Capital lease obligations consist primarily of our obligation to lease transponder capacity on Galaxy 18. For a discussion of our capital and operating leases, see Note 14 in the accompanying "Notes to Consolidated Financial Statements."

Tower obligations consist of our obligation to Vertical Bridge for the Master Lease Agreement that we entered into as part of the Tower Transaction.

Purchase obligations include cancelable open purchase orders for goods and services for capital projects and normal operations, which are not included in our Consolidated Balance Sheets at December 31, 2016, because the goods had not been received or the services had not been performed at December 31, 2016.

Off-Balance Sheet Arrangements
We have not created, and are not party to, any special-purpose and off-balance sheet entities for the purpose of raising capital, incurring debt or operating parts of our business that are not consolidated into our financial statements. We do not have any arrangements or relationships with entities that are not consolidated into our financial statements that are reasonably likely to materially affect our liquidity or the availability of our capital resources.

Recently Issued Accounting Pronouncements
See Note 1 included in “Part II — Item 8 — Consolidated Financial Statements and Supplementary Data” for recently issued accounting pronouncements.

Critical Accounting Policies and Estimates
Our accounting and reporting policies comply with GAAP. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. Our financial position and results of operations can be affected by these estimates and assumptions, which are integral to understanding reported results. Critical accounting policies are those policies that management believes are the most important to the portrayal of our financial condition and results, and require management to make estimates that are difficult, subjective or complex. Most accounting policies are not considered by management to be critical accounting policies. Several factors are considered in determining whether or not a policy is critical in the preparation of financial statements. These factors include, among other things, whether the estimates are significant to the financial statements, the nature of the estimates, the ability to readily validate the estimates with other information including third parties or available prices, and sensitivity of the estimates to changes in economic conditions and whether alternative accounting methods may be utilized under GAAP. For all of these policies, management cautions that future events rarely develop exactly as forecast, and the best estimates routinely require adjustment. Management has discussed the development and the selection of critical accounting policies with GCI's Audit Committee.

Those policies and estimates considered to be critical for the year ended December 31, 2016 are described below.

Allowance for Doubtful Receivables
We record expense to maintain an allowance for doubtful receivabless for estimated losses that result from the failure or inability of our customers to make required payments. When determining the allowance, we consider the probability of recoverability based on past experience, economic data, and changes in our collections processes. Credit risks are assessed based on historical write-offs, net of recoveries, as well as an analysis of the aged accounts and installment receivable balances with reserves generally increasing as the receivable ages. Accounts receivable may be fully reserved when specific collection issues are known to exist, such as pending bankruptcy or catastrophes.

Impairment and Useful Lives of Intangible Assets
We had $526.3 million of indefinite-lived intangible assets at December 31, 2016, consisting of goodwill of $239.3 million, cable certificates of $191.6 million, wireless licenses of $92.3 million and broadcast licenses of $3.1 million.

Goodwill represents the excess of cost over fair value of net assets acquired in connection with a business acquisition. We have determined that our reporting units are the same as our reportable segments. Our cable certificates represent agreements with government entities to construct and operate a video business. The value of our cable certificates is derived from the economic benefits we receive from the right to solicit new customers and to market new services. The amount we have recorded for cable certificates is from cable system acquisitions. Our wireless licenses are from the FCC and give us the right to provide wireless service within a certain geographical area. The amount we have recorded is from acquisitions of wireless companies and auctions of wireless spectrum. Our broadcast licenses are from the FCC and give us the right to broadcast television stations within a certain geographical area. The amount we have recorded for broadcast licenses is from broadcast television station acquisitions.

We assess our indefinite-lived intangible assets including goodwill for impairment on an annual basis during the fourth quarter using October 31 as a measurement date unless circumstances require a more frequent measurement. When evaluating our indefinite-lived intangible assets for impairment, we may first perform an assessment qualitatively to determine whether it is more likely than not that the carrying amount exceeds its fair value, referred to as a “step zero” approach. If, based on the review of the qualitative factors, we determine it is not more likely than not that the fair value of one of our indefinite-lived intangible assets is less than its carrying value, we would bypass the two-step impairment test. Events and circumstances we consider in performing the “step zero” qualitative assessment include macro-economic conditions, market and industry conditions, internal forecasts, share price fluctuations, and operational stability and overall financial performance.

For goodwill, if we conclude that it is more likely than not that a reporting unit's fair value is less than its carrying amount, we would perform the first step (“step one”) of the two-step impairment test and calculate the estimated fair value of the reporting unit by using discounted cash flow valuation models and by comparing our reporting units to guideline publicly-traded companies. These methods require estimates of our future revenues, profits, capital expenditures, working capital, and other relevant factors, as well as selecting appropriate guideline publicly-traded companies for each reporting unit. We estimate these amounts by evaluating historical trends, current budgets, operating plans, industry data, and other relevant factors. Using assumptions that are different from those used in our estimates, but in each case reasonable, could produce significantly different results and materially affect the determination of fair value and/or impairment for our indefinite-lived intangible assets.

For 2016, we performed a step zero qualitative analysis for our annual assessment of impairment for goodwill and our indefinite-lived intangible assets. After evaluating and weighing all relevant events and circumstances, we concluded that it is not more likely than not that the fair value of any of our reporting units or indefinite-lived intangible assets were less than their carrying amounts. Consequently, we did not perform a step one quantitative analysis in 2016. For 2015, we elected to proceed directly to the step one quantitative analysis rather than perform the step zero qualitative assessment. There was a substantial excess of fair value over carrying value for each of our reporting units and indefinite-lived intangible assets and we determined they were not impaired.

Valuation Allowance for Net Operating Loss Deferred Tax Assets

Our income tax policy provides for deferred income taxes to show the effect of temporary differences between the recognition of revenue and expenses for financial and income tax reporting purposes and between the tax basis of assets and liabilities and their reported amounts in the financial statements. Significant management judgment is required in developing our provision for income taxes, including the determination of deferred tax assets and liabilities and any valuation allowances that may be required against the deferred tax assets. We have not recorded a valuation allowance on the deferred tax assets as of December 31, 2016, based on management’s belief that future reversals of existing temporary differences and estimated future taxable income exclusive of reversing temporary differences and carryforwards will, more likely than not, be sufficient to realize the benefit of these assets over time. In the event that actual results differ from these estimates or if our historical trends change, we may be required to record a valuation allowance on deferred tax assets, which could have a material adverse effect in our consolidated financial position or results of operations.

Other significant accounting policies, not involving the same level of measurement uncertainties as those discussed above, are nevertheless important to an understanding of the financial statements. A complete discussion of our significant accounting policies can be found in Note 1 in the accompanying “Notes to Consolidated Financial Statements.”

Regulatory Developments

See “Part I — Item 1. Business — Regulation” for more information about regulatory developments affecting us.

Inflation

We do not believe that inflation has a significant effect on our operations.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to various types of market risk in the normal course of business, including the impact of interest rate changes. Market risk is the potential loss arising from adverse changes in market rates and prices. We do not hold or issue financial instruments for trading purposes.

Interest Rate Risk

Our Senior Credit Facility and Wells Fargo note payable carry interest rate risk. Our Senior Credit Facility consists of a term loan, Term Loan B, and revolving credit facility. Amounts borrowed under the term loan bear interest at London Interbank Offered Rate (“LIBOR”) plus 3.00% or less depending upon our Total Leverage Ratio (as defined in the Senior Credit Facility agreement). Amounts borrowed under the Term Loan B bear interest at LIBOR plus

3.00%. Amounts borrowed under the Wells Fargo note payable bear interest at LIBOR plus 2.25%. Should the LIBOR rate change, our interest expense will increase or decrease accordingly. As of December 31, 2016, we have borrowed $523.8 million subject to interest rate risk. On this amount, each 1% increase in the LIBOR interest rate would result in $5.2 million of additional gross interest cost on an annualized basis. All of our other material borrowings have a fixed interest rate.

Item 8. Consolidated Financial Statements and Supplementary Data

Our consolidated financial statements are filed under this Item, beginning on page 44. Our supplementary data is filed under Item 7, beginning on page 26.

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 (“Exchange Act”) is recorded, processed, summarized, accumulated and communicated to our management, including our principal executive and financial officers, to allow timely decisions regarding required financial disclosure, and reported as specified in the SEC’s rules and forms. As of the end of the period covered by this Annual Report on Form 10-K, we carried out an evaluation of the effectiveness of the design and operation of our “disclosure controls and procedures” (as defined in Exchange Act Rule 13a - 15(e)) under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer. Based on that evaluation and as described below under “Management’s Report on Internal Control Over Financial Reporting," our management, including our Chief Executive Officer and our Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of December 31, 2016.

The certifications attached as Exhibits 31 and 32 to this report should be read in conjunction with the disclosures set forth herein.

Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations (COSO) in 2013.

Based on our evaluation of the effectiveness of our internal control over financial reporting, our management concluded that as of December 31, 2016, we maintained effective internal control over financial reporting.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) identified in connection with the evaluation of our controls performed during the quarter ended December 31, 2016, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Internal control over financial reporting has inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements will not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

We may enhance, modify, and supplement internal controls and disclosure controls and procedures based on experience.

Item 9B. Other Information

None.

Part III

Items 10, 11, 12, 13, and 14 are omitted per General Instruction I(1)(a) and (b) of Form 10-K.

Part IV

Item 15. Exhibits, Consolidated Financial Statement Schedules

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholder
GCI, Inc.

We have audited the accompanying consolidated balance sheets of GCI, Inc. (an Alaska corporation) and subsidiaries (the “Company”) as of December 31, 2016 and 2015, and the related consolidated statements of operations, stockholder’s equity, and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company’s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of GCI, Inc. and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

/s/ GRANT THORNTON LLP

Seattle, Washington
March 2, 2017

GCI, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)	December 31,	
ASSETS	2016	2015
Current assets:		
Cash and cash equivalents	$ 19,297	26,528
Receivables	219,794	208,384
Less allowance for doubtful receivables	4,407	3,630
Net receivables	215,387	204,754
Prepaid expenses	18,599	12,862
Inventories	11,945	11,322
Other current assets	167	3,129
Total current assets	265,395	258,595
Property and equipment	2,614,875	2,384,530
Less accumulated depreciation	1,452,957	1,290,149
Net property and equipment	1,161,918	1,094,381
Goodwill	239,263	239,263
Cable certificates	191,635	191,635
Wireless licenses	92,347	86,347
Other intangible assets, net of amortization	74,444	69,290
Other assets	40,937	27,429
Total other assets	638,626	613,964
Total assets	$ 2,065,939	1,966,940

See accompanying notes to consolidated financial statements.

Continued

GCI, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Continued)

(Amounts in thousands)	December 31,	
LIABILITIES AND STOCKHOLDER'S EQUITY	2016	2015
Current liabilities:		
Current maturities of obligations under long-term debt, capital leases, and tower obligations	$ 13,229	12,050
Accounts payable	72,937	63,014
Deferred revenue	37,618	34,128
Accrued payroll and payroll related obligations	30,305	31,337
Accrued liabilities	14,729	22,822
Accrued interest	8,794	8,523
Subscriber deposits	917	1,242
Total current liabilities	178,529	173,116
Long-term debt, net	1,276,806	1,274,586
Obligations under capital leases, excluding current maturities (including $1,769 and $1,824 due to a related party at December 31, 2016 and 2015, respectively)	50,316	59,651
Deferred income taxes	141,785	108,073
Long-term deferred revenue	135,877	93,427
Tower obligation	87,653	—
Other liabilities	54,056	47,992
Total liabilities	1,925,022	1,756,845
Commitments and contingencies		
Stockholder's equity:		
Class A common stock (no par). Authorized 10 shares; issued and outstanding 0.1 shares at December 31, 2016 and 2015	206,622	206,622
Paid-in capital	161,310	164,508
Retained deficit	(257,544)	(192,033)
Total GCI, Inc. stockholder's equity	110,388	179,097
Non-controlling interests	30,529	30,998
Total stockholder's equity	140,917	210,095
Total liabilities and stockholder's equity	$ 2,065,939	1,966,940

See accompanying notes to consolidated financial statements.

GCI, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2016, 2015, AND 2014

(Amounts in thousands)	2016	2015	2014
Revenues:			
Non-related party	$ 933,812	973,251	850,656
Related party	—	5,283	59,542
Total revenues	933,812	978,534	910,198
Cost of goods sold (exclusive of depreciation and amortization shown separately below):			
Non-related party	302,578	321,457	291,770
Related party	—	881	10,934
Total cost of goods sold	302,578	322,338	302,704
Selling, general and administrative expenses			
Non-related party	358,356	337,839	289,674
Related party	—	540	3,973
Total selling, general and administrative expenses	358,356	338,379	293,647
Depreciation and amortization expense	193,775	181,767	170,285
Software impairment charge	—	29,839	—
Operating income	79,103	106,211	143,562
Other income (expense):			
Interest expense (including amortization of deferred loan fees)	(78,628)	(78,786)	(72,496)
Loss on extinguishment of debt	(640)	(27,700)	—
Impairment of equity method investment	—	(12,593)	—
Other	5,569	2,917	(1,793)
Other expense, net	(73,699)	(116,162)	(74,289)
Income (loss) before income taxes	5,404	(9,951)	69,273
Income tax expense	(7,080)	(81)	(10,029)
Net income (loss)	(1,676)	(10,032)	59,244
Net income attributable to non-controlling interests	(469)	159	51,687
Net income (loss) attributable to GCI, Inc.	$ (1,207)	(10,191)	7,557

See accompanying notes to consolidated financial statements.

GCI, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY
YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

(Amounts in thousands)	Shares of Class A Common Stock	Class A Common Stock	Paid-in Capital	Retained Deficit	Non-controlling Interests	Total Stockholder's Equity
Balances at January 1, 2014	0.1	$ 206,622	79,297	(128,775)	300,210	457,354
Net income	—	—	—	7,557	51,687	59,244
Distribution to General Communication, Inc.	—	—	—	(6,850)	—	(6,850)
Contribution from General Communication, Inc.	—	—	9,505	—	—	9,505
Distribution to non-controlling interest	—	—	—	—	(50,000)	(50,000)
Adjustment to investment by non-controlling interest	—	—	—	—	(2,131)	(2,131)
Other	—	—	—	—	100	100
Balances at December 31, 2014	0.1	206,622	88,802	(128,068)	299,866	467,222
Net income (loss)	—	—	—	(10,191)	159	(10,032)
Distribution to General Communication, Inc.	—	—	—	(53,774)	—	(53,774)
Contribution from General Communication, Inc.	—	—	86,218	—	—	86,218
Distribution to non-controlling interest	—	—	—	—	(765)	(765)
Investment by non-controlling interest	—	—	—	—	3,209	3,209
Non-controlling interest acquisition	—	—	(10,282)	—	(271,521)	(281,803)
Other	—	—	(230)	—	50	(180)
Balances at December 31, 2015	0.1	206,622	164,508	(192,033)	30,998	210,095
Net loss	—	—	—	(1,207)	(469)	(1,676)
Distribution to General Communication, Inc.	—	—	—	(64,304)	—	(64,304)
Contribution from General Communication, Inc.	—	—	11,247	—	—	11,247
Non-controlling interest acquisition	—	—	(14,445)	—	—	(14,445)
Balances at December 31, 2016	0.1	$ 206,622	161,310	(257,544)	30,529	140,917

See accompanying notes to consolidated financial statements.

GCI, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

(Amounts in thousands)	2016	2015	2014
Cash flows from operating activities:			
Net income (loss)	$ (1,676)	(10,032)	59,244
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization expense	193,775	181,767	170,285
Share-based compensation expense	11,043	10,902	8,392
Deferred income tax expense	7,080	81	10,029
Loss on extinguishment of debt	640	27,700	—
Software impairment charge	—	29,839	—
Impairment of equity method investment	—	12,593	—
Other noncash income and expense items	9,866	14,672	9,933
Change in operating assets and liabilities	(14,827)	(13,567)	320
Net cash provided by operating activities	205,901	253,955	258,203
Cash flows from investing activities:			
Purchases of property and equipment	(194,478)	(176,235)	(176,109)
Purchase of KKCC assets	(19,700)	—	—
Purchases of other assets and intangible assets	(17,486)	(13,955)	(11,018)
Note receivable payment from an equity method investee	3,000	—	—
Purchase of investments	(1,800)	—	(25,735)
Grant proceeds	1,527	14,007	1,136
Restricted cash	175	65	5,871
Proceeds from the sale of investment	—	7,551	6,180
Purchase of businesses, net of cash received	—	(12,736)	(2,514)
Note receivable issued to an equity method investee	—	(3,000)	—
Other	1,599	(4,760)	49
Net cash used for investing activities	(227,163)	(189,063)	(202,140)
Cash flows from financing activities:			
Repayment of debt, capital lease, and tower obligations	(132,205)	(494,982)	(118,585)
Borrowing on Senior Credit Facility	125,000	295,000	89,000
Proceeds from tower transaction	90,795	—	—
Net contribution from (distribution to) General Communication, Inc.	(64,108)	21,700	(6,384)
Payment of debt issuance costs	(5,451)	(13,979)	(84)
Issuance of 2025 Notes	—	445,973	—
Purchase of non-controlling interests	—	(282,505)	—
Payment of bond call premium	—	(20,244)	—
Distribution to non-controlling interest	—	(4,932)	(50,000)
Other	—	203	421
Net cash provided by (used for) financing activities	14,031	(53,766)	(85,632)
Net increase (decrease) in cash and cash equivalents	(7,231)	11,126	(29,569)
Cash and cash equivalents at beginning of period	26,528	15,402	44,971
Cash and cash equivalents at end of period	$ 19,297	26,528	15,402

See accompanying notes to consolidated financial statements.

(1) Business and Summary of Significant Accounting Principles

In the following discussion, GCI, Inc. and its direct and indirect subsidiaries are referred to as “we,” “us” and “our.”

Basis of Presentation

We were incorporated in Alaska in 1997 to affect the issuance of Senior Notes. As a wholly owned subsidiary of General Communication, Inc. ("GCI"), we received through our initial capitalization all ownership interests in subsidiaries previously held by GCI. The GCI and GCI, Inc. consolidated financial statements include substantially the same operating activities.

(a) Business

We provide a full range of wireless, data, video, voice, and managed services to residential customers, businesses, governmental entities, and educational and medical institutions primarily in Alaska.

(b) Basis of Presentation and Principles of Consolidation

Our consolidated financial statements include the consolidated accounts of GCI, Inc. and its wholly owned subsidiaries, The Alaska Wireless Network, LLC ("AWN") of which we owned a two-third interest through February 2, 2015 when we purchased the remaining one-third interest, and four variable interest entities (“VIEs”) for which we are the primary beneficiary after providing certain loans and guarantees. These VIEs are Terra GCI Investment Fund, LLC (“TIF”), Terra GCI 2 Investment Fund, LLC (“TIF 2”), Terra GCI 2-USB Investment Fund, LLC (“TIF 2-USB”) and Terra GCI 3 Investment Fund, LLC (“TIF 3”). We also include in our consolidated financial statements non-controlling interests in consolidated subsidiaries for which our ownership is less than 100 percent. All significant intercompany transactions between non-regulated affiliates of our company are eliminated. Intercompany transactions generated between regulated and non-regulated affiliates of our company are not eliminated in consolidation.

(c) Non-controlling Interests

Non-controlling interests represent the equity ownership interests in consolidated subsidiaries not owned by us. Non-controlling interests are adjusted for contributions, distributions, and income and loss attributable to the non-controlling interest partners of the consolidated entities. Income and loss is allocated to the non-controlling interests based on the respective governing documents.

(d) Acquisitions

Wireless Acquisition

On February 2, 2015, we purchased Alaska Communications Systems Group, Inc.'s (“ACS”) interest in AWN ("AWN NCI Acquisition") and substantially all the assets of ACS and its affiliates related to ACS’s wireless operations (“Acquired ACS Assets”) (collectively the "Wireless Acquisition"). Under the terms of the agreement, we paid ACS $293.2 million, excluding working capital adjustments and agreed to terminate certain agreements related to the use of ACS network assets that were included as part of the original transaction that closed in July 2013. The Acquired ACS Assets include substantially all of ACS’s wireless subscriber assets, including subscriber contracts, and certain of ACS’s CDMA network assets, including fiber strands and associated cell site electronics and microwave facilities and associated electronics. We assumed from ACS post-closing liabilities of ACS and its affiliates under contracts assumed by us and liabilities with respect to the ownership by ACS of its equity interest in AWN to the extent accruing and related to the period after closing. All other liabilities were retained by ACS and its affiliates.

We have accounted for the AWN NCI Acquisition as the acquisition of a non-controlling interest in accordance with Accounting Standards Codification ("ASC") 810, Consolidation, and the Acquired ACS Assets as the acquisition of assets that do not constitute a business in accordance with ASC 805-50, Business Combinations - Related Issues. Total consideration transferred to ACS in the transaction consisted of the cash payment, settlement of working capital, and the fair market value of certain rights to receive future capacity terminated as part of the Wireless Acquisition agreement. The future capacity receivable assets transferred as consideration were adjusted to fair value as of the acquisition date resulting in a gain of $1.2 million recorded in Other Income (Expense) in our Consolidated Statement of Operations for the year ended December 31, 2015. We allocated the total consideration transferred to ACS between the AWN NCI Acquisition and the Acquired ACS Assets based on the relative fair values of the assets and non-controlling interest received.

The following table summarizes the allocation of total consideration transferred to ACS between the AWN NCI Acquisition and the Acquired ACS Assets excluding working capital adjustments (amounts in thousands):

Total consideration transferred to ACS	$	304,838
Allocation of consideration between wireless assets and non-controlling interest acquired:		
AWN non-controlling interest	$	303,831
Property and equipment		746
Other intangible assets		261
Total consideration	$	304,838

We have accounted for the AWN NCI Acquisition as an equity transaction, with the carrying amount of the non-controlling interest adjusted to reflect the change in ownership of AWN. The difference between the fair value of consideration paid and the total of the additional deferred taxes incurred as a result of the transaction and the carrying amount of the non-controlling interest has been recognized as additional paid-in capital in our Consolidated Statement of Stockholder's Equity. The impact of the AWN NCI Acquisition is summarized in the following table (amounts in thousands):

Reduction of non-controlling interest	$	268,364
Increase in deferred tax assets		9,583
Additional paid-in capital		25,884
Fair value of consideration paid for acquisition of equity interest	$	303,831

Pursuant to the accounting guidance in ASC 805-50, we determined that the Acquired ACS Assets did not meet the criteria necessary to constitute a business combination and was therefore accounted for as an asset purchase. We recognized the assets acquired in our Consolidated Balance Sheet at their allocated cost on the day of acquisition. The deferred tax assets and additional paid-in capital were adjusted in 2016 as a result of the reallocation of partnership tax basis as determined when preparing the 2015 federal tax return.

In conjunction with the Wireless Acquisition, we amended certain agreements related to the right to use ACS network assets. We adjusted the related right to use asset to fair value as of the acquisition date resulting in a loss of $3.8 million recorded in Other Income (Expense) in our Consolidated Statement of Operations for the year ended December 31, 2015.

Other Acquisitions
During the year ended December 31, 2015, we completed three additional business acquisitions for total cash consideration of $12.7 million, net of cash received. We accounted for the transactions using the acquisition method of accounting under ASC 805, Business Combinations. Accordingly, the assets received, liabilities assumed and any non-controlling interests were recorded at their estimated fair value as of the acquisition date. We determined the estimated fair values using a combination of the discounted cash flows method and estimates made by management.

(e) Recently Issued Accounting Pronouncements
In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers. This standard provides guidance for the recognition, measurement and disclosure of revenue resulting from contracts with customers and will
supersede virtually all of the current revenue recognition guidance under GAAP. In August 2015, the FASB issued ASU 2015-14, which deferred the effective date to fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. In March 2016, the FASB issued ASU 2016-08, which amended the guidance in the new standard in order to clarify the principal versus agent assessment and is intended to make the guidance more operable and lead to more consistent application. In April 2016, the FASB issued ASU 2016-10, which clarifies the identification of performance obligations and the licensing

implementation guidance in ASU 2014-09. In May 2016, the FASB issued ASU 2016-11, which rescinds SEC paragraphs pursuant to SEC staff announcements regarding ASU 2014-09. These rescissions include changes to topics pertaining to accounting for shipping and handling fees and costs and accounting for consideration given by a vendor to a customer. In May 2016, the FASB issued ASU 2016-12, which provides clarifying guidance in certain narrow areas and adds some practical expedients to ASU 2014-09. Finally, ASU 2016-20 makes minor corrections or improvements to ASU 2014-09 that are not expected to have a significant effect on accounting practices under ASU 2014-09.

The standard permits the use of either the retrospective or cumulative effect transition method. We anticipate using the retrospective method to adopt this standard. Early adoption is permitted for annual periods beginning after December 15, 2016, however, we do not plan to early adopt this standard. We have assessed our material revenue streams and we do not anticipate significant changes to our revenue recognition as a result of this new standard.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Lease accounting by the lessor remains largely unchanged by the new standard. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and is required to be adopted using the modified retrospective approach. We are currently evaluating the impact of the provisions of this new standard on our financial position and results of operations, but we expect that adoption will have a material impact on our long-term assets and liabilities.

In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting, which amends ASC 718, Compensation - Stock Compensation. The update includes provisions intended to simplify various aspects related to how share-based payments are accounted for and presented in the financial statements. ASU 2016-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. Early adoption is permitted with any adjustments reflected as of the beginning of the fiscal year of adoption. We are currently evaluating the impact of the provisions of this new standard on our financial position and results of operations.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The update introduces a new forward-looking approach, based on expected losses, to estimate credit losses on certain types of financial instruments, including trade receivables. The estimate of expected credit losses will require entities to incorporate consideration of historical information, current information and reasonable and supportable forecasts. This ASU also expands the disclosure requirements to enable users of financial statements to understand the entity’s assumptions, models and methods for estimating expected credit losses. ASU 2016-13 is effective for annual and interim reporting periods beginning after December 15, 2019, and is required to be adopted using the modified retrospective approach. Early adoption is permitted for annual and interim reporting periods beginning after December 15, 2018. We are currently evaluating the impact of the provisions of this new standard on our financial position and results of operations.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This update addresses eight specific cash flow issues with the objective of reducing diversity in practice. The issues identified within the ASU include: debt prepayments or extinguishment costs; contingent consideration made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (including bank-owned life insurance policies); distributions received from equity method investees; beneficial interests in securitization transactions; and separately identified cash flows and application of the predominance principle. ASU 2016-15 is effective for annual and interim reporting periods beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted for annual and interim reporting periods. The adoption of this guidance is not expected to have a material effect on our statement of cash flows.

(f) Recently Adopted Accounting Pronouncements

In April 2015, the FASB issued ASU No. 2015-03, Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. ASU 2015-03 requires an entity to present debt issuance costs related to a recognized debt liability in the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. In August 2015, the FASB issued ASU No. 2015-15, Interest - Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements which clarifies that the guidance in ASU 2015-03 does not apply to line-of-credit arrangements. According to ASU 2015-15, line-of-credit arrangements will continue to defer and present debt issuance costs as an asset and subsequently amortize the deferred debt issue costs ratably over the term of the arrangement. We adopted ASU 2015-03 retrospectively as of January 1, 2016, and have reclassified $15.4 million of the December 31, 2015, Deferred Loan and Senior Note Costs, Net of Amortization balance included in Total Other Assets to Long-Term Debt, Net included in Total Liabilities.

In April 2015, the FASB issued ASU 2015-05, Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement. The ASU provides guidance in evaluating whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the software license element of the arrangement should be accounted for as an acquisition of a software license. If the arrangement does not contain a software license, it should be accounted for as a service contract. We adopted ASU 2015-05 prospectively as of January 1, 2016. The adoption of this standard did not have a significant effect on our financial position or results of operations.

In June 2015, the FASB issued ASU No. 2015-10, Technical Corrections and Updates. The amendments in this update cover a wide range of topics in the codification and are generally categorized as follows: Amendments Related to Differences between Original Guidance and the Codification; Guidance Clarification and Reference Corrections; Simplification; and, Minor Improvements. We adopted ASU 2015-10 as of January 1, 2016. The adoption of this standard did not have a significant effect on our financial position or results of operations.

In July 2015, the FASB issued ASU 2015-11, Simplifying the Measurement of Inventory. Under ASU 2015-11, inventory will be measured at the “lower of cost and net realizable value” and options that currently exist for “market value” will be eliminated. The ASU defines net realizable value as the “estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.” No other changes were made to the current guidance on inventory measurement. We adopted ASU 2015-11 prospectively as of April 1, 2016. The adoption of this standard did not have a significant effect on our financial position or results of operations.

In January 2017, the FASB issued an ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. This ASU clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. We adopted and applied ASU 2017-01 to a transaction that we closed in November 2016 (see Note 5 of this Form 10-K for information on the transaction).

(g) Regulatory Accounting

We account for the regulated operations of our incumbent local exchange carriers in accordance with the accounting principles for regulated enterprises. This accounting recognizes the economic effects of rate regulation by recording cost and a return on investment as such amounts are recovered through rates authorized by regulatory authorities. Accordingly, plant and equipment is depreciated over lives approved by regulators and certain costs and obligations are deferred based upon approvals received from regulators to permit recovery of such amounts in future years. Our cost studies and depreciation rates for our regulated operations are subject to periodic audits that could result in a change to recorded revenues.

(h) Earnings per Common Share

We are a wholly owned subsidiary of GCI and, accordingly, are not required to present earnings per share. Our common stock is not publicly traded.

(i) Cash Equivalents
Cash equivalents consist of certificates of deposit which have an original maturity of three months or less at the date acquired and are readily convertible into cash.

(j) Accounts Receivable and Allowance for Doubtful Receivables
Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful receivables is our best estimate of the amount of probable credit losses in our existing accounts receivable. We base our estimates on the aging of our accounts receivable balances, financial health of specific customers, regional economic data, changes in our collections process, regulatory requirements and our customers' compliance with Universal Service Administrative Company rules. We review our allowance for doubtful receivables methodology at least annually.

Depending upon the type of account receivable our allowance is calculated using a pooled basis with an allowance for all accounts greater than 120 days past due, a pooled basis using a percentage of related accounts, or a specific identification method. When a specific identification method is used, potentially uncollectible accounts due to bankruptcy or other issues are reviewed individually for collectability. Account balances are charged off against the allowance when we feel it is probable the receivable will not be recovered. We do not have any off-balance-sheet credit exposure related to our customers.

Wireless Equipment Installment Plan ("EIP") Receivables
We offer new and existing wireless customers the option to participate in Upgrade Now, a program that provides eligible customers with the ability to purchase certain wireless devices in installments over a period of up to 24 months. Participating customers have the right to trade-in the original equipment for a new device after making the equivalent of 12 monthly installment payments, provided their handset is in good working condition. Upon upgrade, the outstanding balance of the EIP is exchanged for the used handset.

At the time of sale, we impute interest on the receivables associated with Upgrade Now. We record the imputed interest as a reduction to the related accounts receivable. Interest income, which is included in Other Income and (Expense) in our Consolidated Statements of Operations, is recognized over the financed installment term.

We assess the collectability of our EIP receivables based upon a variety of factors, including payment trends and other qualitative factors. The credit profiles of our customers with a Upgrade Now plan are similar to those of our customers with a traditional subsidized plan. Customers with a credit profile which carries a higher risk are required to make a down payment for equipment financed through Upgrade Now.

(k) Inventories
Wireless handset inventories are stated at the lower of cost or net realizable value. Cost is determined using the average cost method. Handset costs in excess of the revenues generated from handset sales, or handset subsidies, are expensed at the time of sale. We do not recognize the expected handset subsidies prior to the time of sale because the promotional discount decision is made at the point of sale and/or because we expect to recover the handset subsidies through service revenue.

Inventories of other merchandise for resale and parts are stated at the lower of cost or net realizable value. Cost is determined using the average cost method.

(l) Property and Equipment
Property and equipment is stated at cost. Construction costs of facilities are capitalized. Equipment financed under capital leases is recorded at the lower of fair market value or the present value of future minimum lease payments at inception of the lease. Construction in progress represents transmission equipment and support equipment and systems not placed in service on December 31, 2016, that management intends to place in service during 2017 and 2018.

Depreciation is computed using the straight-line method based upon the shorter of the estimated useful lives of the assets or the lease term, if applicable, in the following ranges:

Asset Category	Asset Lives
Telephony transmission equipment and distribution facilities	5-20 years
Fiber optic cable systems	15-25 years
Cable transmission equipment and distribution facilities	5-30 years
Support equipment and systems	3-20 years
Transportation equipment	5-13 years
Property and equipment under capital leases	12-20 years
Buildings	25 years
Customer premise equipment	2-20 years
Studio equipment	10-15 years

Amortization of property and equipment under capital leases is included in Depreciation and Amortization Expense in our Consolidated Statements of Operations.

Repairs and maintenance are charged to expense as incurred. Expenditures for major renewals and betterments are capitalized. Accumulated depreciation is removed and gains or losses are recognized at the time of sales or other dispositions of property and equipment.

(m) Intangible Assets and Goodwill
Goodwill, cable certificates (certificates of convenience and public necessity), wireless licenses and broadcast licenses are not amortized. Cable certificates represent certain perpetual operating rights to provide cable services. Wireless licenses represent the right to utilize certain radio frequency spectrum to provide wireless communications services. Broadcast licenses represent the right to broadcast television stations in certain areas. Goodwill represents the excess of cost over fair value of net assets acquired in connection with a business acquisition.

All other amortizable intangible assets are being amortized over 2 to 20 year periods using the straight-line method.

(n) Impairment of Intangibles, Goodwill, and Long-lived Assets
Cable certificates, wireless licenses and broadcast licenses are treated as indefinite-lived intangible assets and are tested annually for impairment or more frequently if events and circumstances indicate that the asset might be impaired. We assessed qualitative factors (“Step Zero”) in our annual test over our cable certificate, wireless license and broadcast license assets as of October 31, 2016 to determine if it is more likely than not that those intangible assets are impaired and require further analysis. As part of our Step Zero analysis, we considered our own economic position, estimated future growth, and geographic and industry economic outlooks. These estimates and assumptions have a significant impact on our analysis.

The quantitative impairment test ("Step One") for identifiable indefinite-lived intangible assets other than goodwill consists of a comparison of the estimated fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. After an impairment loss is recognized, the adjusted carrying amount of the asset becomes its new accounting basis. Impairment testing of our cable certificate, wireless license and broadcast license assets as of October 31, 2015, used a direct discounted cash flow method. This approach requires us to make estimates and assumptions including projected cash flows and discount rates. These estimates and assumptions could have a significant impact on whether an impairment charge is recognized and also the magnitude of any such impairment charge.

Our goodwill is tested annually for impairment, and is tested for impairment more frequently if events and circumstances indicate that the assets might be impaired. We used a Step Zero analysis for goodwill impairment as of October 31, 2016 to determine whether it is more likely than not that goodwill is impaired. We considered qualitative factors such as our economic position, estimated future growth, geographic and industry economic outlooks, and the margin by which our fair value exceeded the book value in 2015. These estimates and assumptions have a significant impact on our analysis.

For goodwill impairment testing as of October 31, 2015, we used the quantitative two-step process. The first step of the quantitative goodwill impairment test is used to identify potential impairment by comparing the fair value of a reporting unit with its carrying amount. To determine our reporting units, we evaluated the components one level below the segment level and we aggregated the components if they had similar economic characteristics. As a result of this assessment, our reporting units were the same as our two reportable segments. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill that would be recognized in a business combination. We used an income approach to determine the fair value of our reporting units for purposes of our goodwill impairment test. In addition, a market-based approach is used where possible to corroborate the fair values determined by the income approach. The income approach requires us to make estimates and assumptions including projected cash flows and discount rates. These estimates and assumptions could have a significant impact on whether an impairment charge is recognized and also the magnitude of any such impairment charge.

We completed our annual goodwill and intangibles review and no impairment charge was recorded for the years ended December 31, 2016, 2015 and 2014.

Long-lived assets, such as property, plant, and equipment, and purchased or developed intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Recoverability of an asset group to be held and used is measured by a comparison of the carrying amount of an asset group to estimated undiscounted future cash flows expected to be generated by the asset group. If the carrying amount of an asset group exceeds its estimated undiscounted future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset group exceeds the fair value of the asset group.

During the year ended December 31, 2015, we recorded impairment charges related to our long-lived software assets (see Note 15 of this Form 10-K for detailed information). We recorded no impairment charges related to our long lived assets for the years ended December 31, 2016 and 2014.

(o) Amortization and Write-off of Loan Fees
Debt issuance costs are deferred and amortized using the effective interest method. If a refinancing or amendment of a debt instrument is a substantial modification, all or a portion of the applicable debt issuance costs are written off. If a debt instrument is repaid prior to the maturity date we will write-off the related unamortized amount of debt issuance costs.

(p) Other Assets
Other Assets primarily include broadcast licenses, equity investments that are accounted for using the equity or cost method, restricted cash, long-term deposits, prepayments, long-term EIP receivables and long-term non-trade accounts receivable.

(q) Investments
We hold investments in equity method and cost method investees. Investments in equity method investees are those for which we have the ability to exercise significant influence but do not control and are not the primary beneficiary. Significant influence typically exists if we have a 20% to 50% ownership interest in the venture unless persuasive evidence to the contrary exists. Under this method of accounting, we record our proportionate share of the net earnings or losses of equity method investees and a corresponding increase or decrease to the investment balances. Cash payments to equity method investees such as additional investments, loans and advances and expenses incurred on behalf of investees, as well as payments from equity method investees such as dividends, distributions and repayments of loans and advances are recorded as adjustments to investment balances. Investments in entities in which we have no control or significant influence are accounted for under the cost method.

We review our investment portfolio each reporting period to determine whether there are events or circumstances that would indicate there is a decline in the fair value that would be considered other than temporary. We recorded an impairment loss of $12.6 million related to one of our equity investments during the year ended December 31, 2015 (see "Equity Method Investment" section of Note 13 of this Form 10-K for additional information). We recorded no impairment charges to equity method or cost method investments for the years ended December 31, 2016 and 2014.

(r) Asset Retirement Obligations

We record the fair value of a liability for an asset retirement obligation in the period in which it is incurred in Other Liabilities on the Consolidated Balance Sheets. When the liability is initially recorded, we capitalize a cost by increasing the carrying amount of the related long-lived asset. In periods subsequent to initial measurement, changes in the liability for an asset retirement obligation resulting from revisions to either the timing or the amount of the original estimate of undiscounted cash flows are recognized. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, we either settle the obligation for its recorded amount or incur a gain or loss upon settlement.

The majority of our asset retirement obligations are the estimated cost to remove telephony transmission equipment and support equipment from leased property. Following is a reconciliation of the beginning and ending aggregate carrying amounts of our liability for asset retirement obligations (amounts in thousands):

Balance at December 31, 2014	$	31,940
Liability incurred		2,048
Accretion expense		1,121
Liability settled		(49)
Balance at December 31, 2015		35,060
Liability incurred		1,580
Revisions in estimated cash flows, including adjustment from tower transaction (Note 2)		3,368
Accretion expense		1,229
Liability settled		(82)
Balance at December 31, 2016	$	41,155

During the years ended December 31, 2016 and 2015, we recorded additional capitalized costs of $4.9 million and $2.0 million, respectively, in Property and Equipment.

Certain of our network facilities are on property that requires us to have a permit and the permit contains provisions requiring us to remove our network facilities in the event the permit is not renewed. We expect to continually renew our permits and therefore cannot estimate any liabilities associated with such agreements. A remote possibility exists that we would not be able to successfully renew a permit, which could result in us incurring significant expense in complying with restoration or removal provisions.

(s) Revenue Recognition

All revenues are recognized when the earnings process is complete. Revenue recognition is as follows:

- Revenues generated from long-distance service usage and plan fees, Internet service excess usage, and managed services are recognized when the services are provided,
- We recognize unbilled revenues when the service is provided based upon minutes of use processed, and/or established rates, net of credits and adjustments,
- Video service package fees, local access and Internet service plan fees, and data network revenues are billed in advance, recorded as Deferred Revenue on the balance sheet, and are recognized as the associated service is provided,
- Certain of our wireless services offerings have been determined to be revenue arrangements with multiple deliverables. Revenues are recognized as each element is earned based on objective evidence regarding the relative fair value of each element and when there are no undelivered elements that are essential to the functionality of the delivered elements. Revenues generated from wireless service usage and plan fees are recognized when the services are provided. Revenues

generated from the sale of wireless handsets and accessories are recognized when the amount is known and title to the handset and accessories passes to the customer. As the non-refundable, up-front activation fee charged to the customer does not meet the criteria as a separate unit of accounting, we allocate the additional arrangement consideration received from the activation fee to the handset (the delivered item) to the extent that the aggregate handset and activation fee proceeds do not exceed the fair value of the handset. Any activation fees not allocated to the handset would be deferred upon activation and recognized as service revenue on a straight-line basis over the expected customer relationship period,

- We offer new and existing wireless customers the option to participate in Upgrade Now, a program that is described above in Note 1 of this Form 10-K. Upgrade Now is a multiple-element arrangement typically consisting of the trade-in right, handset, and one month of wireless service. At the inception of the arrangement, revenue is allocated between the separate units of accounting based upon each components' relative selling price on a standalone basis. This is subject to the requirement that revenue recognized is limited to the amounts already received from the customer that are not contingent on the delivery of additional products or services to the customer in the future. We recognize the full amount of the fair value of the trade-in right (not an allocated value) as a guarantee liability and the remaining allocable consideration is allocated to the handset and wireless service. We recognize revenue for the entire amount of the EIP receivable at the time of sale, net of the fair value of the trade-in right guarantee and imputed interest. See also in Note 1 of this Form 10-K additional information on guarantee liabilities and EIP receivables.
- The majority of our non-wireless equipment sale transactions involve the sale of communications equipment with no other services involved. Such equipment is subject to standard manufacturer warranties and we do not manufacture any of the equipment we sell. In such instances, the customer takes title to the equipment generally upon delivery. We recognize revenue for such transactions when title passes to the customer and the revenue is earned and realizable. On certain occasions we enter into agreements to sell and satisfactorily install or integrate telecommunications equipment for a fixed fee. Customers may have refund rights if the installed equipment does not meet certain performance criteria. We defer revenue recognition until we have received customer acceptance per the contract or agreement, and all other required revenue recognition elements have been achieved. Revenues from contracts with multiple element arrangements, such as those including installation and integration services, are recognized as each element is earned based on objective evidence regarding the relative fair value of each element and when there are no undelivered elements that are essential to the functionality of the delivered elements,
- Technical services revenues are derived primarily from maintenance contracts on equipment and are recognized on a prorated basis over the term of the contracts,
- We account for fiber capacity Indefeasible Right to Use ("IRU") agreements as an operating lease or service arrangement and we defer the revenue and recognize it ratably over the life of the IRU or as service is rendered,
- Access revenue is recognized when earned. We participate in an intrastate access revenue pool with other telephone companies. The pool is funded by access charges regulated by the Regulatory Commission of Alaska ("RCA") within the intrastate jurisdiction These revenues are subject to adjustment in future accounting periods as based upon adjustments made by all pool participants and Interexchange carrier customers. To the extent that a dispute arises over revenue settlements, our policy is to defer revenue recognition until the dispute is resolved,
- We receive grant revenue for the purpose of building or operating communication infrastructure in rural areas. We defer the revenue and recognize it over the life of the asset that was constructed using grant funds or the period of grant compliance,
- We offer sales incentives to new and existing customers as motivation to purchase our products and services. Cash incentives are recorded as an offset to revenue while noncash incentives are recorded as an operating expense. Sales incentives that relate to a customer contract over a specific period of time are recognized using the straight-line method over the contract term. For sales incentives that are earned by the customer over a specific period of time, we accrue an estimated offset to revenue or expense amount over the period that the incentive is earned by the customer,
- Other revenues are recognized when the service is provided.

Universal Service Fund

As an Eligible Telecommunications Carrier ("ETC"), we receive support from the Universal Service Fund ("USF") to support the provision of wireline local access and wireless service in high cost areas. On August

31, 2016, the FCC published a Report and Order to reform the methodology for distributing USF high cost support for both wireline and wireless voice and broadband service ("Alaska High Cost Order"). The Alaska High Cost Order was a significant program change that required a reassessment of our high cost support revenue recognition.

Remote High Cost Support
Prior to the Alaska High Cost Order, we accrued estimated program revenue based on current line counts and the frozen per-line rates, reduced as needed by our estimate of the impact of the Statewide Support Cap. Additionally, we also considered our assessment of the impact of current FCC regulations and of the potential outcome of FCC proceedings.

As of January 1, 2017, Remote high cost support payments to Alaska High Cost participants will be frozen on a per-company basis at adjusted December 2014 levels for a ten-year term in exchange for meeting individualized performance obligations to offer voice and broadband services meeting the service obligations at specified minimum speeds by five-year and ten-year service milestones to a specified number of locations. Remote high cost support is no longer dependent upon line counts and line count filings are no longer required.

As a result of the Alaska High Cost Order, we apply the proportional performance revenue recognition method to account for the transition from accruals based on line counts to a fixed payment stream while our level of service provided and associated costs remain constant. Included in the calculation are the scheduled Remote high cost support payments from September 2016 through January 2027 net of our Remote accounts receivable balance at August 31, 2016. An equal amount of this result is recognized as Remote support revenue each period. In 2022, the FCC may redistribute support in areas with duplicative LTE service. We will account for any changes made by the FCC to redistribute support prospectively.

Urban High Cost Support
Prior to the Alaska High Cost Order, Urban high cost support payments were frozen and had phased down to 60% of the monthly average of the 2011 annual support. The Alaska High Cost Order mandates that as of January 1, 2017, Urban high cost support for 2017 and 2018 will be two-thirds and one-third of the December 2014 level of support received, respectively, with Urban high cost support ending effective December 31, 2018.

We apply the proportional performance revenue recognition method to account for the impact of the declining payments while our level of service provided and associated costs remain constant. Included in the calculation are the scheduled Urban high cost support payments from September 2016 through January 2018 net of our Urban accounts receivable balance at August 31, 2016. An equal amount of this result is recognized as Urban support revenue each period.

For both Remote and Urban high cost support revenue, our ability to collect our accrued USF support is contingent upon continuation of the USF program and upon our eligibility to participate in that program, which are subject to change by future regulatory, legislative or judicial actions. We adjust revenue and the account receivable in the period the FCC makes a program change or we assess the likelihood that such a change has increased or decreased revenue. We do not recognize revenue related to a particular service area until our ETC status has been approved by the RCA.

We recorded high cost support revenue under the USF program of $64.1 million, $66.2 million and $66.7 million for the years ended December 31, 2016, 2015 and 2014, respectively. At December 31, 2016, we have $43.9 million in high cost accounts receivable.

(t) Advertising Expense
We expense advertising costs in the period during which the first advertisement appears. Advertising expenses were $7.0 million, $5.7 million and $5.7 million for the years ended December 31, 2016, 2015 and 2014, respectively.

(u) Leases
Scheduled operating lease rent increases are amortized over the expected lease term on a straight-line basis. Rent holidays are recognized on a straight-line basis over the operating lease term (including any rent holiday period).

Leasehold improvements are amortized over the shorter of their economic lives or the lease term. We may amortize a leasehold improvement over a term that includes assumption of a lease renewal if the renewal is reasonably assured. Leasehold improvements acquired in a business combination are amortized over the shorter of the useful life of the assets or a term that includes required lease periods and renewals that are deemed to be reasonably assured at the date of acquisition. Leasehold improvements that are placed in service significantly after and are not contemplated at or near the beginning of the lease term are amortized over the shorter of the useful life of the assets or a term that includes required lease periods and renewals that are deemed to be reasonably assured at the date the leasehold improvements are purchased. Leasehold improvements made by us and funded by landlord incentives or allowances under an operating lease are recorded as deferred rent and amortized as reductions to lease expense over the lease term.

(v) Interest Expense
Material interest costs incurred during the construction period of non-software capital projects are capitalized. Interest costs incurred during the development period of a software capital project are capitalized. Interest is capitalized in the period commencing with the first expenditure for a qualifying capital project and ending when the capital project is substantially complete and ready for its intended use. We capitalized interest costs of $3.7 million, $3.0 million and $3.6 million during the years ended December 31, 2016, 2015 and 2014, respectively.

(w) Income Taxes
GCI, Inc., as a wholly owned subsidiary and member of the GCI controlled group of corporations, files its income tax returns as part of the consolidated group of corporations under GCI. Accordingly, all discussions regarding income taxes reflect the consolidated group's activity. Our income tax expense and deferred income tax assets and liabilities are presented herein using the separate-entity method.

Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for their future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable earnings in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recognized if it is more likely than not that some portion or the entire deferred tax asset will not be realized.

(x) Comprehensive Income (Loss)
Total comprehensive income (loss) was equal to net income (loss) during the years ended December 31, 2016, 2015 and 2014.

(y) Share-based Payment Arrangements
Compensation expense is recognized in the financial statements for share-based awards based on the grant date fair value of those awards. Share-based compensation expense includes an estimate for pre-vesting forfeitures and is recognized over the requisite service periods of the awards on a straight-line basis, which is generally commensurate with the vesting term.

We are required to report the benefits associated with tax deductions in excess of recognized compensation cost as a financing cash flow rather than as an operating cash flow.

(z) Use of Estimates
The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on our historical experience, terms of existing contracts, observance of trends, and other factors, as appropriate. Additionally, changes in accounting estimates are reasonably likely to occur from period to period. These factors could have a material impact on our financial statements.

Significant estimates include, but are not limited to, the following: revenue recognition, impairment and useful lives of intangible assets, and the valuation allowance for net operating loss deferred tax assets.

(aa) Concentrations of Credit Risk
Financial instruments that potentially subject us to concentrations of credit risk are primarily cash and cash equivalents and accounts receivable. Excess cash is invested in high quality short-term liquid money instruments. At December 31, 2016, and 2015, substantially all of our cash and cash equivalents were invested in short-term liquid money instruments and the balances were in excess of Federal Deposit Insurance Corporation insured limits.

Our customers are located primarily throughout Alaska. Because of this geographic concentration, our growth and operations depend upon economic conditions in Alaska.

(ab) Software Capitalization Policy
Internally used software, whether purchased or developed, is capitalized and amortized using the straight-line method over an estimated useful life of three to five years. We capitalize certain costs associated with internally developed software such as payroll costs of employees devoting time to the projects and external direct costs for materials and services. Costs associated with internally developed software to be used internally are expensed until the point the project has reached the development stage. Subsequent additions, modifications or upgrades to internal-use software are capitalized only to the extent that they allow the software to perform a task it previously did not perform. Software maintenance and training costs are expensed in the period in which they are incurred. The capitalization of software requires judgment in determining when a project has reached the development stage.

(ac) Guarantees
Certain of our customers have guaranteed levels of service. If an interruption in service occurs, we do not recognize revenue for any portion of the monthly service fee that will be refunded to the customer or not billed to the customer due to these service level agreements.

Additionally, we have provided certain guarantees to U.S. Bancorp Community Development Corporation ("US Bancorp"), our tax credit investor in our four VIEs. We have guaranteed the delivery of $56.0 million of New Markets Tax Credits ("NMTC") to US Bancorp, as well as certain loan and management fee payments between our subsidiaries and the VIEs, for which we are the primary beneficiary. In the event that the tax credits are not delivered or certain payments not made, we are obligated to provide prompt and complete payment of these obligations. See Note 13 of this Form 10-K for more information about our NMTC transactions.

EIP Trade-in Right
We offer a device trade-in program, "Upgrade Now", which provides eligible customers a specified-price trade-in right to upgrade their device. Participating customers must have purchased a financed device using an equipment installment plan from us and have a qualifying monthly wireless service plan. Upon qualifying for an Upgrade Now device trade-in, the customer's remaining EIP balance is settled provided they trade in their eligible used device in good working condition and purchase a new device from us on a new EIP.

For customers who enroll in Upgrade Now, we defer the portion of equipment sales revenue which represents the estimated value of the trade-in right guarantee. The estimated value of the guarantees are based on various economic and customer behavioral assumptions, including the customer's estimated remaining EIP balance at trade-in, the expected fair value of the used handset at trade-in and the probability and timing of a trade-in.

We assess facts and circumstances at each reporting date to determine if we need to adjust the guarantee liability. The recognition of subsequent adjustments to the guarantee liability as a result of these assessments are recorded as adjustments to revenue. When customers upgrade their devices, the difference between the trade-in credit to the customer and the fair value of the returned devices is recorded against the guarantee liabilities. Guarantee liabilities are included in Accrued Liabilities in our Consolidated Balance Sheets.

(ad) Classification of Taxes Collected from Customers
We report sales, use, excise, and value added taxes assessed by a governmental authority that is directly imposed on a revenue-producing transaction between us and a customer on a net basis in our Consolidated Statements of Operations. The following are certain surcharges reported on a gross basis in our Consolidated Statements of Operations (amounts in thousands):

	Years Ended December 31,		
	2016	2015	2014
Surcharges reported gross	$ 3,849	5,058	4,252

(ae) Reclassifications
Reclassifications have been made to the prior years' consolidated financial statements to conform to classifications used in the current year.

(2) Tower Sale and Leaseback
In August 2016, we sold to Vertical Bridge Towers II, LLC (“Vertical Bridge”) 276 cell sites (“Tower Sites”) in exchange for net proceeds of $90.8 million (“Tower Transaction”). The sale included, where applicable, the towers, the land on which the towers were situated if owned by us, the obligation to pay land leases, and other executory costs.

We entered into a master lease agreement in which we lease back space at the Tower Sites for an initial term of ten years, followed by the option to renew for eight additional five year periods, for a total possible lease term of 50 years. Each lease is subject to a 2% annual increase in lease payments throughout the life of the initial lease and all subsequent lease renewals.

Prior to the Tower Transaction, we had the legal obligation to remove the towers upon termination of the land lease agreements. The obligation is now reduced to the removal of our equipment from the towers. Therefore, we have reduced our asset retirement obligation related to the Tower Sites by $3.4 million.

Per the master lease agreement, we have the right to cure land lease defaults on behalf of Vertical Bridge and have negotiated fixed rate lease renewals as described above. Due to this continuing involvement with the Tower Sites, we determined we were precluded from applying sale-leaseback accounting. We recorded a long-term financial obligation (“Tower Obligation”) in the amount of the net proceeds received and recognize interest on the Tower Obligation at a rate of 7.1% using the effective interest method. The Tower Obligation is increased by interest expense and amortized through contractual leaseback payments made by us to Vertical Bridge. Our historical tower site asset costs continue to be depreciated and reported in Net Property and Equipment.

The following table summarizes the impacts to the Consolidated Balance Sheets (amounts in thousands):

	December 31, 2016
Property and equipment [1]	$ 18,792
Tower obligation[2]	$ 87,653

[1] Property conveyed to Vertical Bridge as part of the Tower Transaction, but remains on our Consolidated Balance Sheets.
[2] Excluding current portion and net of deferred transaction costs.

Future minimum payments related to the Tower Obligation, including expected renewals and excluding deferred transaction costs, are summarized below (amounts in thousands):

Years ending December 31,		Total
2017	$	6,996
2018		7,136
2019		7,279
2020		7,425
2021		7,573
2022 and thereafter		150,117
Total minimum payments		186,526
Less amount representing interest		96,722
Tower obligation	$	89,804

(3) Consolidated Statements of Cash Flows Supplemental Disclosures

Changes in operating assets and liabilities consist of (amounts in thousands):

Year ended December 31,		2016	2015	2014
(Increase) decrease in accounts receivable, net	$	(8,045)	(4,230)	15,357
Increase in prepaid expenses		(6,180)	(632)	(4,454)
(Increase) decrease in inventories		(623)	5,710	(6,631)
(Increase) decrease in other current assets		(38)	24	88
Increase in other assets		(11,607)	(11,491)	(878)
Decrease in accounts payable		(135)	(5,579)	(4,648)
Increase in deferred revenues		2,446	1,743	1,728
Increase (decrease) in accrued payroll and payroll related obligations		(979)	(1,469)	2,997
Increase (decrease) in accrued liabilities		(8,031)	8,192	(242)
Increase (decrease) in accrued interest		271	1,869	(434)
Decrease in subscriber deposits		(325)	(448)	(114)
Increase (decrease) in long-term deferred revenue		18,649	(8,561)	(4,163)
Increase (decrease) in components of other long-term liabilities		(230)	1,305	1,714
Total change in operating assets and liabilities	$	(14,827)	(13,567)	320

The following items are for the years ended December 31, 2016, 2015 and 2014 (amounts in thousands):

Net cash paid or received:		2016	2015	2014
Interest paid, net of amounts capitalized	$	78,921	76,696	74,618

The following items are non-cash investing and financing activities for the years ended December 31, 2016, 2015 and 2014 (amounts in thousands):

		2016	2015	2014
Non-cash additions for purchases of property and equipment	$	36,854	26,799	42,958
Non-cash consideration for KKCC assets	$	13,993	—	—
Asset retirement obligation additions to property and equipment	$	4,948	2,048	4,268
Non-cash consideration for Wireless Acquisition	$	—	23,326	—
Net capital lease obligation	$	—	—	9,386
Distribution to non-controlling interest	$	—	—	4,167
Deferred compensation distribution denominated in shares	$	—	—	617

(4) Receivables and Allowance for Doubtful Receivables

Receivables consist of the following at December 31, 2016 and 2015 (amounts in thousands):

	2016	2015
Trade	$ 218,491	205,645
Other	1,303	2,739
Total receivables	$ 219,794	208,384

As described in Note 1 of this Form 10-K we receive support from each of the various USF programs: high cost, low income, rural health care, and schools and libraries. This support was 24%, 19%, and 19% of our revenue for the years ended December 31, 2016, 2015 and 2014, respectively. We had USF net receivables of $92.0 million and $98.1 million at December 31, 2016 and 2015, respectively.

Changes in the allowance for doubtful receivables during the years ended December 31, 2016, 2015 and 2014 are summarized below (amounts in thousands):

		Additions		Deductions	
Description	Balance at beginning of year	Charged to costs and expenses	Charged to other accounts	Write-offs net of recoveries	Balance at end of year
December 31, 2016	$ 3,630	8,516	—	7,739	4,407
December 31, 2015	$ 4,542	6,359	—	7,271	3,630
December 31, 2014	$ 2,346	3,994	—	1,798	4,542

(5) Net Property and Equipment

Net property and equipment consists of the following at December 31, 2016 and 2015 (amounts in thousands):

	2016	2015
Land and buildings	$ 114,966	108,145
Telephony transmission equipment and distribution facilities	1,271,425	1,215,796
Cable transmission equipment and distribution facilities	231,539	218,259
Studio equipment	15,456	15,171
Support equipment and systems	290,209	251,302
Transportation equipment	23,674	17,398
Customer premise equipment	158,513	155,971
Fiber optic cable systems	351,460	309,217
Construction in progress	157,633	93,271
	2,614,875	2,384,530
Less accumulated depreciation	1,385,620	1,231,457
Less accumulated amortization on property and equipment under capital leases	67,337	58,692
Net property and equipment	$ 1,161,918	1,094,381
Gross property and equipment under capital leases	$ 112,495	112,495

KKCC Asset Acquisition

In November 2016, we acquired Kodiak-Kenai Cable Company, LLC ("KKCC") which through its wholly owned subsidiary owns the only low latency redundant fiber link between Anchorage, the Kenai Peninsula and Kodiak. We adopted ASU 2017-01, which allows us to treat the acquisition of KKCC as an asset acquisition.

Total consideration transferred to the previous owners of KKCC consisted of a cash payment of $19.7 million and the fair market value of $14.0 million for indefeasible right-to-use capacity that we owned on the KKCC fiber system ("IRU Capacity") that was terminated as a result of the acquisition. The IRU Capacity included as consideration was adjusted to fair value as of the acquisition date resulting in a $3.1 million gain recorded in Other Income (Expense) in our Consolidated Statement of Operations for the year ended December 31, 2016.

We allocated the total consideration transferred to the acquired assets and liabilities assumed based on the relative fair value. The following table summarizes the allocation of total consideration (amounts in thousands):

Allocation of consideration to assets acquired and liabilities assumed:	
Property and equipment	$ 49,794
Deferred taxes	(12,211)
Deferred revenue	(3,815)
Total consideration	$ 33,768

(6) Intangible Assets and Goodwill

As of October 31, 2016, cable certificates, wireless licenses, broadcast licenses and goodwill were tested for impairment and we determined that these intangible assets were not impaired at December 31, 2016. The remaining useful lives of our cable certificates, wireless licenses, broadcast licenses and goodwill were evaluated as of October 31, 2016, and events and circumstances continue to support an indefinite useful life. There are no indicators of impairment of our intangible assets subject to amortization as of December 31, 2016.

Other Intangible Assets subject to amortization include the following at December 31, 2016 and 2015 (amounts in thousands):

	2016	2015
Software license fees	$ 80,839	63,760
Rights to use	45,114	44,937
Customer relationships	1,530	1,530
Right-of-way	784	784
	128,267	111,011
Less accumulated amortization	53,823	41,721
Net other intangible assets	$ 74,444	69,290

Changes in Goodwill and Other Intangible Assets are as follows (amounts in thousands):

	Goodwill	Other Intangible Assets
Balance at December 31, 2014	$ 229,560	66,015
Goodwill addition from acquisitions - Wireline Segment	9,703	—
Asset additions	—	15,023
Software impairment	—	(1,306)
Amortization expense	—	(10,442)
Balance at December 31, 2015	239,263	69,290
Asset additions	—	17,601
Amortization expense	—	(12,447)
Balance at December 31, 2016	$ 239,263	74,444

Amortization expense for definite-life intangible assets for the years ended December 31, 2016, 2015 and 2014 follow (amounts in thousands):

	Years Ended December 31,		
	2016	2015	2014
Amortization expense	$ 12,447	10,442	9,715

Amortized intangible assets are definite-life assets, and as such, we record amortization expense based on a method that most appropriately reflects our expected cash flows from these assets. Intangible assets that have finite useful lives are amortized over their useful lives using the straight-line method with a weighted-average life of 13.3 years.

Amortization expense for definite-life intangible assets for each of the five succeeding fiscal years is estimated to be (amounts in thousands):

Years Ending December 31,	
2017	$ 11,213
2018	$ 9,191
2019	$ 6,686
2020	$ 4,904
2021	$ 3,150

(7) Long-Term Debt

Long-term debt consists of the following (amounts in thousands):

	Issue Date	Interest Rate	Principal Payments	Maturity Date	December 31, 2016	December 31, 2015
Senior Credit Facility - Term Loan B	November 17, 2016	LIBOR plus 3.00%	0.25% of the original principal due quarterly	February 2, 2022[1]	$ 245,187	272,937
Senior Credit Facility - Term Loan A	November 17, 2016	LIBOR plus applicable margin[2]	Due at maturity	November 17, 2021[1]	215,000	240,000
Senior Credit Facility - Revolver	November 17, 2016	LIBOR plus applicable margin[2]	Due at maturity	November 17, 2021[1]	55,000	—
2025 Notes	April 1, 2015	6.875%	Due at maturity	April 15, 2025[3]	450,000	450,000
2021 Notes	May 20, 2011	6.75%	Due at maturity	June 1, 2021[4]	325,000	325,000
Wells Fargo note	June 30, 2014	LIBOR plus 2.25%	Monthly installments	July 15, 2029	8,596	9,176
Total Debt					1,298,783	1,297,113
Less unamortized discount					3,518	3,817
Less unamortized deferred loan fees					15,133	15,368
Less current portion of long-term debt					3,326	3,342
Long-term debt, net					$ 1,276,806	1,274,586

[1]The Senior Credit Facility will mature on December 3, 2020 if our 2021 Notes are not refinanced prior to such date.

[2]Applicable margin is based on the company's leverage ratio and ranges from 2.00% to 3.00%. Our Senior Credit Facility Total Leverage Ratio (as defined) may not exceed 5.95 to one; the Senior Leverage Ratio (as defined) may not exceed 3.00 to one; and our Interest Coverage Ratio (as defined) must not be less than 2.50 to one at any time.

[3]The notes are redeemable at our option, in whole or in part, at a redemption price defined in the 2025 Notes agreement, and accrued and unpaid interest (if any) to the date of redemption.

[4]The notes are redeemable at our option, in whole or in part, at a redemption price defined in the 2021 Notes agreement, and accrued and unpaid interest (if any) to the date of redemption.

(a) Senior Credit Facility

In November 2016, we amended our Senior Credit Facility. We paid loan fees and other expenses of $0.2 million that were expensed immediately in our Consolidated Statement of Operations for the year ended December 31, 2016 and $3.9 million that were deferred and are being amortized over the life of the Senior Credit Facility. We recorded a $0.6 million loss on extinguishment of debt in our Consolidated Statement of Operations for the year ended December 31, 2016 as part of this amendment.

We had a $55.0 million outstanding balance and $21.0 million in letters of credit under the $200.0 million Senior Credit Facility Revolver at December 31, 2016, which leaves $124.0 million available for borrowing as of December 31, 2016.

(b) 2025 Notes and 2021 Notes

Interest on the notes is payable semi-annually in arrears.

Upon the occurrence of a change of control, each holder of the 2025 and 2021 Notes will have the right to require us to purchase all or any part of such holder's 2025 or 2021 Notes at a purchase price equal to 101% of the principal amount of such notes, plus accrued and unpaid interest on such notes, if any. If we or certain of our subsidiaries engage in asset sales, we must generally either invest the net cash proceeds from such sales in our business within a period of time, prepay debt under any outstanding credit facility, or make an offer to purchase a principal amount of the notes equal to the excess net cash proceeds, with the purchase price equal to 100% of their principal amount, plus accrued and unpaid interest, if any.

In conjunction with the issuance of our 2025 Notes and the repayment of our 2019 Notes, we recorded a $27.7 million loss on extinguishment of debt in our Consolidated Statement of Operations for the year ended December 31, 2015.

(c) Covenants

The terms of the Senior Credit Facility include customary representations and warranties, customary affirmative and negative covenants and customary events of default. At any time after the occurrence of an event of default under the Senior Credit Facility, the lenders may, among other options, declare any amounts outstanding under the Senior Credit Facility immediately due and payable and terminate any commitment to make further loans under the Senior Credit Facility. The obligations under the Senior Credit Facility are secured by a security interest on substantially all of the assets of our wholly owned subsidiary, GCI Holdings, Inc. and the subsidiary guarantors, as defined in the Senior Credit Facility, and on the stock of GCI Holdings, Inc. The Wells Fargo note is subject to similar affirmative and negative covenants as the Senior Credit Facility and is secured by a security interest and lien on the building purchased with the funds.

The 2025 and 2021 Note covenants restrict us and certain of our subsidiaries from incurring additional debt or entering into sale and leaseback transactions; paying dividends or distributions on capital stock or repurchase capital stock; issuing stock of subsidiaries; making certain investments; creating liens on assets to secure debt; entering into transactions with affiliates; merging or consolidating with another company; and transferring and selling assets. Limitations and exceptions to note covenants and events of default are described in the 2025 Notes and 2021 Notes indentures.

We were in compliance with all covenants required by our notes and Senior Credit Facility as of December 31, 2016.

Maturities of long-term debt as of December 31, 2016 are as follows (amounts in thousands):

Years ending December 31,	
2017	$ 3,326
2018	3,344
2019	3,362
2020	3,380
2021	598,399
2022 and thereafter	686,972
Total debt	1,298,783
Less unamortized discount	3,518
Less unamortized deferred loan fees	15,133
Less current portion of long-term debt	3,326
Long-term debt, net	$ 1,276,806

(8) Income Taxes

Total income tax expense of $7.1 million, $0.1 million and $10.0 million for the years ended December 31, 2016, 2015 and 2014, respectively, was allocated to income (loss) in each year. Income tax expense consists of the following (amounts in thousands):

	Years Ended December 31,		
	2016	2015	2014
Deferred tax expense (benefit):			
Federal taxes	$ 6,058	290	9,081
State taxes	1,022	(209)	948
	$ 7,080	81	10,029

Total income tax expense differed from the “expected” income tax expense (benefit) determined by applying the statutory federal income tax rate of 35% as follows (amounts in thousands):

	Years Ended December 31, 2016	2015	2014
“Expected” statutory tax expense (benefit)	$ 1,891	(3,482)	24,246
Nondeductible officer compensation	1,424	1,906	1,351
Nondeductible lobbying expenses	1,192	442	425
Nondeductible entertainment expenses	1,029	1,059	1,125
State income tax expense (benefit), net of federal expense (benefit)	1,022	(209)	948
Impact of non-controlling interest attributable to non-tax paying entity	—	(220)	(18,255)
Other, net	522	585	189
	$ 7,080	$ 81	$ 10,029

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities at December 31, 2016 and 2015 are summarized below (amounts in thousands):

	2016	2015
Deferred tax assets:		
Net operating loss carryforwards	$ 109,577	139,238
Deferred revenue for financial reporting purposes	59,993	41,151
Asset retirement obligations in excess of amounts recognized for tax purposes	16,808	14,338
Compensated absences accrued for financial reporting purposes	3,505	3,339
Share-based compensation expense for financial reporting purposes in excess of amounts recognized for tax purposes	3,393	2,773
Accounts receivable, principally due to allowance for doubtful receivables	1,965	1,912
Alternative minimum tax credits	1,735	1,735
Workers compensation and self-insurance health reserves, principally due to accrual for financial reporting purposes	1,705	1,795
Deferred compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	1,687	1,603
Other	9,371	11,216
Total deferred tax assets	$ 209,739	219,100
Deferred tax liabilities:		
Plant and equipment, principally due to differences in depreciation	$ 245,118	246,172
Intangible assets	106,061	79,255
Other	345	1,746
Total deferred tax liabilities	351,524	327,173
Net deferred tax liabilities	$ 141,785	108,073

At December 31, 2016, we have tax net operating loss carryforwards of $268.0 million that will begin expiring in 2022 if not utilized, and alternative minimum tax credit carryforwards of $1.7 million available to offset regular income taxes payable in future years. Our utilization of remaining acquired net operating loss carryforwards is subject to annual limitations pursuant to Internal Revenue Code section 382 which could reduce or defer the utilization of these losses.

Our tax net operating loss carryforwards are summarized below by year of expiration (amounts in thousands):

Years ending December 31,	Federal	State
2022	6,178	7,474
2023	3,968	3,903
2024	722	—
2025	737	—
2026	150	—
2027	1,010	—
2028	39,879	39,715
2029	48,370	47,558
2031	110,933	109,376
2033	5,031	4,927
2034	39,133	37,866
2035	11,885	11,290
Total tax net operating loss carryforwards	$ 267,996	262,109

Tax benefits associated with recorded deferred tax assets are considered to be more likely than not realizable through taxable income earned in carryback years, future reversals of existing taxable temporary differences, and future taxable income exclusive of reversing temporary differences and carryforwards. The amount of deferred tax assets considered realizable, however, could be reduced if estimates of future taxable income during the carryforward period are reduced.

We file federal income tax returns in the U.S. and in various state jurisdictions. We are not subject to U.S. or state tax examinations by tax authorities for years 2012 and earlier except that certain U.S. federal income tax returns for years after 2001 are not closed by relevant statutes of limitations due to unused net operating losses reported on those income tax returns.

We recognize accrued interest on unrecognized tax benefits in interest expense and penalties in selling, general and administrative expenses. We did not have any unrecognized tax benefits as of December 31, 2016, 2015 and 2014, and accordingly, we did not recognize any interest expense. Additionally, we recorded no penalties during the years ended December 31, 2016, 2015 and 2014.

We did not record any excess tax benefit generated from stock options exercised during the years ended December 31, 2016, 2015 and 2014, since we are in a net operating loss carryforward position and the income tax deduction will not yet reduce income taxes payable. The cumulative excess tax benefits generated for stock options exercised that have not been recognized is $7.4 million at December 31, 2016.

(9) Fair Value Measurements

Recurring Fair Value Measurements
Assets measured at fair value on a recurring basis as of December 31, 2016 and 2015 are as follows (amounts in thousands):

December 31, 2016	Level 1 (1)	Level 2 (2)	Level 3 (3)	Total
Assets:				
Deferred compensation plan assets (mutual funds)	$ 1,477	—	—	1,477

December 31, 2015	Level 1 (1)	Level 2 (2)	Level 3 (3)	Total
Assets:				
Deferred compensation plan assets (mutual funds)	$ 1,728	—	—	1,728

(1) Quoted prices in active markets for identical assets
(2) Observable inputs other than quoted prices in active markets for identical assets
(3) Inputs that are generally unobservable and not corroborated by market data

The fair value of our mutual funds is determined using quoted market prices in active markets utilizing market observable inputs.

Current and Long-Term Debt
The carrying amounts and approximate fair values of our current and long-term debt, excluding capital leases at December 31, 2016 and 2015 are as follows (amounts in thousands):

	December 31, 2016		December 31, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Current and long-term debt	$ 1,280,133	1,317,222	1,293,296	1,314,864

The following methods and assumptions were used to estimate fair values:

- The fair values of the 6.75% Senior Notes due 2021 and the 6.875% Senior Notes due 2025 are based upon quoted market prices for the same or similar issues (Level 2).
- The fair value of our Senior Credit Facility and Wells Fargo note payable are estimated to approximate their carrying value because the instruments are subject to variable interest rates (Level 2).

(10) Stockholder's Equity

Common Stock

We were incorporated in 1997 and issued 100 shares of our no par Class A common stock to GCI in our initial capitalization. We received all ownership interests in subsidiaries previously held by GCI and proceeds from GCI’s August 1, 1997 common stock offering. We recorded $206.6 million associated with our initial capitalization. All of our issued and outstanding Class A common stock is owned by GCI.

Shared-Based Compensation
GCI's Amended and Restated 1986 Stock Option Plan ("Stock Option Plan"), provides for the grant of restricted stock awards for a maximum of 15.7 million shares of GCI Class A common stock, subject to adjustment upon the occurrence of stock dividends, stock splits, mergers, consolidations or certain other changes in corporate structure or capitalization. If an award expires or terminates, the shares subject to the award will be available for further grants of awards under the Stock Option Plan. The Compensation Committee of GCI’s Board of Directors administers the Stock Option Plan. Substantially all restricted stock awards granted vest over periods of up to three years. The requisite service period of our awards is generally the same as the vesting

period. New shares of GCI Class A common stock are issued when restricted stock awards are granted. We have 1.5 million shares available for grant under the Stock Option Plan at December 31, 2016.

The fair value of restricted stock awards is determined based on the number of shares granted and the quoted price of GCI's common stock. We record share-based compensation expense only for those awards expected to vest using an estimated forfeiture rate based on our historical pre-vesting forfeiture data. We review our forfeiture estimates annually and adjust our share-based compensation expense in the period our estimate changes.

A summary of nonvested restricted stock award activity under the Stock Option Plan for the year ended December 31, 2016, follows (share amounts in thousands):

	Shares	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2016	1,495	$ 11.08
Granted	790	$ 17.87
Vested	(817)	$ 11.65
Forfeited	(3)	$ 16.09
Nonvested at December 31, 2016	1,465	$ 14.41

The weighted average grant date fair value of awards granted during the years ended December 31, 2016, 2015, and 2014 were $17.87, $15.06 and $10.04, respectively. The total fair value of awards vesting during the years ended December 31, 2016, 2015, and 2014 were $13.5 million, $17.0 million and $8.5 million, respectively. We have recorded share-based compensation expense of $11.0 million, $10.9 million, and $8.4 million for the years ended December 31, 2016, 2015, and 2014, respectively. Share-based compensation expense is classified as Selling, General and Administrative Expense in our Consolidated Statements of Operations. Unrecognized share-based compensation expense is $12.5 million as of December 31, 2016. We expect to recognize share-based compensation expense over a weighted average period of 2.0 years for restricted stock awards.

GCI 401(k) Plan

In 1986, GCI adopted an Employee Stock Purchase Plan (“GCI 401(k) Plan”) qualified under Section 401 of the Internal Revenue Code of 1986. The GCI 401(k) Plan provides for acquisition of GCI’s Class A common stock at market value as well as various mutual funds. We may match a percentage of the employees' contributions up to certain limits, decided by GCI’s Board of Directors each year. Our matching contributions allocated to participant accounts totaled $11.0 million, $9.8 million and $9.1 million for the years ended December 31, 2016, 2015 and 2014, respectively. We used cash to fund all of our employer-matching contributions during the years ended December 31, 2016, 2015 and 2014.

(11) Industry Segments Data

We have two reportable segments, Wireless and Wireline. Our reportable segments are business units that offer different products and are each managed separately. A description of our reportable segments follows:

Wireless - We offer wholesale wireless services.

Wireline - We provide a full range of wireless, data, video, voice, and managed services to residential customers, businesses, governmental entities, and educational and medical institutions primarily in Alaska.

We evaluate performance and allocate resources based on Adjusted EBITDA, which is defined as earnings plus imputed interest on financed devices before:

- Net interest expense,
- Income taxes,
- Depreciation and amortization expense,
- Loss on extinguishment of debt,
- Software impairment charge,
- Share-based compensation expense,
- Accretion expense,
- Loss attributable to non-controlling interest resulting from NMTC transactions,
- Gains and impairment losses on equity and cost method investments,
- Gain recorded for adjusting to fair value assets that were included as consideration paid to acquire a fiber system, and
- Other non-cash adjustments.

Management believes that this measure is useful to investors and other users of our financial information in understanding and evaluating operating performance as an analytical indicator of income generated to service debt and fund capital expenditures. In addition, multiples of current or projected Adjusted EBITDA are used to estimate current or prospective enterprise value.

The accounting policies of the reportable segments are the same as those described in Note 1 of this Form 10-K. We have no intersegment sales. We earn all revenues through sales of services and products within the United States. All of our long-lived assets are located within the United States of America, except approximately 82% of our undersea fiber optic cable systems which transit international waters and all of our satellite transponders.

Wireless plan fee and usage revenues from external customers are allocated between our Wireless and Wireline segments. The Wireless segment recorded subsidies to the Wireline segment related to wireless equipment sales based upon equipment sales and agreed-upon subsidy rates through the AWN transaction close on July 23, 2013. Subsequent to the transaction close and through March 31, 2014, although permitted, the Wireline segment was unable to meet the requirements in order to request a wireless equipment subsidy from the Wireless segment in accordance with the AWN agreements. These subsidies, which eliminate in consolidation, increase the Wireline segment Adjusted EBITDA and reduce the Wireless segment Adjusted EBITDA. The wireless equipment subsidy recorded by the Wireless segment was $0 million, $7.7 million, and $17.3 million for the years ended December 31, 2016, 2015 and 2014, respectively. Selling, general and administrative expenses are charged to the Wireless segment based upon a shared services agreement. The remaining selling, general and administrative expenses are charged to the Wireline segment.

Summarized financial information for our reportable segments for the years ended December 31, 2016, 2015 and 2014 follows (amounts in thousands):

		Wireless	Wireline	Total Reportable Segments
2016				
Revenues				
Wholesale	$	208,109	—	208,109
Consumer		—	340,460	340,460
Business services		—	385,243	385,243
Total		208,109	725,703	933,812
Cost of Goods Sold		62,487	240,091	302,578
Contribution		145,622	485,612	631,234
Less SG&A		(16,439)	(341,917)	(358,356)
Plus share-based compensation expense		—	11,043	11,043
Plus imputed interest on financed devices		—	2,557	2,557
Plus accretion expense		252	977	1,229
Other		—	337	337
Adjusted EBITDA	$	129,435	158,609	288,044
Capital expenditures	$	34,555	159,923	194,478
Goodwill	$	164,312	74,951	239,263
Total assets	$	601,796	1,464,143	2,065,939

		Wireless	Wireline	Total Reportable Segments
2015				
Revenues				
Wholesale	$	267,676	—	267,676
Consumer		—	351,196	351,196
Business services		—	359,662	359,662
Total		267,676	710,858	978,534
Cost of Good Sold		70,899	251,439	322,338
Contribution		196,777	459,419	656,196
Less SG&A		(18,137)	(320,242)	(338,379)
Plus share-based compensation expense		—	10,902	10,902
Plus imputed interest on financed devices		—	751	751
Plus accretion expense		559	562	1,121
Other expense		—	(240)	(240)
Adjusted EBITDA	$	179,199	151,152	330,351
Capital expenditures	$	47,892	128,343	176,235
Goodwill	$	164,312	74,951	239,263
Total assets	$	594,250	1,372,690	1,966,940
2014				
Revenues				
Wholesale	$	269,977	—	269,977
Consumer		—	288,014	288,014
Business Services		—	352,207	352,207
Total		269,977	640,221	910,198
Cost of Good Sold		90,920	211,784	302,704
Contribution		179,057	428,437	607,494
Less SG&A		(21,631)	(272,016)	(293,647)
Plus share-based compensation expense		—	8,392	8,392
Plus accretion expense		733	516	1,249
Other expense		—	(372)	(372)
Adjusted EBITDA	$	158,159	164,957	323,116
Capital expenditures	$	30,243	145,866	176,109
Goodwill	$	164,312	65,248	229,560
Total assets	$	625,417	1,367,344	1,992,761

A reconciliation of consolidated income (loss) before income taxes to reportable segment Adjusted EBITDA follows (amounts in thousands):

Years Ended December 31,	2016	2015	2014
Consolidated income (loss) before income taxes	$ 5,404	(9,951)	69,273
Plus other expense, net	73,699	116,162	74,289
Consolidated operating income	79,103	106,211	143,562
Plus depreciation and amortization expense	193,775	181,767	170,285
Plus share-based compensation expense	11,043	10,902	8,392
Plus imputed interest on financed devices	2,557	751	—
Plus accretion expense	1,229	1,121	1,249
Plus software impairment charge	—	29,839	—
Other	337	(240)	(372)
Reportable segment Adjusted EBITDA	$ 288,044	330,351	323,116

We earn revenues included in both the Wireless and Wireline segment from a major customer. We had no major customers for the year ended December 31, 2016. We earned revenues from a major customer, net of discounts, of $130.8 million or 13%, and $108.3 million or 12% of total consolidated revenues for the years ended December 31, 2015, and 2014 respectively.

(12) Related Party Transactions

We entered into a long-term capital lease agreement in 1991 with the wife of GCI's President and CEO for property occupied by us. The leased asset was capitalized in 1991 at the owner's cost of $0.9 million and the related obligation was recorded. The lease agreement was amended in April 2008 and our existing capital lease asset and liability increased by $1.3 million to record the extension of this capital lease. The amended lease terminates on September 30, 2026.

In January 2001 we entered into an aircraft operating lease agreement with a company owned by GCI's President and CEO. The lease was amended several times, most recently in May 2011. The lease term of the aircraft may be terminated at any time by us upon 12 months' written notice. The monthly lease rate of the aircraft is $132,000. In 2001, we paid a deposit of $1.5 million in connection with the lease. The deposit will be repaid to us no later than six months after the agreement terminates.

ACS was a related party for financial statement reporting purposes through the date of the Wireless Acquisition on February 2, 2015. Included in our related party disclosures were ACS' provision to us of local service lines and network capacity in locations where we did not have our own facilities, our provision to ACS of wholesale wireless services for their use of our network to sell services to their respective retail customers, and our receipt of ACS' high cost support from USF for its wireless customers. For the period January 1, 2015 to February 2, 2015, we paid ACS $6.2 million and received $8.1 million in payments from ACS. For the year ended December 31, 2014, we paid ACS $62.9 million and received $50.9 million in payments from ACS. We also have long-term capacity exchange agreements with ACS for which no money is exchanged.

(13) Variable Interest Entities

New Markets Tax Credit Entities

We have entered into several arrangements under the NMTC program with US Bancorp to help fund a project that extended terrestrial broadband service for the first time to rural Northwestern Alaska communities via a high capacity hybrid fiber optic and microwave network ("TERRA-NW"). The NMTC program was provided for in the Community Renewal Tax Relief Act of 2000 (the "Act") to induce capital investment in qualified lower income communities. The Act permits taxpayers to claim credits against their federal income taxes for up to 39% of qualified investments in the equity of community development entities ("CDEs"). CDEs are privately managed investment institutions that are certified to make qualified low-income community investments.

On August 30, 2011, we entered into the first arrangement ("NMTC #1"). In connection with the NMTC #1 transaction, we loaned $58.3 million to TIF, a special purpose entity created to effect the financing arrangement, at 1% interest due August 30, 2041. Simultaneously, US Bancorp invested $22.4 million in TIF. TIF then contributed US Bancorp's contribution and the loan proceeds to certain CDEs. The CDEs, in turn, loaned the $76.8 million in funds less payment of placement fees, at interest rates varying from 1% to 3.96%, to our wholly owned subsidiary, Unicom, Inc. ("Unicom") as partial financing for TERRA-NW.

On October 3, 2012, we entered into the second arrangement ("NMTC #2"). In connection with the NMTC #2 transaction we loaned $37.7 million to TIF 2 and TIF 2-USB, special purpose entities created to effect the financing arrangement, at 1% interest due October 2, 2042. Simultaneously, US Bancorp invested $17.5 million in TIF 2 and TIF 2-USB. TIF 2 and TIF 2-USB then contributed US Bancorp's contributions and the loan proceeds to certain CDEs. The CDEs, in turn, loaned the $55.2 million in funds less payment of placement fees, at interest rates varying from 0.7099% to 0.7693%, to Unicom, as partial financing for TERRA-NW.

On December 11, 2012, we entered into the third arrangement ("NMTC #3"). In connection with the NMTC #3 transaction we loaned $8.2 million to TIF 3, a special purpose entity created to effect the financing arrangement, at 1% interest due December 10, 2042. Simultaneously, US Bancorp invested $3.8 million in TIF 3. TIF 3 then contributed US Bancorp's contributions and the loan proceeds to a CDE. The CDE, in turn, loaned the $12.0 million in funds less payment of placement fees, at an interest rate of 1.35%, to Unicom, as partial financing for TERRA-NW.

US Bancorp is the sole investor in TIF, TIF 2, TIF 2-USB and TIF 3, and as such, is entitled to substantially all of the benefits derived from the NMTCs. All of the loan proceeds to Unicom, net of syndication and arrangement fees, were restricted for use on TERRA-NW. Restricted cash of $0.9 million and $1.1 million was held by Unicom at December 31, 2016 and 2015, respectively, and is included in our Consolidated Balance Sheets. We completed construction of TERRA-NW and placed the final phase into service in 2014.

These transactions include put/call provisions whereby we may be obligated or entitled to repurchase US Bancorp's interests in TIF, TIF 2, TIF 2-USB and/or TIF 3. We believe that US Bancorp will exercise the put options in August 2018, October 2019 and December 2019, at the end of the compliance periods for NMTC #1, NMTC #2 and NMTC #3, respectively. The NMTCs are subject to 100% recapture for a period of seven years as provided in the Internal Revenue Code. We are required to be in compliance with various regulations and contractual provisions that apply to the NMTC arrangements. Non-compliance with applicable requirements could result in projected tax benefits not being realized by US Bancorp. We have agreed to indemnify US Bancorp for any loss or recapture of NMTCs until such time as our obligation to deliver tax benefits is relieved. There have been no credit recaptures as of December 31, 2016. The value attributed to the put/calls is nominal.

We have determined that TIF, TIF 2, TIF 2-USB and TIF 3 are VIEs. The consolidated financial statements of TIF, TIF 2, TIF 2-USB and TIF 3 include the CDEs discussed above. The ongoing activities of the VIEs – collecting and remitting interest and fees and NMTC compliance – were all considered in the initial design and are not expected to significantly affect economic performance throughout the life of the VIEs. Management considered the contractual arrangements that obligate us to deliver tax benefits and provide various other guarantees to US Bancorp; US Bancorp's lack of a material interest in the underlying economics of the project; and the fact that we are obligated to absorb losses of the VIEs. We concluded that we are the primary beneficiary of each and consolidated the VIEs in accordance with the accounting standard for consolidation.

US Bancorp's contributions, net of syndication fees and other direct costs incurred in structuring the NMTC arrangements, are included in Non-controlling Interests on the Consolidated Balance Sheets. Incremental costs to maintain the structure during the compliance period are recognized as incurred to selling, general and administrative expense.

The assets and liabilities of our consolidated VIEs were $140.9 million and $104.2 million, respectively, as of December 31, 2016 and 2015.

The assets of the VIEs serve as the sole source of repayment for the debt issued by these entities. US Bank does not have recourse to us or our other assets, with the exception of customary representations and indemnities we have provided. We are not required and do not currently intend to provide additional financial support to these VIEs. While these subsidiaries are included in our consolidated financial statements, these subsidiaries are separate legal entities and their assets are legally owned by them and not available to our creditors.

Equity Method Investment
We owned a 40.8% interest in a next generation carrier-class communications services firm that we accounted for using the equity method and due to a reconsideration event determined that the entity was a VIE. During the second quarter of 2015, it became apparent that we would not recover the carrying value of our investment. We determined that the fair value of the equity investment was $0 and subsequently wrote-off the entire value of our investment resulting in an impairment loss of $12.6 million for the year ended December 31, 2015 that is recorded in Other Income (Expense) in our Consolidated Statement of Operations. The fair value determination was based upon market information obtained during the second quarter of 2015, the estimated liquidation value of the entity's assets and the amount of senior secured debt at the valuation date. The entity has subsequently closed its operations and is in the process of selling its assets. We do not have a contractual obligation to provide additional financing and we have no exposure to loss related to our involvement with the VIE.

(14) Commitments and Contingencies

Operating Leases as Lessee
We lease business offices, have entered into site lease agreements, and use satellite transponder and fiber capacity and certain equipment pursuant to operating lease arrangements. Many of our leases are for multiple years and contain renewal options. Rental costs under such arrangements amounted to $58.9 million, $51.5 million and $43.8 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Capital Leases as Lessee
We entered into a long-term capital lease agreement in 1991 with the wife of GCI's President and CEO for property occupied by us as further described in Note 12 of this Form 10-K.

We have a capital lease agreement for transponder capacity on Intelsat, Ltd.'s ("Intelsat") Galaxy 18 spacecraft. The Intelsat Galaxy 18 C-band and Ku-Band transponders are being leased over an expected term of 14 years. At lease inception the present value of the lease payments, excluding telemetry, tracking and command services and back-up protection, was $98.6 million.

A summary of future minimum lease payments follows (amounts in thousands):

Years ending December 31:	Operating	Capital
2017	$ 46,249	13,433
2018	35,822	13,440
2019	27,525	13,450
2020	22,047	13,459
2021	16,797	12,044
2022 and thereafter	37,063	7,705
Total minimum lease payments	$ 185,503	73,531
Less amount representing interest		13,884
Less current maturity of obligations under capital leases		9,331
Long-term obligations under capital leases, excluding current maturity		$ 50,316

The leases generally provide that we pay the taxes, insurance and maintenance expenses related to the leased assets. Several of our leases include renewal options, escalation clauses and immaterial amounts of contingent rent expense. We expect that in the normal course of business leases that expire will be renewed or replaced by leases on other properties.

Guaranteed Service Levels
Certain customers have guaranteed levels of service with varying terms. In the event we are unable to provide the minimum service levels we may incur penalties or issue credits to customers.

Self-Insurance
Through December 31, 2016, we were self-insured for losses and liabilities related to health and welfare claims up to $700,000 per incident per year above which third party insurance applied. A reserve of $4.0 million and

$4.1 million are recorded at December 31, 2016 and 2015, respectively, to cover estimated reported losses, estimated unreported losses based on past experience modified for current trends, and estimated expenses for settling claims. We are self-insured for all losses and liabilities related to workers' compensation claims in Alaska and have a workers compensation excess insurance policy to make claims for any losses in excess of $500,000 per incident. A reserve of $2.9 million and $3.6 million are recorded at December 31, 2016 and 2015, respectively, to cover estimated reported losses and estimated expenses for open and active claims. Actual losses will vary from the recorded reserves. While we use what we believe are pertinent information and factors in determining the amount of reserves, future additions or reductions to the reserves may be necessary due to changes in the information and factors used.

We are self-insured for damage or loss to certain of our transmission facilities, including our buried, undersea, and above-ground transmission lines. If we become subject to substantial uninsured liabilities due to damage or loss to such facilities, our financial position, results of operations or liquidity may be adversely affected.

Litigation, Disputes, and Regulatory Matters
We are involved in various lawsuits, billing disputes, legal proceedings, and regulatory matters that have arisen from time to time in the normal course of business. Management believes there are no proceedings from asserted and unasserted claims which if determined adversely would have a material adverse effect on our financial position, results of operations or liquidity.

Universal Service
As an ETC, we receive support from the USF for the provision of wireline local access and wireless service in Remote and Urban high cost areas as further described in Note 1 of this Form 10-K. For both Remote and Urban high cost support revenue, our ability to collect our accrued USF support is contingent upon continuation of the USF program and upon our eligibility to participate in that program, which are subject to change by future regulatory, legislative or judicial actions. We adjust revenue and the account receivable in the period the FCC makes a program change or we assess the likelihood that such a change has increased or decreased revenue. Our revenue for providing local and wireless services in these areas would be materially adversely affected by a substantial reduction of USF support.

Tribal Mobility Fund I Grant
In February 2014, the FCC announced our winning bids in the Tribal Mobility Fund I auction for a $41.4 million grant to partially fund expansion of our 3G wireless network, or better, to locations in Alaska where we would not otherwise be able to construct within our return-on-investment requirements. We received $0 million and $13.8 million in 2016 and 2015, respectively, and expect to receive $27.6 million in additional grant fund disbursements in the future depending on the timing of upgrades completed and test results submitted to and approved by the FCC.

(15) Software Impairment
During the years ended December 31, 2013 and 2014, we internally developed computer software in our Wireline segment to replace our wireless, Internet, video, local service, and long distance customer billing systems. During the first quarter of 2015, we completed a detailed assessment of our progress to date and determined it was no longer probable that the computer software being developed would be completed and placed in service. Our assessment concluded that the cost of continuing the development would be much higher than originally estimated, and the timing and scope risks were substantial. We identified development work, hardware, and software recorded as Construction in Progress through the first quarter of 2015, that may be applicable to our replacement customer billing solution, future internally developed software, and other system needs and therefore should remain capital assets. We considered the remaining capital expenditures for this billing system to have a fair value of $0 and recorded an impairment charge of $20.7 million during the year ended December 31, 2015 by recording an expense which is included in Software Impairment Charge in our Consolidated Statement of Operations.

During the year ended December 31, 2015, we reassessed our plans for our internally developed machine-to-machine billing system in our Wireline segment, and decided to no longer market this system to third parties. Accordingly, we recognized an impairment of $7.1 million during the year ended December 31, 2015 by recording an expense which is included in Software Impairment Charge in our Consolidated Statement of Operations.

During the year ended December 31, 2015, we evaluated user management software we purchased in 2014 in our Wireline segment and determined that we would not be able to use the software. Accordingly we recognized an impairment of $1.0 million during the year ended December 31, 2015 by recording an expense which is included in Software Impairment Charge in our Consolidated Statement of Operations.

(16) Selected Quarterly Financial Data (Unaudited)

The following is a summary of unaudited quarterly results of operations for the years ended December 31, 2016 and 2015 (amounts in thousands):

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2016					
Total revenues	$	231,098	233,766	236,655	232,293
Operating income	$	20,019	19,531	26,368	13,185
Net income (loss)	$	326	(422)	(973)	(607)
Net income (loss) attributable to GCI, Inc.	$	443	(305)	(857)	(488)
2015					
Total revenues	$	231,089	247,528	258,573	241,344
Operating income	$	816	39,257	45,549	20,589
Net income (loss)	$	(17,721)	(14,701)	19,802	2,588
Net income (loss) attributable to GCI, Inc.	$	(18,246)	(14,622)	19,918	2,759

Item 15(b). Exhibits

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

Exhibit No.	Description	Where Located
3.1	The Articles of Incorporation of GCI, Inc.	Incorporated by reference to GCI's Form S-3 Registration Statement (File No. 333-28001) dated May 29, 1997.
3.2	The Bylaws of GCI, Inc.	Incorporated by reference to GCI's Form S-3 Registration Statement (File No. 333-28001) dated May 29, 1997.
3.3	Amendment to the Bylaws of GCI, Inc.	Incorporated by reference to GCI, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2014.
4.1	Indenture dated as of May 20, 2011 between GCI, Inc. and Union Bank, N.A., as trustee	Incorporated by reference to The Company's Report on Form 8-K for the period May 20, 2011 filed May 25, 2011.
4.2	Supplemental Indenture dated as of May 23, 2011 between GCI, Inc. and Union Bank, N.A., as trustee	Incorporated by reference to The Company's Report on Form 8-K for the period May 20, 2011 filed May 25, 2011.
4.3	Indenture dated as of April 1, 2015 between GCI, Inc. and MUFG Union Bank, N.A., as trustee	Incorporated by reference to The Company's Report on Form 8-K for the period April 1, 2015 filed April 6, 2015.

Exhibit No.	Description	Where Located
10.1	Order approving Application for a Certificate of Public Convenience and Necessity to operate as a Telecommunications (Intrastate Interexchange Carrier) Public Utility within Alaska	Incorporated by reference to GCI's Annual Report on Form 10-K for the year ended December 31, 1991.
10.2	The GCI Special Non-Qualified Deferred Compensation Plan[1]	Incorporated by reference to GCI's Annual Report on Form 10-K for the year ended December 31, 1995.
10.3	Transponder Purchase Agreement for Galaxy X between Hughes Communications Galaxy, Inc. and GCI Communication Corp.	Incorporated by reference to GCI's Annual Report on Form 10-K for the year ended December 31, 1995.
10.4	Lease Agreement dated September 30, 1991 between RDB Company and General Communication, Inc.	Incorporated by reference to GCI's Annual Report on Form 10-K for the year ended December 31, 1991.
10.5	Transponder Lease Agreement between General Communication Incorporated and Hughes Communications Satellite Services, Inc., executed August 8, 1989	Incorporated by reference to GCI's Annual Report on Form 10-K for the year ended December 31, 1993.
10.6	Addendum to Galaxy X Transponder Purchase Agreement between GCI Communication Corp. and Hughes Communications Galaxy, Inc. dated August 24, 1995	Incorporated by reference to GCI's Amendment No. 1 to Form S-3/A Registration Statement (File No. 333-28001) dated July 8, 1997.
10.7	First Amendment to Lease Agreement dated as of September 2002 between RDB Company and GCI Communication Corp. as successor in interest to General Communication, Inc.	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 2002.
10.8	Aircraft lease agreement between GCI Communication Corp., and Alaska corporation and 560 Company, Inc., an Alaska corporation, dated as of January 22, 2001	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 2002.
10.9	First amendment to aircraft lease agreement between GCI Communication Corp., and Alaska corporation and 560 Company, Inc., an Alaska corporation, dated as of February 8, 2002	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 2002.
10.10	Full-time Transponder Capacity Agreement with PanAmSat Corporation dated March 31, 2006 #	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended March 31, 2006.
10.11	Second Amendment to Lease Agreement dated as of April 8, 2008 between RDB Company and GCI Communication Corp. as successor in interest to General Communication, Inc.	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended March 31, 2008.
10.12	First Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated February 15, 2008 #	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2009.
10.13	Second Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated April 9, 2008 #	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2009.
10.14	Third Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated June 4, 2008 #	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2009.

Exhibit No.	Description	Where Located
10.15	Fourth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated June 4, 2008 #	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2009.
10.16	Fifth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated September 30, 2008 #	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2009.
10.17	Sixth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated October 31, 2008 #	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2009.
10.18	Seventh Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated November 6, 2008 #	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2009.
10.19	Eighth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated June 8, 2009 #	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2009.
10.20	Second Amended and Restated Credit Agreement dated as of January 29, 2010 by and among GCI Holdings, Inc., the other parties thereto and Calyon New York Branch, as administrative agent, and the other Lenders party thereto	Incorporated by reference to The Company's Report on Form 8-K for the period January 29, 2010 filed February 3, 2010.
10.21	Ninth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated June 29, 2010 #	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended June 30, 2010 filed August 5, 2010.
10.22	Amended and restated aircraft lease agreement between GCI Communication Corp., and Alaska corporation and 560 Company, Inc., an Alaska corporation, dated as of February 25, 2005	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 2010, filed March 15, 2011.
10.23	First amendment to the amended and restated aircraft lease agreement between GCI Communication Corp., and Alaska corporation and 560 Company, Inc., an Alaska corporation, dated as of December 27, 2010	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 2010, filed March 15, 2011.
10.24	Tenth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated September 24, 2010 #	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 2010, filed March 15, 2011.
10.25	Eleventh Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated September 23, 2010 #	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 2010, filed March 15, 2011.
10.26	Twelfth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated November 5, 2010 #	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 2010, filed March 15, 2011.
10.27	Broadband Initiatives Program Loan/Grant and Security Agreement between United Utilities, Inc. and the United States of America dated as of June 1, 2010 #	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 2010, filed March 15, 2011.

Exhibit No.	Description	Where Located
10.28	Second Amended and Restated Aircraft Lease Agreement between GCI Communication Corp., an Alaska corporation and 560 Company, Inc., an Alaska corporation, dated May 9, 2011	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended June 30, 2011 filed August 9, 2011.
10.29	Credit Agreement dated August 30, 2011 by and between Unicom, Inc. as borrower and Northern Development Fund VIII, LLC as Lender and Travois New Markets Project CDE X, LLC as Lender and Waveland Sub CDE XVI, LLC as Lender and Alaska Growth Capital Bidco, Inc. as Disbursing Agent	Incorporated by reference to The Company's Report on Form 8-K for the period August 30, 2011 filed September 6, 2011.
10.30	Credit Agreement dated October 3, 2012 by and between Unicom, Inc. as borrower and USBCDE Sub-CDE 74, LLC as Lender and Cherokee Nation Sub-CDE II, LLC as Lender and LBCDE Sub2, LLC as Lender and Waveland Sub CDE XXII, LLC as Lender	Incorporated by reference to The Company's Report on Form 8-K for the period October 3, 2012 filed October 9, 2012.
10.31	Thirteenth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated March 14, 2011 #	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 2012, filed March 8, 2013.
10.32	Fourteenth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated June 7, 2011 #	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 2012, filed March 8, 2013.
10.33	Fifteenth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated December 29, 2011 #	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 2012, filed March 8, 2013.
10.34	Sixteenth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated December 21, 2012 #	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 2012, filed March 8, 2013.
10.35	Seventeenth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated June 4, 2013 #	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2013 filed November 8, 2013.
10.36	Eighteenth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated October 17, 2013 #	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2013 filed November 8, 2013.
10.37	Broadband Initiatives Program Loan/Grant and Security Agreement between United Utilities, Inc. and The United States of America dated June 1, 2010	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2013 filed November 8, 2013.
10.38	Nineteenth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication Corp. dated March 20, 2014 #	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended March 31, 2014 filed May 5, 2014.
10.39	Twentieth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication Corp. dated August 11, 2014 #	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ending December 31, 2014 filed March 5, 2015.

Exhibit No.	Description	Where Located
10.40	Fourth Amended and Restated Credit Agreement dated as of February 2, 2015 by and among GCI Holdings, Inc., GCI, Inc., the Subsidiary Guarantors party thereto, the Lenders party thereto, Union Bank, as Syndication Agent, Suntrust Bank, as Documentation Agent and Credit Agricole Corporate and Investment Bank, as Administrative Agent	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ending December 31, 2014 filed March 5, 2015.
10.41	Twenty-First Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication Corp. dated August 11, 2014 #	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended March 31, 2015 filed May 8, 2015
10.42	Twenty-Second Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication Corp. dated August 11, 2014 #	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended June 30, 2015 filed August 5, 2015
10.43	First Amendment to the Fourth Amended and Restated Credit Agreement dated as of February 2, 2015	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended June 30, 2015 filed August 5, 2015
10.44	Twenty-Third Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication Corp. dated August 11, 2014 #	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2015 filed November 5, 2015
10.45	Twenty-Fourth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication Corp. dated August 11, 2014 #	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2015 filed November 5, 2015
10.46	Twenty-Fifth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication Corp. dated December 31, 2015 #	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ending December 31, 2015 filed March 3, 2016
10.47	Second Amendment to the Fourth Amended and Restated Credit Agreement dated as of February 2, 2015	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ending December 31, 2015 filed March 3, 2016
10.48	Twenty-Sixth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication Corp. dated March 7, 2016 #	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended March 31, 2016 filed May 5, 2016
10.49	Twenty-Seventh Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication Corp. dated June 17, 2016 #	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended June 30, 2016 filed August 3, 2016
10.50	Master Lease Agreement among The Alaska Wireless Network, LLC, AWN Tower Company, LLC and General Communication, Inc. dated August 1, 2016	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2016 filed November 4, 2016
10.51	Third Amendment to the Fourth Amended and Restated Credit Agreement dated as of November 17, 2016	Incorporated by reference to The Company's Report on Form 8-K for the period November 17, 2016 filed November 23, 2016.

Exhibit No.	Description	Where Located
10.52	Fourth Amendment to the Fourth Amended and Restated Credit Agreement dated as of November 17, 2016	Incorporated by reference to The Company's Report on Form 8-K for the period November 17, 2016 filed November 23, 2016.
10.53	Twenty-Eighth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication Corp. dated October 31, 2016 # *	
14	Code Of Business Conduct and Ethics	Incorporated by reference to The Company's Report on Form 8-K for the period September 27, 2013 filed October 3, 2013.
21.1	Subsidiaries of the Registrant *	
31	Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *	
32	Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *	
101	The following materials from GCI, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2016 and 2015; (ii) Consolidated Income Statements for the years ended December 31, 2016, 2015 and 2014; (iii) Consolidated Statements of Stockholder's Equity for the years ended December 31, 2016, 2015 and 2014; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014; and (v) Notes to Consolidated Financial Statements *	

#	CONFIDENTIAL PORTION has been omitted pursuant to a request for confidential treatment by us to, and the material has been separately filed with, the SEC. Each omitted Confidential Portion is marked by three asterisks.
*	Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GCI, INC.

By: /s/ Gregory F. Chapados
Gregory F. Chapados, President
(Chief Executive Officer)

Date: March 2, 2017

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title	Date
/s/ Gregory F. Chapados Gregory F. Chapados	President and Director (Principal Executive Officer)	March 2, 2017
/s/ Peter J. Pounds Peter J. Pounds	Chief Financial Officer, Secretary, Treasurer, and Director (Principal Financial Officer)	March 2, 2017
/s/ Lynda L. Tarbath Lynda L. Tarbath	Vice President, Chief Accounting Officer (Principal Accounting Officer)	March 2, 2017

****CONFIDENTIAL PORTION has been omitted pursuant to a request for confidential treatment by the Company to, and the material has been separately filed with, the SEC. Each omitted Confidential Portion is marked by four asterisks.

TWENTY-EIGHTH AMENDMENT TO THE FULL-TIME TRANSPONDER CAPACITY AGREEMENT (PRE-LAUNCH)

This Twenty-Eighth Amendment to the Full-time Transponder Capacity Agreement (Pre-Launch) (the "Twenty-Eighth Amendment") is made and entered into as of this 31st day of October, 2016 (the "Effective Date") by and between INTELSAT CORPORATION, a Delaware corporation ("Intelsat"), and GCI COMMUNICATIONS CORP., an Alaskan corporation ("Customer").

RECITALS

WHEREAS, pursuant to that certain Full-Time Transponder Capacity Agreement (Pre-Launch) dated as of March 31, 2006, as amended (collectively, the "Agreement") between Intelsat and Customer, Intelsat is providing Customer with **** transponders on ****; **** transponders on ****; **** Transponders on **** (the "**** Transponders"); **** Transponder **** on ****; **** Transponder **** on ****; and **** Transponder **** on ****; and

WHEREAS, Customer wishes to **** Transponder on ****, as further defined below;

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and of mutual covenants and agreements hereinafter set forth, the sufficiency and receipt of which is hereby acknowledged, the parties agree as follows:

1. Except as specifically provided herein, all terms and provisions of the Agreement shall remain in full force and effect.

2. Section 1.1, Description of Capacity. This Section shall be deleted and replaced with the following:

   "Intelsat agrees to provide to Customer and Customer agrees to accept from Intelsat, ****), in ****, for the Capacity Term (as defined here), the **** Transponder Capacity (defined below) meeting the "Performance Specifications" set forth in the "Technical Appendix" attached hereto as Appendix B. For purposes of this Agreement, the "**** Transponder Capacity" or "**** Transponders" shall consist of (a) **** (as defined in Section 1.2, below) **** transponders (collectively, the "**** Transponders' and individually, the "**** Transponder") from that certain U.S. domestic satellite referred to by Intelsat as "****," located in geostationary orbit at **** Longitude, (b) **** transponders from the **** of that certain satellite referred to by Intelsat as "****" at **** Longitude ("**** Transponder"); (c) **** Transponder **** on ****; (d) **** Transponder **** on ****; (e) and **** Transponder **** on ****."

3. Article 2, Capacity Term. The Capacity Term for **** Transponder shall be **** on ****.

4. Section 3.1, **** Fee. Customer's **** Fee for the **** shall be as set forth in Appendix A.

5. Except as specifically set forth in this Amendment, all terms and conditions of the Agreement remain in full force and effect.

IN WITNESS WHEREOF, each of the Parties hereto has duly executed and delivered this Twenty-Eighth Amendment as of the day and year above written.

INTELSAT CORPORATION	GCI COMMUNICATION CORP.
By: _/s/ Stephen Chernow___________	By: _/s/ Jimmy Sipes_______________
Name: _Stephen Chernow___________	Name: _Jimmy Sipes_______________
Title: _VP & Deputy General Counsel___	Title: _VP Network Services & Chief Engineer
Date: _10-31-2016_________________	Date: _10-27-2016_________________

APPENDIX A

CUSTOMER’S TRANSPONDER CAPACITY AND PAYMENT SCHEDULE FOR
GCI COMMUNICATIONS CORP.

SVO #	**** / Transponder No	Transponder Type	Capacity Term	**** Fee
	****	****	**** - ****	US$**** **
	****	****	**** - ****	US$**** **
	****	****	**** - ****	US$**** *
	****	****	**** - ****	US$**** **
	****	****	**** - ****	US$**** **
	****	****	**** - ****	US$**** **
	****	****	**** - ****	US$**** *
	****	****	**** - ****	US$**** **
	****	****	**** - ****	US$**** *
	****	****	**** - ****	US$**** *
	****	****	**** - ****	US$**** *
	****	****	**** - ****	US$**** **
	****	****	**** - ****	US$**** *
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	****	****	**** - ****	US$**** ***
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	****	****	**** - ****	US$**** ***
	****	****	**** - ****	US$**** ***
	****	****	**** - ****	US$**** ***
	****	****	**** - ****	US$**** ** US$**** **
	****	****	**** - ****	US$**** ****
	****	****	**** - ****	US$**** **
	****	****	**** - ****	US$**** ***
	****	****	**** - ****	US$**** **
	****	****	**** - ****	US$**** ***
	****	****	**** - ****	US$**** **
	****	****	**** - ****	US$**** ***
	****	****	**** - ****	US$**** **

* **** Fee includes US$**** for **** and the US$**** for each of Customer’s **** Transponders under Article 14. If the **** Transponder is **** or when Customer is **** a Transponder on **** (of its successor satellite), the **** Fee for such **** Transponder shall be ****. If, however, the **** Transponder ****, then the **** Fee for such **** Transponder **** to the **** Fee. The **** fee shall be ****.

** **** Fee includes US$**** for **** Fee and the US$**** for each of Customer’s **** Transponders with **** under Article 15. If the **** Transponder is **** or when Customer is using a Transponder on ****, the **** Fee for such affected Customer’s **** Transponder shall be ****. If, however, the **** Transponder later ****, then the **** Fee for such **** Transponder shall ****. The **** Fee shall be ****.

*** **** Fee includes US$**** for **** and the US$**** for each of the Customer's **** Transponder **** Fees, **** (hereinafter referred to as the "**** Fee" as **** is the ****), **** for transponder ****. If the **** Transponder ****, the **** Fee for such affected **** Transponder shall be ****. If, however, the **** Transponder ****, then the **** Fee for such **** Transponder shall **** Fee. The **** Fee shall be ****.

**** **** Fee includes US$**** for ****. No **** is provided for this Transponder.

APPENDIX B

TECHNICAL APPENDIX

Satellite Information	
Satellite:	****
Orbital Location:	**** Longitude
Uplink Beam/Band:	**** / ****
Downlink Beam/Band:	**** / ****
Nominal Transponder Bandwidth:	****
Customer Transponder Capacity Allocation:	****

1.0 INTRODUCTION

This Technical Appendix contains the Performance Specifications for the **** transponders assigned to the **** Uplink beam - **** Downlink beam. As described further herein the specifications are **** transponder and **** as noted ****.

2.0 SATELLITE PERFORMANCE CHARACTERISTICS

Orbital Tolerances:	Longitude Tolerance:	**** degrees
	Inclination Tolerance:	**** degrees

2.1 Communication Antenna Pointing. The Satellite will maintain the orientation of its communications antenna relative to the earth such that the EIRP, G/T and SFD described in Section 3.1 are maintained.

3.0 COMMUNICATION SYSTEM PERFORMANCE CHARACTERISTICS

3.1 EIRP, G/T and SFD within Beam Coverage Area. Figure B-1 provides EIRP contours for the **** Downlink Beam, while Figure B-2 provides G/T contours for the **** Uplink Beam. These contours permit the user to estimate EIRP and G/T for any location within the Beam Coverage Areas. Minimum beam reference EIRP for the Transponder is ****, minimum beam reference G/T for the transponder is ****. The SFD (****) is ****.

Note: Beam Reference Contour values are based on the representative beam patterns attached. The contours are provided for estimation purposes only. It is recommended that a **** margin be included when utilizing the contours.

3.1.1 Input Attenuators. The gain of each transponder is adjustable by ground command over a range of **** in **** increments.

3.1.2 Saturation. For the purposes of this Specification, saturation is defined as the point on the single carrier power-out versus power-in transfer curve corresponding to the operating point that provides the specified EIRP output power and simultaneously meets the required linearity.

3.1.3 SFD Gain Stability. The SFD shall not vary by more than **** over any **** and **** the Satellite for the specified coverage area.

a) Including the **** the transponder.
b) Excluding the ****.
a) Excluding **** spacecraft **** errors.
b) Including ****.

Figure B-1. ****

****

[Map of a region of the Earth with an overlay of numbered contour

lines of specific magnitudes in units of dBW.]

(EIRP Contours: **** dBW)

Figure B-2. **** Uplink Beam

[Map of a region of the Earth with an overlay of numbered contour

lines of specific magnitudes in units of dB/K.]

(G/T Contours: **** dB/K)

3.1.4 Two Carriers and Multi-carrier Operation. The values provided in Sections 3.1 are based on the occupancy of the transponder by a single carrier. While subject to final approval by Intelsat and based on specific transponder configuration, dual-carrier operation (2 carriers), or multi-carrier operation (3 or more carriers) must be conducted with a composite output and input backoff meeting the following specifications:

Mode	Output	Input (see Note below)
Multi Carrier:	****	****
Single Carrier (in fractional lease, 2-carriers per transponder):	****	****

Note: For operation of carrier modulation other than QPSK, additional power constraints may be imposed in order to reduce the generation of intermodulation and other spurious signals.

Prior to carrier activation, Customer must provide Intelsat with a transmission plan detailing the proposed carrier frequency, modulation and coding type, as well as required yearly service availability level, along with other pertinent technical information, for approval by Intelsat. The approval will consist of the specific carrier operational parameters. Intelsat reserves the right to adjust the composite input backoff to achieve the specified output backoff.

3.1.5 EIRP Change Due to Redundant Power Amplifier. When any transponder is switched from its primary HPA to an adjacent HPA, the transponder output power shall not decrease by more than **** relative to the EIRP using the primary power amplifier.

3.1.6 Gain Change Due to First Redundant Receiver. When the first receiver is substituted for a redundant receiver, the gain of the affected transponders shall not decrease by more than ****.

3.2 SATELLITE COMMUNICATION SYSTEM EXPECTED PERFORMANCE

3.2.1 Co-Channel Interference. The Total Co-Channel Interference ratio due to interference from co-frequency carriers on the satellite is expected to be on average better than **** for most locations within the Beam Reference Contour.

3.2.2 Nominal Channel Frequencies and Polarization. Each Transponder in the Beam Coverage Area shall use the Uplink and Downlink frequency range provided in Table 1 below. Moreover, the Beam Coverage Area shall be accessible by either linear vertical or horizontal polarization. Intelsat reserves the right to assign and/or reassign Customer's space segment allocation within the Transponder or to other Transponders or Satellites within the applicable Uplink and/or Downlink Beam Coverage Area. Except in emergency circumstances, Intelsat shall notify Customer of any changes to its initial allocation as soon as reasonably practicable prior to such change and shall use reasonable efforts to minimize disruption to Customer's Transponder Capacity during any such change.

3.2.3 Frequency Translation. The communication system translates Uplink transmissions by a net frequency subtraction identified in Table 1 below. The net translation error is not expected to exceed ****.

Table 1. Frequency Range and Corresponding Translation Frequency

Uplink Band	Downlink Band	Translation Frequency
****	****	****

End of Appendix B.

Exhibit 21.1

SUBSIDIARIES OF THE REGISTRANT

Entity	Jurisdiction of Organization	Name Under Which Subsidiary Does Business
Alaska United Fiber System Partnership	Alaska	Alaska United Fiber System Partnership, Alaska United Fiber System, Alaska United
BBN, Inc.	Alaska	BBN, BBN, Inc.
Bortek, LLC	Delaware	Bortek, Bortek, LLC
Cycle30, Inc.	Alaska	Cycle30, Inc., Cycle30
Denali Media Anchorage, Corp.	Alaska	Denali Media Anchorage, Corp.
Denali Media Holdings, Corp.	Alaska	Denali Media Holdings, Corp., DMH
Denali Media Juneau, Corp.	Alaska	Denali Media Juneau, Corp.
Denali Media Southeast, Corp.	Alaska	Denali Media Southeast, Corp.
GCI Cable, Inc.	Alaska	GCI Cable, GCI Cable, Inc.
GCI Communication Corp.	Alaska	GCI, GCC, GCICC, GCI Communication Corp.
GCI Community Development, LLC	Alaska	GCI Community Development, LLC
GCI Fiber Communication, Co., Inc.	Alaska	GCI Fiber Communication, Co., Inc., GFCC, Kanas
GCI Holdings, Inc.	Alaska	GCI Holdings, Inc.
GCI NADC, LLC	Alaska	GCI, GCI NADC, LLC
GCI SADC, LLC	Alaska	GCI, GCI SADC, LLC
GCI Wireless Holdings, LLC	Alaska	GCI Wireless Holdings, LLC
Integrated Logic, LLC	Alaska	Integrated Logic
Kodiak-Kenai Cable Co., LLC	Alaska	KKCC, Kodiak-Kenai Cable Co., LLC
Kodiak-Kenai Fiber Link, Inc.	Alaska	KKFL, Kodiak-Kenai Fiber Link, Inc.
Potter View Development Co., Inc.	Alaska	Potter View Development Co., Inc.
Supervision, Inc.	Alaska	Supervision, Supervision, Inc.
The Alaska Wireless Network, LLC	Delaware	The Alaska Wireless Network, AWN
Unicom, Inc.	Alaska	Unicom, Inc., Unicom
United-KUC, Inc.	Alaska	United-KUC, Inc., United-KUC, KUC
United Utilities, Inc.	Alaska	United Utilities, Inc. United Utilities, UUI
United2, LLC	Alaska	United2, LLC, United2
Yukon Tech, Inc.	Alaska	Yukon Tech, Yukon Tech, Inc.
Yukon Tel. Co., Inc.	Alaska	Yukon Tel, Yukon Tel. Co., Inc.

Exhibit 31.1

SECTION 302 CERTIFICATION

I, Gregory F. Chapados, certify that:

1. I have reviewed this annual report on Form 10-K of GCI, Inc. for the period ended December 31, 2016;

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

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

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

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

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

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

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

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

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

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

March 2, 2017

/s/ Gregory F. Chapados

Gregory F. Chapados
President and Director

Exhibit 31.2

SECTION 302 CERTIFICATION

I, Peter J. Pounds, certify that:

1. I have reviewed this annual report on Form 10-K of GCI, Inc. for the period ended December 31, 2016;

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

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

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

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

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

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

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

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

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

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

March 2, 2017

/s/ Peter J. Pounds

Peter J. Pounds

Chief Financial Officer, Secretary, Treasurer, and Director (Principal Financial Officer)

Exhibit 32.1

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

In connection with the Annual Report of GCI, Inc. (the "Company") on Form 10-K for the period ended December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gregory F. Chapados, President and Director of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 2, 2017

/s/ Gregory F. Chapados

Gregory F. Chapados
President and Director
GCI, Inc.

Exhibit 32.2

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

In connection with the Annual Report of GCI, Inc. (the "Company") on Form 10-K for the period ended December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Peter J. Pounds, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 2, 2017

/s/ Peter J. Pounds

Peter J. Pounds
Chief Financial Officer
GCI, Inc.