GCI Liberty

PROXY STATEMENT
2017 ANNUAL REPORT & ADDITIONAL INFORMATION

CONTENTS

GCI LIBERTY, INC.

12300 Liberty Boulevard
Englewood, Colorado 80112
(720) 875-5900

May 21, 2018

Dear Stockholder:

You are cordially invited to attend the 2018 annual meeting of stockholders of GCI Liberty, Inc. (**GCI Liberty**) to be held at 8:00 a.m., local time, on June 25, 2018, at the corporate offices of GCI Liberty, 12300 Liberty Boulevard, Englewood, Colorado 80112, telephone (720) 875-5900.

At the annual meeting, you will be asked to consider and vote on the proposals described in the accompanying notice of annual meeting and proxy statement, as well as on such other business as may properly come before the meeting.

Your vote is important, regardless of the number of shares you own. Whether or not you plan to attend the annual meeting, please read the enclosed proxy materials and then promptly vote via the Internet or telephone or by completing, signing and returning by mail the enclosed proxy card. Doing so will not prevent you from later revoking your proxy or changing your vote at the meeting.

Thank you for your cooperation and continued support and interest in GCI Liberty.

Very truly yours,

Gregory B. Maffei
President and Chief Executive Officer

The proxy materials relating to the annual meeting will first be made available on or about May 24, 2018.

GCI LIBERTY, INC.

12300 Liberty Boulevard
Englewood, Colorado 80112
(720) 875-5900

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

to be Held on June 25, 2018

NOTICE IS HEREBY GIVEN of the annual meeting of stockholders of GCI Liberty, Inc. (**GCI Liberty**) to be held at 8:00 a.m., local time, on June 25, 2018, at the corporate offices of GCI Liberty, 12300 Liberty Boulevard, Englewood, Colorado 80112, telephone (720) 875-5900, to consider and vote on the following proposals:

1. A proposal (which we refer to as the **election of directors proposal**) to elect John C. Malone, Gregory B. Maffei, Ronald A. Duncan, Gregg L. Engles, Donne F. Fisher, Richard R. Green and Sue Ann Hamilton to serve as members of our board in the classes indicated under ''Proposal 1—The Election of Directors Proposal,'' until their respective successors are elected and qualified, for the applicable term prescribed in our restated certificate of incorporation, or their earlier resignation or removal;

2. A proposal (which we refer to as the **auditors ratification proposal**) to ratify the selection of KPMG LLP as our independent auditors for the fiscal year ending December 31, 2018; and

3. A proposal to adopt the GCI Liberty, Inc. 2018 Omnibus Incentive Plan (which we refer to as the **incentive plan proposal**).

You may also be asked to consider and vote on such other business as may properly come before the annual meeting.

Holders of record of our Series A common stock, par value $0.01 per share, Series B common stock, par value $0.01 per share, and Series A Cumulative Redeemable Preferred Stock, par value $0.01 per share, in each case, outstanding as of 5:00 p.m., New York City time, on May 14, 2018, the **record date** for the annual meeting, will be entitled to notice of the annual meeting and to vote at the annual meeting or any adjournment or postponement thereof. These holders will vote together as a single class on each proposal. A list of stockholders entitled to vote at the annual meeting will be available at our offices at 12300 Liberty Boulevard, Englewood, Colorado 80112 for review by our stockholders for any purpose germane to the annual meeting for at least ten days prior to the annual meeting.

We describe the proposals in more detail in the accompanying proxy statement. We encourage you to read the proxy statement in its entirety before voting.

Our board of directors has unanimously approved each of the election of directors proposal, the auditors ratification proposal and the incentive plan proposal and recommends that you vote ''**FOR**'' the election of each director nominee and ''**FOR**'' each of the auditors ratification proposal and the incentive plan proposal.

Votes may be cast in person at the annual meeting or by proxy prior to the meeting by telephone, via the Internet, or by mail.

Important Notice Regarding the Availability of Proxy Materials For the Annual Meeting of Stockholders to be Held on June 25, 2018: our Notice of Annual Meeting of Stockholders, Proxy Statement, and 2017 Annual Report to Stockholders are available at www.envisionreports.com/GCIL.

YOUR VOTE IS IMPORTANT. Voting promptly, regardless of the number of shares you own, will aid us in reducing the expense of any further proxy solicitation in connection with the annual meeting.

By order of the board of directors,

Katherine C. Jewell

Katherine C. Jewell
Assistant Vice President and Secretary

Englewood, Colorado
May 21, 2018

WHETHER OR NOT YOU INTEND TO BE PRESENT AT THE ANNUAL MEETING, PLEASE VOTE PROMPTLY VIA TELEPHONE OR ELECTRONICALLY VIA THE INTERNET. ALTERNATIVELY, PLEASE COMPLETE, SIGN AND RETURN BY MAIL THE ENCLOSED PAPER PROXY CARD.

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2018 ANNUAL MEETING OF STOCKHOLDERS

WHEN

8:00 a.m., local time, on June 25, 2018

WHERE

The Corporate Offices of GCI Liberty
12300 Liberty Boulevard
Englewood, Colorado 80112

RECORD DATE

5:00 p.m., New York City time, on May 14, 2018

ITEMS OF BUSINESS

1. Election of directors proposal—To elect John C. Malone, Gregory B. Maffei, Ronald A. Duncan, Gregg L. Engles, Donne F. Fisher, Richard R. Green and Sue Ann Hamilton to serve as members of our board in the classes indicated under ''Proposal 1—The Election of Directors Proposal,'' until their respective successors are elected and qualified, for the applicable term prescribed in our restated certificate of incorporation, or their earlier resignation or removal.
2. Auditors ratification proposal—To ratify the selection of KPMG LLP as our independent auditors for the fiscal year ending December 31, 2018.
3. Incentive plan proposal—To adopt the GCI Liberty, Inc. 2018 Omnibus Incentive Plan.

   Such other business as may properly come before the annual meeting.

WHO MAY VOTE

Holders of shares of GLIBA, GLIBB and GLIBP

PROXY VOTING

Stockholders of record on the record date are entitled to vote by proxy in the following ways:

By calling 1 (800) 652-8683 (toll free) in the United States or Canada

Online at www.envisionreports.com/GCIL

By returning a properly completed, signed and dated proxy card

ANNUAL MEETING AGENDA AND VOTING RECOMMENDATIONS

Proposal	Voting Recommendation	Page Reference (for more detail)
Election of directors proposal	✓ **FOR** EACH NOMINEE	10
Auditors ratification proposal	✓ **FOR**	15
Incentive plan proposal	✓ **FOR**	17

GCI LIBERTY, INC.

a Delaware Corporation

12300 Liberty Boulevard
Englewood, Colorado 80112
(720) 875-5900

PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS

We are furnishing this proxy statement in connection with the board of directors' solicitation of proxies for use at our 2018 Annual Meeting of Stockholders to be held at 8:00 a.m., local time, on June 25, 2018, at the corporate offices of GCI Liberty, 12300 Liberty Boulevard, Englewood, Colorado 80112, or at any adjournment or postponement of the annual meeting. At the annual meeting, we will ask you to consider and vote on the proposals described in the accompanying Notice of Annual Meeting of Stockholders. The proposals are described in more detail in this proxy statement. We are soliciting proxies from holders of our Series A common stock, par value $0.01 per share (**GLIBA**), Series B common stock, par value $0.01 per share (**GLIBB**), and Series A Cumulative Redeemable Preferred Stock, par value $0.01 per share (**GLIBP**). We refer to GLIBA and GLIBB together with shares of our Series C common stock, par value $0.01 per share (none of which were issued or outstanding as of the record date) as our **common stock**. We refer to our common stock together with GLIBP as our **capital stock**.

On March 9, 2018, pursuant to the Agreement and Plan of Reorganization, dated as of April 4, 2017, by and among Qurate Retail, Inc., a Delaware corporation formerly known as Liberty Interactive Corporation (**Qurate Retail**), Liberty Interactive LLC, a Delaware limited liability company and a direct, wholly owned subsidiary of Qurate Retail (**Liberty LLC**), and GCI Liberty, Inc., an Alaska corporation (**Old GCI Liberty**), as amended (the **GCI Reorganization Agreement**), Qurate Retail acquired a controlling equity interest in Old GCI Liberty in exchange for certain assets and liabilities of Qurate Retail's Ventures Group (**Ventures Group**), which controlling equity interest Qurate Retail subsequently split-off to holders of its Series A and Series B Liberty Ventures common stock (the **split-off**) in full redemption thereof (such transactions together with the other transactions contemplated by the GCI Reorganization Agreement, the **Transactions**).

Following the Transactions, our company and Qurate Retail operate as separate, publicly traded companies, and neither has any stock ownership, beneficial or otherwise, in the other.

On March 22, 2018, Old GCI Liberty entered into an Agreement and Plan of Merger (as amended, the **Reincorporation Merger Agreement**) with GCI Liberty, which was then named ''GCI Merger Sub, Inc.'' and was a direct, wholly owned subsidiary of Old GCI Liberty, providing for the merger of Old GCI Liberty with and into GCI Liberty (the **Reincorporation Merger**), with GCI Liberty continuing as the surviving corporation in the Reincorporation Merger and existing under the laws of the State of Delaware. Old GCI Liberty entered into the Reincorporation Merger Agreement for the limited purposes of changing Old GCI Liberty's state of incorporation from Alaska to Delaware and adopting a new certificate of incorporation and bylaws to account for certain differences in Delaware law as compared to Alaska law. On May 7, 2018, the shareholders of Old GCI Liberty approved the Reincorporation Merger Agreement at a special meeting, and the Reincorporation Merger was completed on May 10, 2018. Upon completion of the Reincorporation Merger, our company's name was changed from ''GCI Merger Sub, Inc.'' to ''GCI Liberty, Inc.'' and we continue to conduct the businesses and operations of Old GCI Liberty as they were previously conducted.

References to, and descriptions of, our company with respect to periods prior to May 10, 2018 relate to Old GCI Liberty, and references to, and descriptions of, our company with respect to periods after May 10, 2018 relate to GCI Liberty. Old GCI Liberty was named General Communication, Inc. prior to February 20, 2018.

THE ANNUAL MEETING

ELECTRONIC DELIVERY

Registered stockholders may elect to receive future notices and proxy materials by e-mail. To sign up for electronic delivery, go to *www.computershare.com/investor*. Stockholders who hold shares through a bank, brokerage firm or other nominee may sign up for electronic delivery when voting by Internet at *www.proxyvote.com*, by following the prompts. Also, stockholders who hold shares through a bank, brokerage firm or other nominee may sign up for electronic delivery by contacting their nominee. Once you sign up, you will not receive a printed copy of the notices and proxy materials, unless you request them. If you are a registered stockholder, you may suspend electronic delivery of the notices and proxy materials at any time by contacting our transfer agent, Computershare, at (866) 367-6355 (outside the United States (781) 575-2879). Stockholders who hold shares through a bank, brokerage firm or other nominee should contact their nominee to suspend electronic delivery.

TIME, PLACE AND DATE

The annual meeting of stockholders is to be held at 8:00 a.m., local time, on June 25, 2018, at the corporate offices of GCI Liberty, 12300 Liberty Boulevard, Englewood, Colorado 80112, telephone (720) 875-5900.

PURPOSE

At the annual meeting, you will be asked to consider and vote on each of the following:

- the election of directors proposal, to elect John C. Malone, Gregory B. Maffei, Ronald A. Duncan, Gregg L. Engles, Donne F. Fisher, Richard R. Green and Sue Ann Hamilton to serve as members of our board in the classes indicated under ''Proposal 1—The Election of Directors Proposal,'' until their respective successors are elected and qualified, for the applicable term prescribed in our certificate of incorporation, or their earlier resignation or removal;
- the auditors ratification proposal, to ratify the selection of KPMG LLP as our independent auditors for the fiscal year ending December 31, 2018; and
- the incentive plan proposal, to approve the GCI Liberty, Inc. 2018 Omnibus Incentive Plan.

You may also be asked to consider and vote on such other business as may properly come before the annual meeting, although we are not aware at this time of any other business that might come before the annual meeting.

QUORUM

In order to conduct the business of the annual meeting, a quorum must be present. This means that the holders of at least a majority of the aggregate voting power represented by the shares of our capital stock outstanding on the record date and entitled to vote at the annual meeting must be represented at the annual meeting either in person or by proxy. For purposes of determining a quorum, your shares will be included as represented at the meeting even if you indicate on your proxy that you abstain from voting. If a broker, who is a record holder of shares, indicates on a form of proxy that the broker does not have discretionary authority to vote those shares on a particular proposal or proposals, or if those shares are voted in circumstances in which proxy authority is defective or has been withheld, those shares (**broker non-votes**) will nevertheless be treated as present for purposes of determining the presence of a quorum. See ''—Voting Procedures for Shares Held in Street Name—Effect of Broker Non-Votes'' below.

WHO MAY VOTE

Holders of shares of GLIBA, GLIBB and GLIBP, as recorded in our stock register as of 5:00 p.m., New York City time, on May 14, 2018 (such date and time, the **record date** for the annual meeting), will be entitled to notice of the annual meeting and to vote at the annual meeting or any adjournment or postponement thereof.

VOTES REQUIRED

Each director nominee who receives a plurality of the combined voting power of the outstanding shares of our capital stock present in person or represented by proxy at the annual meeting and entitled to vote on the election of directors at the annual meeting, voting together as a single class, will be elected to the office.

Approval of each of the auditors ratification proposal and the incentive plan proposal requires the affirmative vote of a majority of the combined voting power of the outstanding shares of our capital stock that are present in person or by proxy, and entitled to vote at the annual meeting, voting together as a single class.

VOTES YOU HAVE

At the annual meeting, holders of shares of GLIBA will have one vote per share, holders of shares of GLIBB will have ten votes per share, and holders of shares of GLIBP will have one-third of one vote per share, in each case, that our records show are owned as of the record date.

RECOMMENDATION OF OUR BOARD OF DIRECTORS

Our board of directors has unanimously approved each of the proposals and recommends that you vote ''**FOR**'' the election of each director nominee and ''**FOR**'' each of the auditors ratification proposal and the incentive plan proposal.

SHARES OUTSTANDING

As of the record date, an aggregate of approximately 104,554,000 shares of GLIBA, 4,449,000 shares of GLIBB and 7,251,000 shares of GLIBP were issued and outstanding and entitled to vote at the annual meeting.

NUMBER OF HOLDERS

There were, as of the record date, 1,917, 61 and 895 record holders of GLIBA, GLIBB and GLIBP, respectively (which amounts do not include the number of stockholders whose shares are held of record by banks, brokers or other nominees, but include each such institution as one holder).

VOTING PROCEDURES FOR RECORD HOLDERS

Holders of record of GLIBA, GLIBB and GLIBP as of the record date may vote in person at the annual meeting, by telephone or through the Internet. Alternatively, they may give a proxy by completing, signing, dating and returning the proxy card by mail. Instructions for voting by using the telephone or the Internet are printed on the proxy voting instructions attached to the proxy card. In order to vote through the Internet, holders should have their proxy cards available so they can input the required information from the proxy card, and log onto the Internet website address shown on the proxy card. When holders log onto the Internet website address, they will receive instructions on how to vote their shares. The telephone and Internet voting procedures are designed to authenticate votes cast by use of a personal identification number, which will be provided to each voting stockholder separately. Unless subsequently revoked, shares of our capital stock represented by a proxy submitted as described herein and received at or before the annual meeting will be voted in accordance with the instructions on the proxy.

YOUR VOTE IS IMPORTANT. It is recommended that you vote by proxy even if you plan to attend the annual meeting. You may change your vote at the annual meeting.

If you submit a properly executed proxy without indicating any voting instructions as to a proposal enumerated in the Notice of Annual Meeting of Stockholders, the shares represented by the proxy will be voted ''**FOR**'' the election of each director nominee and ''**FOR**'' each of the auditors ratification proposal and the incentive plan proposal.

If you submit a proxy indicating that you abstain from voting as to a proposal, it will have no effect on the election of directors proposal and will have the same effect as a vote ''**AGAINST**'' each of the other proposals.

If you do not submit a proxy or you do not vote in person at the annual meeting, your shares will not be counted as present and entitled to vote for purposes of determining a quorum, and your failure to vote will have no effect on determining whether any of the proposals are approved (if a quorum is present).

VOTING PROCEDURES FOR SHARES HELD IN STREET NAME

General. If you hold your shares in the name of a broker, bank or other nominee, you should follow the instructions provided by your broker, bank or other nominee when voting your shares or to grant or revoke a proxy. The rules and regulations of the New York Stock Exchange and The Nasdaq Stock Market LLC (**Nasdaq**) prohibit brokers, banks and other nominees from voting shares on behalf of their clients with respect to numerous matters, including, in our case, all of the proposals described in this proxy statement other than the auditors ratification proposal. Accordingly, to ensure your shares held in street name are voted on these matters, we encourage you to provide promptly specific voting instructions to your broker, bank or other nominee.

Effect of Broker Non-Votes. Broker non-votes are counted as shares of our capital stock present and entitled to vote for purposes of determining a quorum but will have no effect on any of the proposals. You should follow the directions your broker, bank or other nominee provides to you regarding how to vote your shares of GLIBA, GLIBB or GLIBP or how to change your vote or revoke your proxy.

REVOKING A PROXY

If you submitted a proxy prior to the start of the annual meeting, you may change your vote by voting in person at the annual meeting or by delivering a signed proxy revocation or a new signed proxy with a later date to GCI Liberty, Inc., Proxy Services, c/o Computershare Investor Services, P.O. Box 505008, Louisville, Kentucky 40233-9814. Any signed proxy revocation or later-dated proxy must be received before the start of the annual meeting. In addition, you may change your vote through the Internet or by telephone (if you originally voted by the corresponding method) not later than 2:00 a.m., New York City time, on June 25, 2018.

Your attendance at the annual meeting will not, by itself, revoke a prior vote or proxy from you.

If your shares are held in an account by a broker, bank or other nominee, you should contact your nominee to change your vote or revoke your proxy.

SOLICITATION OF PROXIES

We are soliciting proxies by means of our proxy statement and our annual report (together, the **proxy materials**) on behalf of our board of directors. In addition to this mailing, our employees may solicit proxies personally or by telephone. We pay the cost of soliciting these proxies. We also reimburse brokers and other nominees for their expenses in sending paper proxy materials to you and getting your voting instructions.

If you have any further questions about voting or attending the annual meeting, please contact GCI Liberty Investor Relations at (833) 618-8602.

OTHER MATTERS TO BE VOTED ON AT THE ANNUAL MEETING

Our board of directors is not currently aware of any business to be acted on at the annual meeting other than that which is described in the Notice of Annual Meeting of Stockholders and this proxy statement. If, however, other matters are properly brought to a vote at the annual meeting, the persons designated as proxies will have discretion to vote or to act on these matters according to their best judgment. In the event there is a proposal to adjourn or postpone the annual meeting, the persons designated as proxies will have discretion to vote on that proposal.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table sets forth information concerning shares of our capital stock beneficially owned by each person or entity known by us to own more than five percent of the outstanding shares of each series of our capital stock. All of such information is based on publicly available filings, unless otherwise known to us from other sources.

Unless otherwise indicated, the security ownership information is given as of March 31, 2018 and, in the case of percentage ownership information, is based upon (1) 104,549,667 shares of GLIBA, (2) 4,455,208 shares of GLIBB and (3) 7,251,398 shares of GLIBP, in each case, outstanding on that date, assuming the conversion on a one-for-one basis of shares of Old GCI Liberty capital stock for shares of our capital stock pursuant to the Reincorporation Merger. The percentage voting power is presented in the table below on an aggregate basis for all shares of our capital stock. References in this section to GLIBA, GLIBB and GLIBP with respect to dates prior to the completion of the Reincorporation Merger on May 10, 2018 refer to Old GCI Liberty's Class A common stock, Class B common stock and Series A Cumulative Redeemable Preferred Stock, respectively. Fractional shares of Old GCI Liberty were rounded to the nearest share.

Name and Address of Beneficial Owner	Title of Series or Class	Amount and Nature of Beneficial Ownership	Percent of Series (%)	Voting Power (%)
John C. Malone	GLIBA	607,021[(1)]	*	26.9
c/o GCI Liberty, Inc.	GLIBB	4,021,175[(1)]	90.3	
12300 Liberty Boulevard	GLIBP	10[(1)]	*	
Englewood, CO 80112				
Gregory B. Maffei	GLIBA	1,807,099[(1)]	1.7	5.5
c/o GCI Liberty, Inc.	GLIBB	689,396[(1)]	14.1	
12300 Liberty Boulevard	GLIBP	—	—	
Englewood, CO 80112				
Ronald A. Duncan	GLIBA	1,499,734[(1)]	1.4	1.1
c/o GCI Liberty, Inc.	GLIBB	—	—	
12300 Liberty Boulevard	GLIBP	476,107[(1)]	6.6	
Englewood, CO 80112				
John W. Stanton and Theresa E. Gillespie	GLIBA	1,689,009[(2)]	1.6	1.2
155 108th Avenue, N.E., Suite 400	GLIBB	—	—	
Bellevue, WA 98004	GLIBP	536,193[(3)]	7.4	
The Vanguard Group	GLIBA	7,739,903[(4)]	7.4	5.2
100 Vanguard Blvd.	GLIBB	—	—	
Malvern, PA 19355	GLIBP	408,485[(4)]	5.6	
Black Rock, Inc.	GLIBA	5,877,605[(5)]	5.6	4.0
40 East 52nd Street	GLIBB	—	—	
New York, NY 10022	GLIBP	762,153[(5)]	10.5	
Dimensional Fund Advisors LP	GLIBA	2,214,734[(6)]	2.1	1.6
Palisades West, Building One	GLIBB	5,186[(6)]	*	
6300 Bee Cave Road	GLIBP	414,060[(6)]	5.7	
Austin, TX 78746				

Name and Address of Beneficial Owner	Title of Series or Class	Amount and Nature of Beneficial Ownership	Percent of Series (%)	Voting Power (%)
T. Rowe Price Associates, Inc.	GLIBA	7,298,786(7)	7.0	4.8
100 E. Pratt Street	GLIBB	—	—	
Baltimore, MD 21202	GLIBP	4,058(7)	*	
FPR Partners LLC	GLIBA	8,108,508(8)	7.8	5.4
199 Fremont Street, Suite 2500	GLIBB	—	—	
San Francisco, CA 94105	GLIBP	—	—	

* Less than one percent

(1) Information with respect to shares of GCI Liberty capital stock beneficially owned by Mr. Malone, who is the Chairman of the Board and a director of GCI Liberty, Mr. Maffei, who is the President and Chief Executive Officer and a director of GCI Liberty, and Mr. Duncan, who is a director of GCI Liberty, is also set forth in ''—Security Ownership of Management'' below.

(2) Based on Amendment No. 8 to the Report on Schedule 13D, filed March 12, 2018, by John W. Stanton and Theresa E. Gillespie (**Stanton and Gillespie**), which states that, with respect to GLIBA, Stanton and Gillespie have shared voting and shared dispositive power over 1,689,009 shares.

(3) Based on the Report on Schedule 13D, filed March 12, 2018, by Stanton and Gillespie, which states that, with respect to GLIBP, Stanton and Gillespie have shared voting power over 536,193 shares and shared dispositive power over 536,193 shares.

(4) Based on Form 13F, filed February 14, 2018, by The Vanguard Group (**Vanguard**), which states that, (i) with respect to Qurate Retail's Series A Liberty Ventures common stock, par value $0.01 per share (**LVNTA**), Vanguard has sole investment discretion over 6,406,801 shares, shared investment discretion over 46,374 shares, sole voting power over 42,197 shares and shared voting power over 10,297 shares, and (ii) with respect to Old GCI Liberty's Class A common stock, no par value, which traded on Nasdaq prior to February 22, 2018 (**GNCMA**), Vanguard has sole investment discretion over 1,991,800 shares, shared investment discretion over 50,625 shares, sole voting power over 50,725 shares and shared voting power over 2,100 shares. As a result of the Transactions (and based on the 13F), Vanguard has, (i) with respect to GLIBA, sole investment discretion over 7,661,635 shares, shared investment discretion over 78,268 shares, sole voting power over 74,154 shares and shared voting power over 11,620 shares, and (ii) with respect to GLIBP, sole investment discretion over 398,360 shares, shared investment discretion over 10,125 shares, sole voting power over 10,145 shares and shared voting power over 420 shares.

(5) Based on Form 13F, filed February 9, 2018, by Black Rock, Inc. (**Black Rock**), which states that, (i) with respect to LVNTA, Black Rock has sole investment discretion over 3,476,822 shares and sole voting power over 3,176,752 shares and (ii) with respect to GNCMA, Black Rock has sole investment discretion over 3,810,767 shares and sole voting power over 3,752,553 shares. As a result of the Transactions (and based on the 13F), Black Rock has, (i) with respect to GLIBA, sole investment discretion over 5,877,605 shares and sole voting power over 5,540,860 shares, and (ii) with respect to GLIBP, sole investment discretion over 762,153 shares and sole voting power over 750,511 shares.

(6) Based on Form 13F, filed February 12, 2018, by Dimensional Fund Advisors LP (**Dimensional**), which states that, (i) with respect to LVNTA, Dimensional has shared investment discretion over 910,444 shares and sole voting power over 852,839 shares, (ii) with respect to Qurate Retail's Series B Liberty Ventures common stock, par value $0.01 per share, Dimensional has sole investment discretion and sole voting power over 5,186 shares, and (iii) with respect to GNCMA, Dimensional has sole investment discretion over 2,070,302 shares and sole voting power over 1,974,747 shares. As a result of the Transactions, Dimensional has, (i) with respect to GLIBA, sole investment discretion over 1,304,290 shares, shared investment discretion over 910,444 shares and sole voting power over 2,096,930 shares, (ii) with respect to GLIBB, sole investment discretion and sole voting power over 5,186 shares and (iii) with respect to GLIBP, sole investment discretion over 414,060 shares and sole voting power over 394,949 shares.

(7) Based on Form 13F, filed February 14, 2018, by T. Rowe Price Associates, Inc. (**T. Rowe**), which states, (i) with respect to LVNTA, T. Rowe has sole investment discretion over 7,286,003 shares and sole voting power over 1,501,862 shares and (ii) with respect to GNCMA, has sole investment discretion over 20,290 shares and sole voting power over 9,570 shares. As a result of the Transactions (and based on the 13F), T. Rowe has, (i) with respect to GLIBA, sole investment discretion over 7,298,786 shares and sole voting power over 1,507,891 shares, and (ii) with respect to GLIBP, sole investment discretion over 4,058 shares and sole voting power over 1,914 shares.

(8) Based on Form 13F, filed February 14, 2018, by FPR Partners, LLC (**FPR**), which states that FPR has sole investment discretion and sole voting power over 8,108,508 LVNTA shares. As a result of the Transactions, FPR has sole investment discretion and sole voting power over 8,108,508 GLIBA shares.

SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth information with respect to the ownership by each of GCI Liberty's current directors and executive officers, the Named Executive Officers (as defined herein) and by all of GCI Liberty's current directors and executive officers as a group of shares of GLIBA, GLIBB, and GLIBP. The security ownership information with respect to the shares of our capital stock is given as of March 9, 2018 for the Named Executive Officers and as of March 31, 2018 for GCI Liberty's current directors and executive officers, and, in the case of percentage ownership information, is based upon (1) 104,549,667 shares of GLIBA, (2) 4,455,208 shares of GLIBB and (3) 7,251,398 shares of GLIBP, in each case, outstanding on that date, assuming the conversion on a one-for-one basis of shares of Old GCI Liberty capital stock for shares of our capital stock pursuant to the Reincorporation Merger. The percentage voting power is presented in the table below on an aggregate basis for all shares of our capital stock. References in this section to GLIBA, GLIBB and GLIBP with respect to dates prior to the consummation of the Reincorporation Merger on May 10, 2018 refer to Old GCI Liberty's Class A common stock, Class B common stock and Series A Cumulative Redeemable Preferred Stock, respectively. Fractional shares of Old GCI Liberty are rounded to the nearest share.

Shares of restricted stock that have been granted pursuant to GCI Liberty's incentive plans are included in the outstanding share numbers, for purposes of the table below. Shares of capital stock issuable upon exercise or conversion of options, warrants and convertible securities that were exercisable or convertible on or within 60 days after March 31, 2018 are deemed to be outstanding and to be beneficially owned by the person holding the options, warrants or convertible securities for the purpose of computing the percentage ownership of that person and for the aggregate percentage owned by the directors and executive officers as a group, but are not treated as outstanding for the purpose of computing the percentage ownership of any other individual person. For purposes of the following presentation, beneficial ownership of shares of GLIBB, though convertible on a one-for-one basis into shares of GLIBA, are reported as beneficial ownership of GLIBB only, and not as beneficial ownership of GLIBA. So far as is known, the persons indicated below have sole voting and dispositive power with respect to the shares indicated as owned by them, except as otherwise stated in the notes to the table.

The number of shares indicated as owned by the persons in the table includes interests in shares held by the Liberty Media 401(k) Savings Plan as of March 31, 2018. The shares held by the trustee of the Liberty Media 401(k) Savings Plan for the benefit of these persons are voted as directed by such persons.

Name	Title of Series or Class	Amount and Nature of Beneficial Ownership (in thousands)	Percent of Series (%)	Voting Power (%)
John C. Malone	GLIBA	607(1)(2)	*	26.9
Chairman of the Board and	GLIBB	4,021(1)(3)	90.3	
Director	GLIBP	**	*	
Gregory B. Maffei	GLIBA	1,807(4)(5)(6)	1.7	5.5
President, Chief Executive	GLIBB	689(5)	14.1	
Officer and Director	GLIBP	—	—	
Ronald A. Duncan	GLIBA	1,500(7)	1.4	1.1
Director, President and	GLIBB	—	—	
Chief Executive Officer,	GLIBP	476(7)	6.6	
GCI Holdings, LLC				
Gregg L. Engles	GLIBA	—	—	—
Director	GLIBB	—	—	
	GLIBP	—	—	
Donne F. Fisher	GLIBA	57	*	*
Director	GLIBB	**	*	
	GLIBP	8	*	

Name	Title of Series or Class	Amount and Nature of Beneficial Ownership (in thousands)	Percent of Series (%)	Voting Power (%)
Richard R. Green	GLIBA	**(8)	*	*
Director	GLIBB	—	—	
	GLIBP	—	—	
Sue Ann Hamilton	GLIBA	**	*	*
Director	GLIBB	—	—	
	GLIBP	—	—	
Richard N. Baer	GLIBA	18(5)	*	*
Chief Legal Officer	GLIBB	—	—	
	GLIBP	—	—	
Mark D. Carleton	GLIBA	50(5)	*	*
Chief Financial Officer	GLIBB	—	—	
	GLIBP	—	—	
Albert E. Rosenthaler	GLIBA	95(4)(5)	*	*
Chief Corporate Development	GLIBB	—	—	
Officer	GLIBP	—	—	
Peter J. Pounds	GLIBA	118	*	*
Former Senior Vice President,	GLIBB	—	—	
Chief Financial Officer and	GLIBP	37	*	
Secretary of Old GCI Liberty				
Martin E. Cary	GLIBA	97	*	*
Former Senior Vice President and	GLIBB	—	—	
General Manager—Business of	GLIBP	31	*	
Old GCI Liberty				
Gregory E. Chapados	GLIBA	333(9)	*	*
Former President and Chief	GLIBB	—	—	
Operating Officer of Old GCI	GLIBP	106(9)	*	
Liberty				
Tina M. Pidgeon	GLIBA	106	*	*
Former Senior Vice President,	GLIBB	—	—	
Chief Compliance Officer,	GLIBP	34	*	
General Counsel and				
Governmental Affairs of				
Old GCI Liberty				
All directors and executive officers	GLIBA	4.134(1)(2)(4)(5)(6)(7)(8)(9)	3.9	32.8
(as a group (10 persons))	GLIBB	4,711(1)(3)(5)	96.2	
	GLIBP	484(7)(9)	6.7	

* Less than one percent

** Less than 1,000 shares

(1) Includes 79,243 GLIBA shares and 123,847 GLIBB shares held by Mrs. Malone, as to which shares Mr. Malone has disclaimed beneficial ownership.

(2) Includes (i) 410,146 GLIBA shares pledged to Fidelity Brokerage Services, LLC (**Fidelity**) in connection with a margin loan facility extended by Fidelity and (ii) 117,600 GLIBA shares pledged to Merrill Lynch, Pierce, Fenner & Smith Incorporated (**Merrill Lynch**) in connection with margin loan facilities extended by Merrill Lynch.

(3) Includes 66,683 GLIBB shares held by two trusts which are managed by an independent trustee, of which the beneficiaries are Mr. Malone's adult children and in which Mr. Malone has no pecuniary interest. Mr. Malone retains the right to substitute assets held by the trusts and has disclaimed beneficial ownership of the shares held by the trusts.

(4) Includes shares held in the Liberty Media 401(k) Savings Plan as follows:

	GLIBA
Gregory B. Maffei	870
Albert E. Rosenthaler	1,845
Total	2,715

(5) Includes beneficial ownership of shares that may be acquired upon exercise of, or which relate to, stock options exercisable within 60 days after March 31, 2018.

	GLIBA	GLIBB
Richard N. Baer	2,659	—
Mark D. Carleton	30,418	—
Gregory B. Maffei	873,998	443,001
Albert E. Rosenthaler	44,111	—
Total	951,186	443,001

(6) Includes 574,210 GLIBA shares held by a grantor retained annuity trust.

(7) Includes the following: (a) 1,833 shares of GLIBA and 582 shares of GLIBP allocated to Mr. Duncan under the Employee Stock Purchase Plan adopted by Old GCI Liberty in January 1987 (the **GCI 401(k) Plan**), formerly known as the Stock Purchase Plan; (b) 1,419,021 shares of GLIBA and 450,484 shares of GLIBP to which Mr. Duncan has a direct pecuniary interest (and for which 1,310,755 shares of GLIBA and 416,111 shares of GLIBP are pledged as security); (c) 12,600 shares of GLIBA and 4,000 shares of GLIBP held by Missy, LLC, which is 25% owned by Mr. Duncan, 25% owned by Dani Bowman, Mr. Duncan's wife, and 50% owned by a trust of which Mr. Duncan's daughter is the 50% beneficiary and for which Mr. Duncan is the General Manager and has voting and dispositive power; (d) 9,450 shares of GLIBA and 3,000 shares of GLIBP owned by the Neoma Lowndes Trust which Ms. Miller is a 50% beneficiary and for which Mr. Duncan is the trustee with sole voting and dispositive power and (e) 56,830 shares of GLIBA and 18,041 shares of GLIBP held by Dani Bowman, of which Mr. Duncan disclaims beneficial ownership. Does not include 40,195 shares of GLIBA and 12,760 shares of GLIBP held by Amanda Miller, with respect to which Mr. Duncan disclaims beneficial ownership (Ms. Miller is Mr. Duncan's daughter).

(8) Includes 354 shares of GLIBA held by Dr. Green's spouse.

(9) Includes 8,009 GLIBA shares and 2,543 GLIBP shares held under the GCI 401(k) Plan.

CHANGES IN CONTROL

We know of no arrangements, including any pledge by any person of our securities, the operation of which may at a subsequent date result in a change in control of our company.

PROPOSALS OF OUR BOARD

The following proposals will be presented at the annual meeting by our board of directors.

PROPOSAL 1—THE ELECTION OF DIRECTORS PROPOSAL

BOARD OF DIRECTORS

Our board of directors currently consists of seven directors. Our directors, whose terms will expire at the 2018 annual meeting, are John C. Malone, Gregory B. Maffei, Ronald A. Duncan, Gregg L. Engles, Donne F. Fisher, Richard R. Green and Sue Ann Hamilton. These directors are nominated for election to our board to serve as directors in the classes and for the terms described below, and we have been informed that each of these directors is willing to serve as a director of our company. If any nominee should decline election or should become unable to serve as a director of our company for any reason before election at the annual meeting, votes will be cast by the persons appointed as proxies for a substitute nominee, if any, designated by the board of directors.

The director nominees are being nominated for election to our board of directors to serve in the following classes, effective upon their respective election to our board of directors:

Class I	**Class II**	**Class III**
John C. Malone	Ronald A. Duncan	Gregory B. Maffei
Richard R. Green	Donne F. Fisher	Sue Ann Hamilton
—	—	Gregg L. Engles

The term of office of the Class I directors who are elected at the annual meeting will expire at the annual meeting of our stockholders in 2019. The term of office of the Class II directors who are elected at the annual meeting will expire at the annual meeting of our stockholders in 2020. The term of office of the Class III directors who are elected at the annual meeting will expire at the annual meeting of our stockholders in 2021. Commencing with the election of directors at the 2019 annual meeting of our stockholders, at each annual meeting of our stockholders, the successors of that class of directors whose term expires at that meeting will be elected to hold office for a term expiring at the annual meeting of our stockholders held in the third year following the year of their election. The directors of each class will hold office until the expiration of the term of such class and their respective successors are elected and qualified or until such director's earlier death, resignation or removal.

The following lists the nominees for election as directors at the annual meeting and includes as to each person how long such person has been a director of our company, such person's professional background, other public company directorships and other factors considered in the determination that such person possesses the requisite qualifications and skills to serve as a member of our board of directors. The number of shares of our capital stock beneficially owned by each director is set forth in this proxy statement under the caption ''Security Ownership of Certain Beneficial Owners and Management—Security Ownership of Management.''

Nominees for Election as Class I Directors

John C. Malone

- *Age:* 77
- Chairman of the Board of our company.
- *Professional Background:* Mr. Malone has served as the Chairman of the Board of our company since March 2018. He served as Chairman of the Board of Qurate Retail, including its predecessor, from its inception in 1994 until March 2018 and served as Qurate Retail's Chief Executive Officer from August 2005 to February 2006. Mr. Malone served as Chairman of the Board of Tele-Communications, Inc. (**TCI**)

from November 1996 until March 1999, when it was acquired by AT&T Corp., and as Chief Executive Officer of TCI from January 1994 to March 1997.

- *Other Public Company Directorships:* Mr. Malone has served as (i) Chairman of the Board of Liberty Media Corporation (**Liberty Media**) (including its predecessor) since August 2011 and as a director since December 2010, (ii) the Chairman of the Board of Liberty Broadband Corporation (**Liberty Broadband**) since November 2014, (iii) the Chairman of the Board of Liberty Global plc (**LGP**) since June 2013, having previously served as Chairman of the Board of Liberty Global, Inc. (**LGI**), LGP's predecessor, from June 2005 to June 2013, Chairman of the Board of LGI's predecessor, Liberty Media International, Inc. (**LMI**) from March 2004 to June 2005 and a director of UnitedGlobalCom, Inc., now a subsidiary of LGP, from January 2002 to June 2005, (iv) a director of Discovery, Inc. (**Discovery**), which was formerly known as Discovery Communications, Inc. (**Discovery Communications**), since September 2008, and a director of Discovery Communications' predecessor Discovery Holding Company (**DHC**), from May 2005 to September 2008 and as Chairman of the Board from March 2005 to September 2008, (v) a director of Charter Communications, Inc. (**Charter**) since May 2013, (vi) a director of Lions Gate Entertainment Corp. since March 2015, (vii) Chairman of the Board of Liberty Expedia Holdings, Inc. (**Liberty Expedia**) since November 2016, (viii) a director of Liberty Latin America Ltd. since December 2017 and (ix) a director of Qurate Retail (including its predecessor) since 1994 and served as Chairman of the Board of Qurate Retail (including its predecessor) from 1994 to March 2018. Previously, he served as (i) a director of Expedia, Inc. from December 2012 to December 2017, having previously served as a director from August 2005 to November 2012, (ii) the Chairman of the Board of Liberty TripAdvisor Holdings, Inc. (**Liberty TripAdvisor**) from August 2014 to June 2015, (iii) a director of Sirius XM Holdings Inc. (**Sirius XM**) from April 2009 to May 2013, (iv) a director of Ascent Capital Group, Inc. from January 2010 to September 2012, (v) a director of Live Nation Entertainment, Inc. (**Live Nation**) from January 2010 to February 2011, (vi) Chairman of the Board of DIRECTV and its predecessors from February 2008 to June 2010 and (vii) a director of IAC/InterActive Corp from May 2006 to June 2010.
- *Board Membership Qualifications:* Mr. Malone, as President of TCI, co-founded Qurate Retail's former parent company and is considered one of the preeminent figures in the media and telecommunications industry. He is well known for his sophisticated problem solving and risk assessment skills.

Richard R. Green

- *Age:* 80
- A director of our company.
- *Professional Background:* Dr. Green has served as a director of our company since March 2018. For over 20 years, Dr. Green served as President and Chief Executive Officer of CableLabs® before retiring in December 2009. Prior to joining CableLabs®, he was a senior vice president at PBS from 1984 through 1988, and served as a director of CBS's Advanced Television Technology Laboratory from 1980 through 1983. Dr. Green is a Professor of Engineering and Director of the Center of Technology and Innovation at the University of Denver. He also serves as a director of Jones/NCTI, a Jones Knowledge Company, which is a workforce performance solutions company for individuals and broadband companies.
- *Other Public Company Directorships:* Dr. Green has served as a director of Liberty Broadband since November 2014 and a director of LGP and its predecessors since December 2008. He has also served as a director of Shaw Communications, Inc., a telecommunications company based in Canada, since 2010.
- *Board Membership Qualifications:* Dr. Green brings to our board his extensive professional and executive background and his particular knowledge and experience in the complex and rapidly changing field of technology for broadband communications services, which contributes to our company's evaluation of technological initiatives and challenges and strengthens the board's collective qualifications, skills and attributes.

Nominees for Election as Class II Directors

Ronald A. Duncan

- *Age:* 65
- A director of our company.
- *Professional Background:* Mr. Duncan is a co-founder of our predecessor, Old GCI Liberty, and has served as a director on our board, including the board of our predecessor, since 1979. Mr. Duncan has served as the President and Chief Executive Officer of our subsidiary, GCI Holdings, LLC (**GCI Holdings**) since March 2018. Mr. Duncan served as Chief Executive Officer of our predecessor from January 1989 to March 2018 and as its President from January 1989 to August 2017.
- *Other Public Company Directorships:* None.
- *Board Membership Qualifications:* Mr. Duncan brings to our board significant financial and operational experience in the telecommunications industry as the co-founder of our predecessor and its former chief executive officer and President.

Donne F. Fisher

- *Age:* 79
- A director of our company.
- *Professional Background:* Mr. Fisher has served as a director of our company since March 2018, as a director of our predecessor from 1980 to December 2005 and as Chairman of the Board of our predecessor from June 2002 to December 2005. Mr. Fisher has served as President of Fisher Capital Partners, Ltd., a venture capital partnership, since December 1991. Mr. Fisher also served in various positions at TCI from 1968 to 1996 including as Executive Vice President of TCI from January 1994 to January 1996 and served as a consultant to TCI, including its successors AT&T Broadband LLC and Comcast Corporation, from 1996 to December 2005.
- *Other Public Company Directorships:* Mr. Fisher served as a director of Liberty Broadband from November 2014 to June 2015 and served as a director of Liberty Media (including its predecessor) from September 2011 to June 2015. Mr. Fisher served as a director of our predecessor from 1980 to December 2005, as a director of LMI from May 2004 to June 2005 and as a director of Qurate Retail from October 2001 to September 2011. Mr. Fisher was also Chairman of the Board of our predecessor from June 2002 to December 2005.
- *Board Membership Qualifications:* Mr. Fisher brings extensive industry experience to our board and a critical perspective on its business, having held several executive positions over many years with TCI, having previously served as a director of Qurate Retail, Liberty Media, Liberty Broadband and our predecessor. In addition, Mr. Fisher's financial expertise includes a focus on venture capital investment, which is different from the focus of our other board members and helpful to our board in formulating investment objectives and determining the growth potential of businesses both within our company and those that the board evaluates for investment purposes.

Nominees for Election as Class III Directors

Gregory B. Maffei

- *Age:* 57
- Chief Executive Officer, President and a director of our company.
- *Professional Background:* Mr. Maffei has served as a director and the President and Chief Executive Officer of our company since March 2018. He has served as the President and Chief Executive Officer of Liberty Media (including its predecessor) since May 2007, Liberty TripAdvisor since July 2013 and Liberty Broadband since June 2014. He has served as the Chairman of the Board of Qurate Retail (including its predecessor), since March 2018, and as a director of Qurate Retail (including its predecessor) since November 2005, and he served as the President and Chief Executive Officer of Qurate Retail (including

its predecessor) from February 2006 to March 2018, having served as its CEO-Elect from November 2005 through February 2006. Prior thereto, Mr. Maffei served as President and Chief Financial Officer of Oracle Corporation (**Oracle**), Chairman, President and Chief Executive Officer of 360networks Corporation (**360networks**), and Chief Financial Officer of Microsoft Corporation (**Microsoft**).

- *Other Public Company Directorships:* Mr. Maffei has served as (i) a director of Liberty Media (including its predecessor) since May 2007, (ii) a director of Liberty TripAdvisor since July 2013 and as its Chairman of the Board since June 2015, (iii) a director of Liberty Broadband since June 2014 and (iv) Chairman of the Board of Qurate Retail since March 2018 and a director of Qurate Retail (including its predecessor) since November 2005. He has served as (i) the Chairman of the Board of Sirius XM since April 2013 and as a director since March 2009, (ii) the Chairman of the Board of Live Nation since March 2013 and as a director since February 2011, (iii) the Chairman of the Board of TripAdvisor, Inc. since February 2013, (iv) a director of Charter since May 2013, (v) a director of Zillow Group, Inc. since February 2015, having previously served as a director of its predecessor, Zillow, Inc., from May 2005 to February 2015 and (vi) the Chairman of the Board of Pandora Media, Inc. since September 2017. Mr. Maffei served as (i) Chairman of the Board of Starz from January 2013 until its acquisition by Lions Gate Entertainment Corp. in December 2016, (ii) a director of Barnes & Noble, Inc. from September 2011 to April 2014, (iii) a director of Electronic Arts, Inc. from June 2003 to July 2013 and (iv) a director of DIRECTV and its predecessors from February 2008 to June 2010.
- *Board Membership Qualifications:* Mr. Maffei brings to our board significant financial and operational experience based on his current senior policy making positions at our company, Liberty Media, Qurate Retail, Liberty TripAdvisor, and Liberty Broadband and his previous executive positions at Oracle, 360networks and Microsoft. In addition, Mr. Maffei has extensive public company board experience. He provides our board with an executive leadership perspective on the strategic planning for, and operations and management of, large public companies and risk management principles.

Sue Ann Hamilton

- *Age:* 57
- A director of our company.
- *Professional Background:* As Principal of the consultancy Hamilton Media LLC (**Hamilton Media**), Ms. Hamilton advises and represents major media and technology companies. In this role, she serves as Executive Vice President—Distribution and Business Development for AXS TV LLC, a partnership between founder Mark Cuban, AEG, Ryan Seacrest Media, Creative Artists Agency and CBS, and she represents The Mark Cuban Companies/Radical Ventures as board observer for Philo, Inc., a privately held technology company. Prior to launching Hamilton Media, from 2003 until 2007, she served as Executive Vice President—Programming and Senior Vice President—Programming for Charter, the cable and internet service provider. Before her work at Charter, she held numerous management positions at AT&T Broadband LLC and its predecessor, TCI, dating back to 1993. Prior to her career in technology, media, and telecommunications, she was a partner at Chicago-based law firm Kirkland & Ellis, specializing in complex commercial transactions. She received her J.D. degree from Stanford Law School, where she was Associate Managing Editor of the Stanford Law Review and Editor of the Stanford Journal of International Law. She is a magna cum laude graduate of Carleton College in Northfield, Minnesota.
- *Other Public Company Directorships:* Ms. Hamilton has served as a director of FTD since December 2014.
- *Board Membership Qualifications:* As a result of her extensive management experience, Ms. Hamilton brings to our board significant leadership, oversight and consulting skills, as well as experience in the media, technology and legal fields.

Gregg L. Engles

- *Age:* 60
- A director of our company.
- *Professional Background:* Mr. Engles has served as a director of our company since March 2018. He has served as a partner of Capitol Peak Partners since he founded it in August 2017. He previously served as (i) Chairman of the Board and Chief Executive Officer of The WhiteWave Foods Company (**WhiteWave**) from October 2012 until its acquisition by Danone in April 2017 and (ii) Chief Executive Officer of Dean Foods Company, WhiteWave's former parent company, from April 1996 until WhiteWave's initial public offering in October 2012.
- *Other Public Company Directorships:* Mr. Engles has served as a director of Liberty Expedia since November 2016. Mr. Engles previously served as a director and Chairman of the Board of Dean Foods Company from April 1996 to July 2013, except when he served as its Vice-Chairman from January 2002 to May 2002. He also served as a director of Treehouse Foods, Inc. from June 2005 to May 2008.
- *Board Membership Qualifications:* Mr. Engles offers our board significant operational experience gained through his senior leadership positions at WhiteWave and other large public companies. He provides our board with executive leadership perspective on the operations and management of public companies, which will assist our board in evaluating strategic opportunities.

VOTE AND RECOMMENDATION

A plurality of the combined voting power of the outstanding shares of our capital stock present in person or represented by proxy at the annual meeting and entitled to vote on the election of directors at the annual meeting, voting together as a single class, is required to elect each of John C. Malone, Gregory B. Maffei, Ronald A. Duncan, Gregg L. Engles, Donne F. Fisher, Richard R. Green and Sue Ann Hamilton as a member of our board of directors.

Our board of directors unanimously recommends a vote ''FOR'' the election of each nominee to our board of directors.

PROPOSAL 2—THE AUDITORS RATIFICATION PROPOSAL

We are asking our stockholders to ratify the selection of KPMG LLP as our independent auditors for the fiscal year ending December 31, 2018.

Even if the selection of KPMG LLP is ratified, the audit committee of our board of directors in its discretion may direct the appointment of a different independent accounting firm at any time during the year if our audit committee determines that such a change would be advisable. In the event our stockholders fail to ratify the selection of KPMG LLP, our audit committee will consider it as a direction to select other auditors for the year ending December 31, 2018.

A representative of KPMG LLP is expected to be available to answer appropriate questions at the annual meeting and will have the opportunity to make a statement if he or she so desires.

CHANGE IN INDEPENDENT AUDITORS

Grant Thornton LLP (**GT**) was Old GCI Liberty's independent registered public accounting firm for the fiscal year ended December 31, 2017. On March 9, 2018, GT was replaced as our independent registered public accounting firm by KPMG LLP. The replacement of GT and approval of the appointment of KPMG LLP as our independent registered public accounting firm was approved by the audit committee of our board of directors on March 9, 2018 in connection with the closing of the Transactions and on May 11, 2018 following the completion of the Reincorporation Merger. For accounting purposes, the Transactions are treated as a reverse acquisition and, as such, the historical financial statements of the accounting acquirer, which will be audited by KPMG LLP for the fiscal years ended December 31, 2015, 2016 and 2017, have become our historical financial statements.

GT's audit report on Old GCI Liberty's financial statements for the fiscal years ended December 31, 2016 and 2017, did not contain an adverse opinion or disclaimer of opinion, nor was it qualified as to audit scope or accounting principles. During the fiscal years ended December 31, 2016 and 2017, (a) there were no ''disagreements'' (as described in Item 304(a)(1)(iv) of Regulation S-K and the related instructions) between us and GT on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedures, which disagreements, if not resolved to GT's satisfaction, would have caused GT to make reference in connection with GT's opinion to the subject matter of the disagreement; and (b) there were no ''reportable events'' as the term is described in Item 304(a)(1)(v) of Regulation S-K.

We provided GT with a copy of the disclosures made in a Current Report on Form 8-K filed with the SEC on March 14, 2018 and requested that GT furnish us with a letter addressed to the Securities and Exchange Commission (**SEC**) stating whether they agree with the above statements. The letter is filed as Exhibit 16.1 to that Current Report on Form 8-K.

During the two most recent fiscal years and the interim periods preceding the engagement, and through the date of this proxy statement, neither we nor anyone on our behalf has previously consulted with KPMG LLP regarding either (a) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on our financial statements, and neither a written report nor oral advice was provided to us that KPMG LLP concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue; or (b) any matter that was either the subject of a disagreement (as defined in paragraph 304(a)(1)(iv) of Regulation S-K and the related instructions thereto) or a reportable event (as described in paragraph 304(a)(1)(v) of Regulation S-K).

A representative of GT is expected to be available to answer appropriate questions at the annual meeting and will have the opportunity to make a statement if he or she so desires.

AUDIT FEES AND ALL OTHER FEES

The following table presents fees for professional audit services rendered by GT for the audit of Old GCI Liberty's consolidated financial statements for 2017 and 2016 and fees billed for other services rendered by GT.

	2017	2016
Audit fees(1)	$1,435,101	1,406,817
Audit related fees(2)	134,750	28,875
Audit and audit related fees	1,569,851	1,435,692
Tax fees(3)	124,693	148,397
Total fees	$1,694,544	1,584,089

(1) Consists of fees for Old GCI Liberty's annual financial statement audit, quarterly financial statement reviews, reviews of other filings by the company with the SEC, audit of Old GCI Liberty's internal control over financial reporting and for services that are normally provided by an auditor in connection with statutory and regulatory filings or engagements.

(2) Consists of fees for Form S-4 filings and the audit of the GCI 401(k) Plan and review of the related annual report on Form 11-K filed with the SEC.

(3) Consists of fees for review of Old GCI Liberty's state and federal income tax returns and consultation on various tax advice and tax planning matters.

Our audit committee has considered whether the provision of services by KPMG LLP to our company other than auditing is compatible with KPMG LLP maintaining its independence and believes that the provision of such other services is compatible with KPMG LLP maintaining its independence.

POLICY ON PRE-APPROVAL OF AUDIT AND PERMISSIBLE NON-AUDIT SERVICES OF INDEPENDENT AUDITOR

All services provided by our independent auditor during 2017 were approved in accordance with the terms of Old GCI Liberty's pre-approval policy that was in place during 2017, which provided as follows:

- all audit services provided by our external accountant had to be pre-approved by our audit committee; and
- with respect to non-audit services, the audit committee could choose any of the following options for approving such services (i) the full audit committee could consider each non-audit service, (ii) the audit committee could designate one of its members to approve a non-audit service, with that member reporting approvals to the full committee, or (iii) the audit committee could pre-approve categories of non-audit services, and if this option was chosen, the categories had to be specific enough to ensure both of the following (x) the audit committee knew exactly what it was approving and could determine the effect of such approval on auditor independence and (y) management would not find it necessary to decide whether a specific service fell within a category of pre-approved non-audit service.

VOTE AND RECOMMENDATION

The affirmative vote of a majority of the combined voting power of the outstanding shares of our capital stock that are present in person or by proxy, and entitled to vote at the annual meeting, voting together as a single class, is required to approve the auditors ratification proposal.

Our board of directors unanimously recommends a vote "FOR" the auditors ratification proposal.

PROPOSAL 3—INCENTIVE PLAN PROPOSAL

The following is a description of the material provisions of the GCI Liberty, Inc. 2018 Omnibus Incentive Plan (the **2018 incentive plan**). The summary that follows is not intended to be complete, and we refer you to the copy of the 2018 incentive plan set forth as Annex A to this proxy statement for a complete statement of its terms and provisions.

KEY FEATURES OF THE 2018 INCENTIVE PLAN

- **No Discounted Options or SARs.** Stock options and stock appreciation rights **(SARs)** may not be granted with an exercise price below fair market value.
- **Dividend Equivalents.** Only an award of restricted stock units (**RSUs**) may include dividend equivalents. With respect to a performance-based award, dividend equivalents may only be paid to the extent the underlying award is actually paid.
- **Limited Terms for Options and SARs.** The term for stock options and SARs granted under the 2018 incentive plan is limited to ten years.
- **No Transferability.** Awards generally may not be transferred, except as permitted by will or the laws of descent and distribution or pursuant to a domestic relations order, unless otherwise provided for in an award agreement.
- **Award Limitations.** In any calendar year, no employee or independent contractor may be granted awards relating to more than 1.5 million shares of our common stock or cash awards in excess of $10 million and no nonemployee director may be granted awards having a value that would be in excess of $3 million on the date of grant.

GCI LIBERTY, INC. 2018 OMNIBUS INCENTIVE PLAN

Our board determined to adopt the 2018 incentive plan in connection with the Transactions. If the 2018 incentive plan is approved, it will be the only incentive plan under which awards will be made, and no additional awards will be made under the General Communication, Inc. Amended and Restated 1986 Stock Option Plan (**Stock Option Plan**). In addition, only the eight million shares reserved under the 2018 incentive plan (as described below) will be available for grant. The 2018 incentive plan is structured as an omnibus plan under which awards may be made to our company's officers, employees, independent contractors and nonemployee directors and employees of Liberty Media or Qurate Retail providing services to us. A summary of certain terms of the 2018 incentive plan is set forth below.

The 2018 incentive plan is administered by the compensation committee of our board of directors, other than awards granted to nonemployee directors which may be administered by our full board of directors or the compensation committee. The 2018 incentive plan is designed to provide additional remuneration to eligible officers and employees of our company, our nonemployee directors and independent contractors and employees of Liberty Media or Qurate Retail providing services to us and to encourage their investment in our capital stock, thereby increasing their proprietary interest in our business. The 2018 incentive plan is also intended to (1) attract persons of exceptional ability to become our officers and employees, and (2) induce directors, independent contractors and employees of Liberty Media or Qurate Retail providing services to us to provide services to us. Such persons will be eligible to participate in and may be granted awards under the 2018 incentive plan. The number of individuals who will receive awards under the 2018 incentive plan will vary from year to year and will depend on various factors, such as the number of promotions and our hiring needs during the year and exceptional or extraordinary performance. Although we cannot predict the number of future award recipients, we estimate that there will be approximately four nonemployee directors of our company and 500 employees of our company (including employees of GCI Holdings and its subsidiaries) who will be eligible to receive awards under the 2018 incentive plan. We do not currently anticipate granting any awards under the 2018 incentive plan to independent contractors of our company. For the avoidance of doubt, employees and nonemployee directors of any of our affiliates may not participate in the 2018 incentive plan based solely upon their status at any such affiliate.

Under the 2018 incentive plan, the compensation committee may grant non-qualified stock options, SARs, restricted shares, RSUs, cash awards, performance awards or any combination of the foregoing (as used in this description of the 2018 incentive plan, collectively, **awards**). The maximum number of shares of our common stock with respect to which awards may be granted under the 2018 incentive plan is 8 million shares, subject to anti-dilution and other adjustment provisions of the 2018 incentive plan. With limited exceptions, no employee or independent contractor will be granted in any calendar year awards under the 2018 incentive plan covering more than 1.5 million shares of our common stock, subject to anti-dilution and other adjustment provisions of the 2018 incentive plan. In addition, no employee or independent contractor may receive payment for cash awards during any calendar year aggregating in excess of $10 million. No nonemployee director may be granted during any calendar year awards having a value (as determined on the grant date of such award) that would be in excess of $3 million.

Shares of our common stock issuable pursuant to awards made under the 2018 incentive plan will be made available from either authorized but unissued shares of our common stock or shares of our common stock that we have issued but reacquired, including shares purchased in the open market. Shares of our common stock that are subject to (i) any award granted under the 2018 incentive plan that expires, terminates or is cancelled or annulled for any reason without having been exercised, (ii) any award of any SARs granted under the 2018 incentive plan the terms of which provide for settlement in cash, and (iii) any award of restricted shares or RSUs granted under the 2018 incentive plan that shall be forfeited prior to becoming vested, will once again be available for issuance under the 2018 incentive plan. Shares of our common stock that are (i) not issued or delivered as a result of the net settlement of an outstanding option or SAR, (ii) used to pay the purchase price or withholding taxes relating to an outstanding award, or (iii) repurchased in the open market with the proceeds of an option purchase price will not again be made available for issuance under the 2018 incentive plan.

Subject to the provisions of the 2018 incentive plan, the compensation committee is authorized to establish, amend and rescind such rules and regulations as it deems necessary or advisable for the proper administration of the 2018 incentive plan and to take such other action in connection with or in relation to the 2018 incentive plan as it deems necessary or advisable.

Unless otherwise determined by the compensation committee and expressly provided for in an agreement, awards are not transferrable except as permitted by will or the laws of descent and distribution or pursuant to a domestic relations order.

Stock Options. Non-qualified stock options awarded under the 2018 incentive plan will entitle the holder to purchase a specified number of shares of a series of our common stock at a specified exercise price subject to the terms and conditions of the applicable option grant. The exercise price of an option awarded under the 2018 incentive plan may be no less than the fair market value of the shares of the applicable series of our common stock as of the day the option is granted. The term of an option may not exceed ten years; however, if the term of an option expires when trading in our common stock is prohibited by law or our company's policy, the option will expire on the 30th day after the expiration of such prohibition. The compensation committee will determine, and each individual award agreement will provide, (1) the series and number of shares of our common stock subject to the option, (2) the per share exercise price, (3) whether that price is payable in cash, by check, by promissory note, in whole shares of any series of our common stock, by the withholding of shares of our common stock issuable upon exercise of the option, by cashless exercise, or any combination of the foregoing, (4) other terms and conditions of exercise, (5) restrictions on transfer of the option and (6) other provisions not inconsistent with the 2018 incentive plan. Dividend equivalents will not be paid with respect to any stock options.

Stock Appreciation Rights. A SAR awarded under the 2018 incentive plan entitles the recipient to receive a payment in stock or cash equal to the excess of the fair market value (on the day the SAR is exercised) of a share of the applicable series of our common stock with respect to which the SAR was granted over the base price specified in the grant. A SAR may be granted to an option holder with respect to all or a portion of the shares of our common stock subject to a related stock option (a **tandem SAR**) or granted separately to an eligible person (a **free standing SAR**). Tandem SARs are exercisable only at the time and to the extent that the related stock option is exercisable. Upon the exercise or termination of the related stock option, the related tandem SAR will be automatically cancelled to the extent of the number of shares of our common stock with respect to which the related stock option was so exercised or terminated. The base price of a tandem SAR is equal to the exercise price of the related stock option. Free standing SARs are exercisable at the time and upon the terms and conditions provided in the relevant award agreement. The term of a free standing SAR may not exceed ten years; however, if the term of a free standing SAR expires when trading in our common stock is prohibited by law or our company's policy, the free standing SAR will expire on the 30th day after the expiration of such prohibition. The base price of a free standing SAR may be no less than the fair market value of a share of the applicable series of our common stock as of the day the SAR is granted. Dividend equivalents will not be paid with respect to any SARs.

Restricted Shares and RSUs. Restricted shares are shares of our common stock that become vested and may be transferred upon completion of the restriction period. The compensation committee will determine, and each individual award agreement will provide, (1) the price, if any, to be paid by the recipient of the restricted shares, (2) whether dividends or distributions paid with respect to restricted shares will be retained by us during the restriction period (**retained distributions**), (3) whether the holder of the restricted shares may be paid a cash amount any time after the shares become vested, (4) the vesting date or vesting dates (or basis of determining the same) for the award and (5) other terms and conditions of the award. The holder of an award of restricted shares, as the registered owner of such shares, may vote the shares.

A RSU is a unit evidencing the right to receive, in specified circumstances, one share of the specified series of our common stock, or, in the discretion of the company, its cash equivalent, subject to a restriction period or forfeiture conditions. The compensation committee will be authorized to award RSUs based upon the fair market value of shares of any series of our common stock under the 2018 incentive plan. The compensation committee will determine, and each individual award agreement will provide, the terms, conditions, restrictions, vesting requirements and payment rules for awards of RSUs, including whether the holder will be entitled to dividend equivalent payments with respect to the RSUs. RSUs will be issued at the beginning of the restriction period and holders will not be entitled to shares of our common stock covered by RSU awards until such shares are issued to the holder at the end of the restriction period.

Upon the applicable vesting date, all or the applicable portion of restricted shares or RSUs will vest, any retained distributions or unpaid dividend equivalents with respect to the restricted shares or RSUs will vest to the extent that the awards related thereto have vested, and any cash amount to be received by the holder with respect to the restricted shares or RSUs will become payable, all in accordance with the terms of the individual award agreement. The compensation committee may permit a holder to elect to defer delivery of any restricted shares or RSUs that become vested and any related cash payments, retained distributions or dividend equivalents, provided that such deferral elections are made in accordance with Section 409A of the Internal Revenue Code of 1986, as amended (the **Code**).

Cash Awards. The compensation committee will also be authorized to provide for the grant of cash awards under the 2018 incentive plan. A cash award is a bonus paid in cash that may be based upon the attainment of one or more performance goals over a performance period established by the compensation committee. The terms, conditions and limitations applicable to any cash awards will be determined by the compensation committee.

Performance Awards. At the discretion of the compensation committee, any of the above-described awards may be designated as a performance award. All cash awards shall be designated as performance awards. Performance awards are contingent upon performance measures applicable to a particular period, as established by the compensation committee and set forth in individual agreements, based upon any one or more of the following business criteria:

- increased revenue;
- net income measures (including income after capital costs and income before or after taxes);
- stock price measures (including growth measures and total stockholder return);
- price per share of our common stock;

- market share;
- earnings per share (actual or targeted growth);
- earnings before interest, taxes, depreciation and amortization (EBITDA);
- operating income before depreciation and amortization (OIBDA);
- economic value added (or an equivalent metric);
- market value added;
- debt to equity ratio;
- cash flow measures (including cash flow return on capital, cash flow return on tangible capital, net cash flow and net cash flow before financing activities);
- return measures (including return on equity, return on average assets, return on capital, risk-adjusted return on capital, return on investors' capital and return on average equity);
- operating measures (including operating income, funds from operations, cash from operations, after-tax operating income, sales volumes, production volumes and production efficiency);
- expense measures (including overhead cost and general and administrative expense);
- margins;
- stockholder value;
- total stockholder return;
- proceeds from dispositions;
- total market value; and
- corporate values measures (including ethics compliance, environmental and safety).

Performance measures may apply to the award recipient, to one or more business units, divisions or subsidiaries of our company or an applicable sector of our company, or to our company as a whole. Goals may also be based on performance relative to a peer group of companies. A performance measure need not be based upon an increase or positive result under a particular business criterion and could include, for example, maintaining the status quo or limiting economic losses (measured, in each case, by reference to specific business criteria). If the compensation committee determines that the performance award may be granted and administered in a manner that preserves the deductibility of the compensation resulting from such award in accordance with Section 162(m) of the Code and the compensation committee determines, in its discretion, that the award should be designed accordingly, then the compensation committee will follow procedures necessary to allow such award to achieve this result. For more information on Section 162(m) of the Code and the repeal of the qualified performance-based compensation exception, see ''—U.S. Federal Income Tax Consequences of Awards Granted under the 2018 Incentive Plan—Certain Tax Code Limitations on Deductibility'' below.

Awards Generally. Awards under the 2018 incentive plan may be granted either individually, in tandem or in combination with each other. Where applicable, the securities underlying, or relating to, awards granted under the 2018 incentive plan may be shares of our common stock as provided in the relevant grant. The closing price of GLIBA shares was $43.56, as of May 16, 2018. The closing price of GLIBB shares was $43.50 on May 7, 2018, the last day on which a sale occurred. Under certain conditions, including the occurrence of certain approved transactions, a board change or a control purchase (all as defined in the 2018 incentive plan), options and SARs will become immediately exercisable, and the restrictions on restricted shares and RSUs will lapse, unless individual agreements state otherwise or the compensation committee determines in connection with an approved transaction that the vesting and exercisability of awards will not accelerate because action has been taken to provide for a substantially equivalent substitute award. At the time an award is granted, the compensation committee will determine, and the relevant agreement will provide for, any vesting or early termination, upon a holder's termination of employment or service with our company, of any unvested options, SARs, RSUs or restricted shares and the period during which any vested options and SARs must be exercised. Unless otherwise provided in the relevant agreement, (1) no option or SAR may be exercised after its scheduled expiration date (however, if the term of an option or SAR expires when trading in our common stock is prohibited by law or our company's insider trading policy, then the term of such option or SAR shall expire on the 30th day after the expiration of such prohibition), (2) if the holder's service terminates by reason of death or disability (as defined in the 2018 incentive plan), his or her options or SARs shall remain exercisable for a period of at least one year following such termination (but not later than the scheduled expiration date) and (3) any termination of the holder's service for ''cause'' (as defined in the 2018 incentive plan) will result in the immediate termination of all options and SARs and the forfeiture of all rights to any restricted shares, RSUs, retained distributions, unpaid dividend equivalents and related cash amounts held by such terminated holder. If a holder's service terminates due to death or disability, options and SARs will become immediately exercisable, and the restrictions on restricted shares and RSUs will lapse and become fully vested, unless individual agreements state otherwise.

Adjustments. The number and kind of shares of our common stock that may be awarded or otherwise made subject to awards under the 2018 incentive plan, the number and kind of shares of our common stock covered by outstanding awards and the purchase or exercise price and any relevant appreciation base with respect to any of the foregoing will be subject to appropriate adjustment as the compensation committee deems equitable, in its sole discretion, in the event (1) we subdivide the outstanding shares of any series of our common stock into a greater number of shares of such series of common stock, (2) we combine the outstanding shares of any series of our common stock into a smaller number of shares of such series of common stock or (3) there is a stock dividend, extraordinary cash dividend, reclassification, recapitalization, reorganization, stock redemption, split-up, spin-off, combination, exchange of shares, warrants or rights offering to purchase any series of our common stock, or any other similar corporate event (including mergers or consolidations, other than approved transactions (as defined in the 2018 incentive plan) for which other provisions are made pursuant to the 2018 incentive plan). In addition, in the event of a merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation, the compensation committee has the discretion to (i) provide, prior to the transaction, for the acceleration of vesting and exercisability, or lapse of restrictions, with respect to the awards, or in the case of a cash merger, termination of unexercised awards, or (ii) cancel such awards and deliver cash to holders based on the fair market value of such awards as determined by the compensation committee, in a manner that is in compliance with the requirements of Section 409A of the Code. If the purchase price of options or the base price of SARs, as applicable, is greater than the fair market value of such options or SARs, the options or SARs may be canceled for no consideration.

Amendment and Termination. The 2018 incentive plan will terminate on the fifth anniversary of the plan's effective date (which is March 9, 2018) unless earlier terminated by the compensation committee. The compensation committee may suspend, discontinue, modify or amend the 2018 incentive plan at any time prior to its termination, except that outstanding awards may not be amended to reduce the purchase or base price of outstanding options or SARs. However, before an amendment may be made that would adversely affect a participant who has already been granted an award, the participant's consent must be obtained.

U.S. FEDERAL INCOME TAX CONSEQUENCES OF AWARDS GRANTED UNDER THE 2018 INCENTIVE PLAN

The following is a summary of the U.S. federal income tax consequences that generally will arise with respect to awards granted under the 2018 incentive plan and with respect to the sale of any shares of our common stock acquired under the 2018 incentive plan. This general summary does not purport to be complete, does not describe any state, local or non-U.S. tax consequences, and does not address issues related to the tax circumstances of any particular recipient of an award under the 2018 incentive plan.

Non-Qualified Stock Options; SARs. Holders will not recognize taxable income upon the grant of a non-qualified stock option or a SAR. Upon the exercise of a non-qualified stock option or a SAR, the holder will recognize ordinary income (subject to withholding, if applicable) in an amount equal to the excess of (1) the fair market value on the date of exercise of the shares received over (2) the exercise price or base price (if any) he or she paid for the shares. The holder will generally have a tax basis in any shares of our common stock received pursuant to the exercise of a SAR, or pursuant to the cash exercise of a non-qualified stock option, that equals the fair market value of such shares on the date of exercise. The disposition of the shares of our common stock acquired upon exercise of a non-qualified stock option will ordinarily result in capital gain or loss. We are entitled to a deduction in an amount equal to the income recognized by the holder upon the exercise of a non-qualified stock option or SAR.

Cash Awards; RSUs; Restricted Shares. A holder will recognize ordinary compensation income upon receipt of cash pursuant to a cash award or, if earlier, at the time such cash is otherwise made available for the holder to draw upon it, and we will have a corresponding deduction for federal income tax purposes, subject to certain limits on deductibility discussed below. A holder will not have taxable income upon the grant of a RSU but rather will generally recognize ordinary compensation income at the time the award is settled in an amount equal to the fair market value of the shares received, at which time we will have a corresponding deduction for federal income tax purposes, subject to certain limits on deductibility discussed below.

Generally, a holder will not recognize taxable income upon the grant of restricted shares, and we will not be entitled to any federal income tax deduction upon the grant of such award. The value of the restricted shares will generally be taxable to the holder as compensation income in the year or years in which the restrictions on the shares of common stock lapse. Such value will equal the fair market value of the shares on the date or dates the restrictions terminate. A holder, however, may elect pursuant to Section 83(b) of the Code to treat the fair market value of the shares subject to the restricted share award on the date of such grant as compensation income in the year of the grant of the restricted share award. The holder must make such an election pursuant to Section 83(b) of the Code within 30 days after the date of grant. If such an election is made and the holder later forfeits the restricted shares to us, the holder will not be allowed to deduct, at a later date, the amount such holder had earlier included as compensation income. In any case, we will receive a deduction for federal income tax purposes corresponding in amount to the amount of compensation included in the holder’s income in the year in which that amount is so included, subject to certain limits on deductibility discussed below.

A holder who is an employee will be subject to withholding for federal, and generally for state and local, income taxes at the time the holder recognizes income under the rules described above with respect to the cash or the shares of our common stock received pursuant to awards. Dividends that are received by a holder prior to the time that the restricted shares are taxed to the holder under the rules described in the preceding paragraph are taxed as additional compensation, not as dividend income. The tax basis of a holder in the shares of our common stock received will equal the amount recognized by the holder as compensation income under the rules described in the preceding paragraph, and the holder’s holding period in such shares will commence on the date income is so recognized.

Certain Tax Code Limitations on Deductibility. In order for us to deduct the amounts described above, such amounts must constitute reasonable compensation for services rendered or to be rendered and must be ordinary and necessary business expenses. The ability to obtain a deduction for awards under the 2018 incentive plan could also be limited by Section 280G of the Code, which provides that certain excess parachute payments made in connection with a change in control of an employer are not deductible. The ability to obtain a deduction for amounts paid under the 2018 incentive plan could also be affected by Section 162(m) of the Code, which limits the deductibility, for U.S. federal income tax purposes, of compensation paid to certain employees to $1 million during any taxable year. Following the enactment of the Tax Cuts and Jobs Act of 2017, beginning with the 2018 calendar year, the executives potentially affected by the limitations of Section 162(m) of the Code has been expanded and there is no longer any exception for qualified performance-based compensation. The transition rules in effect for binding contracts in effect on November 2, 2017 provides that performance-based awards will maintain their exemption from the $1 million annual deduction limitation for so long as such contracts are not materially modified, even though the compensation deduction for such awards would not occur until after 2017. However, portions of the compensation we pay to the named executive officers may not be deductible due to the application of Section 162(m) of the Code. Our compensation committee believes that the lost deduction on compensation payable in excess of the $1 million limitation for the named executive officers is not material relative to the benefit of being able to attract and retain talented management.

Code Section 409A. Section 409A of the Code generally provides that any deferred compensation arrangement must satisfy specific requirements, both in operation and in form, regarding (1) the timing of payment, (2) the advance election of deferrals, and (3) restrictions on the acceleration of payment. Failure to comply with Section 409A of the Code may result in the early taxation (plus interest) to the participant of deferred compensation and the imposition of a 20% penalty on the participant on such deferred amounts included in the participant's income. We intend to structure awards under the 2018 incentive plan in a manner that is designed to be exempt from or comply with Section 409A of the Code.

NEW PLAN BENEFITS

Due to the nature of the 2018 incentive plan and the discretionary authority afforded the compensation committee in connection with the administration thereof, we cannot determine or predict the value, number or type of awards to be granted pursuant to the 2018 incentive plan.

Prior to the date of this proxy statement, we have granted awards of stock options under the 2018 incentive plan to purchase 4,848 shares of GLIBA to Donne F. Fisher, a nonemployee director, and 1,555 RSUs to each of Gregg L. Engles, Richard R. Green and Sue Ann Hamilton, each of whom is a nonemployee director, with respect to shares of GLIBA, which results in 7,990,487 shares of our common stock being available for future grants. The exercise price of the stock options granted to Donne F. Fisher under the 2018 incentive plan is $42.99 per share, and these options have a term of seven years.

VOTE AND RECOMMENDATION

The affirmative vote of a majority of the combined voting power of the outstanding shares of our capital stock that are present in person or by proxy, and entitled to vote at the annual meeting, voting together as a single class, is required to approve the 2018 incentive plan proposal.

Our board of directors unanimously recommends a vote "FOR" the approval of the GCI Liberty, Inc. 2018 Omnibus Incentive Plan.

MANAGEMENT AND GOVERNANCE MATTERS

EXECUTIVE OFFICERS

The following lists the executive officers of our company (other than Gregory B. Maffei, our President and Chief Executive Officer, and John C. Malone, our Chairman of the Board, who also serve as directors of our company and who are listed under ''Proposal 1—The Election of Directors Proposal''), their ages and a description of their business experience, including positions held with our company. All positions referenced in the table below with our company include, where applicable, positions with our predecessors.

Name	Positions
Richard N. Baer Age: 61	Mr. Baer has served as Chief Legal Officer of our company since March 2018, Qurate Retail, Liberty Media, Liberty TripAdvisor and Liberty Broadband since January 2016 and Liberty Expedia since March 2016. He previously served as Senior Vice President and General Counsel of Qurate Retail and Liberty Media from January 2013 to December 2015, Liberty TripAdvisor from July 2013 to December 2015 and Liberty Broadband from June 2014 to December 2015. Previously, Mr. Baer served as Executive Vice President and Chief Legal Officer of UnitedHealth Group Incorporated from May 2011 to December 2012. He served as Executive Vice President and General Counsel of Qwest Communications International Inc. from December 2002 to April 2011 and Chief Administrative Officer from August 2008 to April 2011.
Albert E. Rosenthaler Age: 58	Mr. Rosenthaler has served as Chief Corporate Development Officer of our company since March 2018, and Qurate Retail, Liberty Media, Liberty TripAdvisor, Liberty Broadband and Liberty Expedia since October 2016. He previously served as Chief Tax Officer of, Qurate Retail, Liberty Media, Liberty TripAdvisor and Liberty Broadband from January 2016 to September 2016 and Liberty Expedia from March 2016 to September 2016. He previously served as a Senior Vice President of Qurate Retail (including its predecessor) from April 2002 to December 2015, Liberty Media (including its predecessor) from May 2007 to December 2015, Liberty TripAdvisor from July 2013 to December 2015 and Liberty Broadband from June 2014 to December 2015.
Mark D. Carleton Age: 57	Mr. Carleton has served as Chief Financial Officer of our company since March 2018. He previously served as Treasurer of our company from March 2018 to May 2018. He has also served as Chief Financial Officer of Qurate Retail, Liberty Media and Liberty Broadband since October 2016. He previously served as Chief Development Officer of Qurate Retail, Liberty Media, Liberty Broadband and Liberty TripAdvisor from January 2016 to September 2016, as a Senior Vice President of Qurate Retail from November 2014 to December 2015, Liberty Media from January 2013 to December 2015 and Liberty Broadband from October 2014 to December 2015, and as a Senior Vice President of predecessors of Liberty Media from December 2003 to January 2013. Prior to that time, Mr. Carleton served as a partner at KPMG LLP.

Our executive officers will serve in such capacities until their respective successors have been duly elected and have been qualified, or until their earlier death, resignation, disqualification or removal from office. There is no family relationship between any of our executive officers or directors, by blood, marriage or adoption.

During the past ten years, none of our directors and executive officers has had any involvement in such legal proceedings as would be material to an evaluation of his or her ability or integrity.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended (the **Exchange Act**), requires our executive officers and directors, and persons who own more than ten percent of a registered class of our equity securities, to file reports of ownership and changes in ownership with the SEC. Officers, directors and greater than ten-percent stockholders are required by SEC regulation to furnish us with copies of all Section 16 forms they file.

Based solely on a review of the copies of the Forms 3, 4 and 5 and amendments to those forms furnished to us during our most recent fiscal year and written representations made to us by our executive officers and directors, we believe that, during the year ended December 31, 2017, all Section 16(a) filing requirements applicable to our officers, directors and greater than ten-percent beneficial owners were met, except that Mr. Martin E. Cary inadvertently filed one late Form 4 to report a sale that occurred on January 3, 2017. Mr. Gregory F. Chapados inadvertently filed one late Form 4 to report a sale that occurred on January 9, 2017. Additionally, Ms. Tina M. Pidgeon informed us that her financial adviser engaged in transactions for her account, pursuant to an investment strategy she approved for the purposes of protecting against a decline in the value of her shares of Old GCI Liberty's common stock, which should have been reported on Forms 4. On April 25, 2017, May 22, 2017, July 10, 2017, July 24, 2017, and November 24, 2017, Ms. Pidgeon made Form 4 filings reporting all such transactions.

CODE OF ETHICS

We have adopted a code of business conduct and ethics that applies to all of our employees, directors and officers, which constitutes our ''code of ethics'' within the meaning of Section 406 of the Sarbanes-Oxley Act. Our code of business conduct and ethics is available on our website at *www.gciliberty.com*.

DIRECTOR INDEPENDENCE

It is our policy that a majority of the members of our board of directors be independent of our management. For a director to be deemed independent, our board of directors must affirmatively determine that the director has no direct or indirect material relationship with us. To assist our board of directors in determining which of our directors qualify as independent for purposes of Nasdaq rules as well as applicable rules and regulations adopted by the SEC, the nominating and corporate governance committee of our board of directors follows Nasdaq's corporate governance rules on the criteria for director independence.

Our board of directors has determined that each of Gregg L. Engles, Donne F. Fisher, Richard R. Green and Sue Ann Hamilton qualifies as an independent director of our company.

On March 9, 2018, in connection with the Transactions, all of the members of Old GCI Liberty's board of directors as of immediately prior to the completion of the Transactions (the **Legacy Board**), other than Ronald A. Duncan, resigned from the board of Old GCI Liberty and new individuals were appointed to the board. The Legacy Board believed that each of its members satisfied the definition of an ''Independent Director,'' with the exception of Mr. Duncan. The term ''Independent Director'' as used by the Legacy Board meant an individual, other than one of Old GCI Liberty's executive officers or employees, and other than any other individual having a relationship which in the opinion of the board would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Accordingly, the Legacy Board believed, in the case of all board members other than Mr. Duncan, that each of them was an individual having a relationship which did not interfere with the exercise of independent judgment in carrying out the member's director responsibilities to Old GCI Liberty. In addition, the Legacy Board believed that the members of the Legacy Board audit committee were each an independent director as the term is defined in the Nasdaq corporate listing standards and were independent as defined by Rule 10A-3(b)(1) under the Exchange Act.

BOARD COMPOSITION

As described above under ''Proposal 1—The Election of Directors Proposal,'' our board is comprised of directors with a broad range of backgrounds and skill sets, including in media and telecommunications, venture capital and technology. Our board is also chronologically diverse with our members' ages spanning three to four decades. For more information on our policies with respect to board candidates, see ''—Committees of the Board of Directors—Nominating and Corporate Governance Committee'' below.

BOARD LEADERSHIP STRUCTURE

Our board has separated the positions of Chairman of the Board and Chief Executive Officer (principal executive officer). John C. Malone, one of our largest stockholders, holds the position of Chairman of the Board, leads our board and board meetings and provides strategic guidance to our Chief Executive Officer. Gregory B. Maffei, our President, holds the position of Chief Executive Officer, leads our management team and is responsible for driving the performance of our company. We believe this division of responsibility effectively assists our board in fulfilling its duties.

BOARD ROLE IN RISK OVERSIGHT

The board as a whole has responsibility for risk oversight, with reviews of certain areas being conducted by the relevant board committees. Our audit committee oversees management of financial risks and risks relating to potential conflicts of interest. Our compensation committee oversees the management of risks relating to our compensation arrangements with senior officers. Our nominating and corporate governance committee oversees risks associated with the independence of the board. These committees then provide reports periodically to the full board. The oversight responsibility of the board and its committees is enabled by management reporting processes that are designed to provide visibility to the board about the identification, assessment and management of critical risks. These areas of focus include strategic, operational, financial and reporting, succession and compensation, legal and compliance, and other risks. Our management reporting processes include regular reports from our Chief Executive Officer, which are prepared with input from our senior management team, and also include input from our Internal Audit group.

COMMITTEES OF THE BOARD OF DIRECTORS

Executive Committee

Our board of directors has established an executive committee, whose members are John C. Malone and Gregory B. Maffei. Except as specifically prohibited by the General Corporation Law of the State of Delaware, the executive committee may exercise all the powers and authority of our board of directors in the management of our business and affairs, including the power and authority to authorize the issuance of shares of our capital stock.

Compensation Committee

Our board of directors has established a compensation committee, whose chairperson is Sue Ann Hamilton and whose other members are Gregg L. Engles and Richard R. Green. Stephen M. Brett, Bridget L. Baker, Jerry A. Edgerton, Stephen R. Mooney and James M. Schneider had also served as members of the compensation committee during their tenure on the Legacy Board. See ''—Director Independence'' above.

The compensation committee reviews and approves corporate goals and objectives relevant to the compensation of our Chief Executive Officer and our other executive officers. The compensation committee also reviews and approves the compensation of our Chief Executive Officer, Chief Legal Officer, Chief Financial Officer and Chief Corporate Development Officer, and oversees the compensation of the chief executive officers of our non-public operating subsidiaries. For a description of Old GCI Liberty's past processes and policies for consideration and determination of executive compensation, including the role of the Chief Executive Officer and outside consultants in determining or recommending amounts and/or forms of compensation, see ''Executive Compensation—Compensation Discussion and Analysis.''

Our board of directors has adopted a written charter for the compensation committee, which is available on our website at *www.gciliberty.com*.

Compensation Committee Interlocks and Insider Participation

No member of our compensation committee during 2017 is or has been an officer or employee of our company, or has engaged in any related party transaction in which our company was a participant.

Nominating and Corporate Governance Committee

Our board of directors has established a nominating and corporate governance committee, whose chairman is Richard R. Green and whose other members are Gregg L. Engles and Sue Ann Hamilton. See ''—Director Independence'' above. All of the members of the Legacy Board other than Ronald A. Duncan had also served as members of the nominating & corporate governance committee during their tenure on the Legacy Board. See ''—Director Independence'' above.

The nominating and corporate governance committee identifies individuals qualified to become board members consistent with criteria established or approved by our board of directors from time to time, identifies director nominees for upcoming annual meetings, develops corporate governance guidelines applicable to our company and oversees the evaluation of our board and management.

Prior to the completion of the Reincorporation Merger, the procedures by which our shareholders could recommend candidates for director to our board of directors were governed by the restated articles of incorporation and bylaws of Old GCI Liberty and Alaska law, and we amended these procedures to comply with the General Corporation Law of Delaware, our restated certificate of incorporation and bylaws upon completion of the Reincorporation Merger.

The nominating and corporate governance committee will consider candidates for director recommended by any stockholder provided that such recommendations are properly submitted. Eligible stockholders wishing to recommend a candidate for nomination as a director should send the recommendation in writing to the Corporate Secretary, GCI Liberty, Inc., 12300 Liberty Boulevard, Englewood, Colorado 80112. Stockholder recommendations must be made in accordance with our bylaws, as discussed under ''Stockholder Proposals'' below, and contain the following information:

- the name and address of the proposing stockholder and the beneficial owner, if any, on whose behalf the nomination is being made, and documentation indicating the number of shares of our capital stock owned beneficially and of record by such person and the holder or holders of record of those shares, together with a statement that the proposing stockholder is recommending a candidate for nomination as a director;
- the candidate's name, age, business and residence addresses, principal occupation or employment, business experience, educational background and any other information relevant in light of the factors considered by the nominating and corporate governance committee in making a determination of a candidate's qualifications, as described below;
- a statement detailing any relationship, arrangement or understanding between the proposing stockholder and/or beneficial owner(s), if different, and any other person(s) (including their names) under which the proposing stockholder is making the nomination and any affiliates or associates (as defined in Rule 12b-2 of the Exchange Act) of such proposing stockholder(s) or beneficial owner (each a **Proposing Person**);

- a statement detailing any relationship, arrangement or understanding that might affect the independence of the candidate as a member of our board of directors;*
- any other information that would be required under SEC rules in a proxy statement soliciting proxies for the election of such candidate as a director;
- a representation as to whether the Proposing Person intends (or is part of a group that intends) to deliver any proxy materials or otherwise solicit proxies in support of the director nominee;*
- a representation by each Proposing Person who is a holder of record of our capital stock as to whether the notice is being given on behalf of the holder of record and/or one or more beneficial owners, the number of shares held by any beneficial owner along with evidence of such beneficial ownership and that such holder of record is entitled to vote at the annual stockholders meeting and intends to appear in person or by proxy at the annual stockholders meeting at which the person named in such notice is to stand for election;
- a written consent of the candidate to be named in the proxy statement and to serve as a director, if nominated and elected;
- a representation as to whether the Proposing Person has received any financial assistance, funding or other consideration from any other person regarding the nomination (a **Stockholder Associated Person**) (including the details of such assistance, funding or consideration);* and
- a representation as to whether and the extent to which any hedging, derivative or other transaction has been entered into with respect to our company within the last six months by, or is in effect with respect to, the Proposing Person, any person to be nominated by the proposing stockholder or any Stockholder Associated Person, the effect or intent of which transaction is to mitigate loss to or manage risk or benefit of share price changes for, or increase or decrease the voting power of, the Proposing Person, its nominee, or any such Stockholder Associated Person.

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* Indicates a change in our procedures to recommend candidates for director as discussed above.

In connection with its evaluation, the nominating and corporate governance committee may request additional information from the proposing stockholder and the candidate. The nominating and corporate governance committee has sole discretion to decide which individuals to recommend for nomination as directors.

To be nominated to serve as a director, a nominee need not meet any specific minimum criteria. However, the nominating and corporate governance committee believes that nominees for director should possess the highest personal and professional ethics, integrity, values and judgment and should be committed to the long-term interests of our stockholders. When evaluating a potential director nominee, including one recommended by a stockholder, the nominating and corporate governance committee will take into account a number of factors, including, but not limited to, the following:

- independence from management;
- his or her unique background, including education, professional experience and relevant skill sets;
- judgment, skill, integrity and reputation;
- existing commitments to other businesses as a director, executive or owner;
- personal conflicts of interest, if any; and
- the size and composition of the existing board of directors, including whether the potential director nominee would positively impact the composition of the board by bringing a new perspective or viewpoint to the board of directors.

The nominating and corporate governance committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective nominees. The nominating and corporate governance committee does not have a formal policy with respect to diversity; however, our board and the nominating and corporate governance committee believe that it is important that our board members represent diverse viewpoints.

When seeking candidates for director, the nominating and corporate governance committee may solicit suggestions from incumbent directors, management, stockholders and others. After conducting an initial evaluation of a prospective nominee, the nominating and corporate governance committee will interview that candidate if it believes the candidate might be suitable to be a director. The nominating and corporate governance committee may also ask the candidate to meet with management. If the nominating and corporate governance committee believes a candidate would be a valuable addition to our board of directors, it may recommend to the full board that candidate's nomination and election.

In connection with the completion of the Transactions and pursuant to the GCI Reorganization Agreement, Ronald A. Duncan continued on our board. The remainder of our board was recommended by Qurate Retail pursuant to the GCI Reorganization Agreement and each of John C. Malone, Gregory B. Maffei, Gregg L. Engles, Donne F. Fisher, Richard R. Green and Sue Ann Hamilton was appointed to our board, effective March 9, 2018, following a vote of the Legacy Board and will stand for election this year.

Prior to nominating an incumbent director for re-election at an annual meeting of stockholders, the nominating and corporate governance committee will consider the director's past attendance at, and participation in, meetings of the board of directors and its committees and the director's formal and informal contributions to the various activities conducted by the board and the board committees of which such individual is a member.

The members of our nominating and corporate governance committee have determined that John C. Malone, Gregory B. Maffei, Ronald A. Duncan, Gregg L. Engles, Donne F. Fisher, Richard R. Green and Sue Ann Hamilton, who are nominated for election at the annual meeting, continue to be qualified to serve as directors of our company and such nominations were approved by the entire board of directors.

Our board of directors has adopted a written charter for the nominating and corporate governance committee. Our board of directors has also adopted corporate governance guidelines, which were developed by the nominating and corporate governance committee. The charter and the corporate governance guidelines are available on our website at *www.gciliberty.com*.

Audit Committee

Our board of directors has established an audit committee, whose chairman is Gregg L. Engles and whose other members are Richard R. Green and Sue Ann Hamilton. Scott M. Fisher, William P. Glasgow and Stephen R. Mooney had also served as members of the audit committee during their tenure on the Legacy Board. See ''—Director Independence'' above.

Our board of directors has determined that Mr. Engles is an ''audit committee financial expert'' under applicable SEC rules and regulations. The audit committee reviews and monitors the corporate financial reporting and the internal and external audits of our company. The committee's functions include, among other things:

- appointing or replacing our independent auditors;
- reviewing and approving in advance the scope and the fees of our annual audit and reviewing the results of our audits with our independent auditors;
- reviewing and approving in advance the scope and the fees of non-audit services of our independent auditors;
- reviewing compliance with and the adequacy of our existing major accounting and financial reporting policies;
- reviewing our management's procedures and policies relating to the adequacy of our internal accounting controls and compliance with applicable laws relating to accounting practices;
- confirming compliance with applicable SEC and stock exchange rules; and
- preparing a report for our annual proxy statement.

Our board of directors has adopted a written charter for the audit committee, which is available on our website at *www.gciliberty.com*.

Audit Committee Information

Each member of the audit committee is an independent director as determined by our board of directors, based on the listing standards of Nasdaq. Each member of the audit committee also satisfies the SEC's independence requirements for members of audit committees. Our board of directors has determined that Mr. Engles is an ''audit committee financial expert'' under applicable SEC rules and regulations.

The audit committee reviews our financial reporting process on behalf of our board of directors. Management has primary responsibility for establishing and maintaining adequate internal controls, for preparing financial statements and for the public reporting process. Our independent auditor, KPMG LLP, is responsible for expressing opinions on the conformity of our audited consolidated financial statements with U.S. generally accepted accounting principles. Our independent auditor also expressed its opinion as to the effectiveness of our internal control over financial reporting.

The Legacy Board's audit committee reviewed and discussed with management and GT Old GCI Liberty's most recent audited consolidated financial statements, as well as management's assessment of the effectiveness of Old GCI Liberty's internal control over financial reporting and GT's evaluation of the effectiveness of Old GCI Liberty's internal control over financial reporting. The Legacy Board's audit committee also discussed with GT the matters required to be discussed by the Public Company Accounting Oversight Board Auditing Standard No. 1301, Communications with Audit Committees, including that firm's judgment about the quality of Old GCI Liberty's accounting principles, as applied in its financial reporting.

GT provided the Legacy Board's audit committee with the written disclosures and the letter required by the applicable requirements of the Public Company Accounting Oversight Board regarding GT's communications with the audit committee concerning independence, and the audit committee discussed with GT that firm's independence from the company and its subsidiaries.

Based on the reviews, discussions and other considerations referred to above, the Legacy Board's audit committee recommended to Old GCI Liberty's board of directors that the audited financial statements be included in the company's Annual Report on Form 10-K for the year ended December 31, 2017 (the **2017 Form 10-K**), which was filed on February 28, 2018 with the SEC.

The Members of the Audit Committee for the periods indicated

Stephen R. Mooney (2012 - March 2018)
Scott M. Fisher (2012 - March 2018)
William P. Glasgow (2012 - March 2018)
Gregg L. Engles (March 2018 - Present)
Richard R. Green (March 2018 - Present)
Sue Ann Hamilton (March 2018 - Present)

As indicated in the preceding three paragraphs, the Legacy Board's audit committee was responsible for and took the actions described in the preceding three paragraphs. All of such actions took place prior to the completion of the Transactions. In connection with the Transactions, all of the members of the Legacy Board, other than Ronald A. Duncan, resigned from the board of Old GCI Liberty (including the members of the audit committee), and new individuals were appointed to the board (including the audit committee). The disclosure in the preceding three paragraphs is being provided in response to the requirements of Item 407(d)(3) of Regulation S-K.

Other

Our board of directors, by resolution, may from time to time establish other committees of our board of directors, consisting of one or more of our directors. Any committee so established will have the powers delegated to it by resolution of our board of directors, subject to applicable law.

BOARD MEETINGS

During 2017, there were eight meetings of the full Legacy Board, no meeting of the Legacy Board's executive committee, two meetings of the Legacy Board's compensation committee, one meeting of the Legacy Board's nominating, corporate governance committee and four meetings of the Legacy Board's audit committee. All of the Legacy Board's members with the exception of Mr. Zinterhofer attended at least 75% of his or her board and committee meetings in 2017.

DIRECTOR ATTENDANCE AT ANNUAL MEETINGS

Our board of directors encourages all members of the board to attend each annual meeting of our stockholders. All of the ten directors then serving on the Legacy Board attended Old GCI Liberty's 2017 annual meeting of stockholders.

STOCKHOLDER COMMUNICATION WITH DIRECTORS

Our stockholders may send communications to our board of directors or to individual directors by mail addressed to our board of directors or to an individual director c/o GCI Liberty, Inc., 12300 Liberty Boulevard, Englewood, Colorado 80112. All such communications from stockholders will be forwarded to our directors on a timely basis.

EXECUTIVE SESSIONS

In 2017, the independent directors of our company, then serving, met at four executive sessions without management participation.

Any interested party who has a concern regarding any matter that it wishes to have addressed by our independent directors, as a group, at an upcoming executive session may send its concern in writing addressed to independent directors of GCI Liberty, c/o GCI Liberty, Inc., 12300 Liberty Boulevard, Englewood, Colorado 80112. The current independent directors of our company are Gregg L. Engles, Donne F. Fisher, Richard R. Green and Sue Ann Hamilton.

EXECUTIVE COMPENSATION

This section sets forth information relating to, and an analysis and discussion of, compensation paid by Old GCI Liberty to the following persons (who we collectively refer to as the **Named Executive Officers**):

- Ronald A. Duncan, the former Chief Executive Officer of Old GCI Liberty;
- Peter J. Pounds, the former Senior Vice President, Chief Financial Officer and Secretary of Old GCI Liberty;
- Martin E. Cary, the former Senior Vice President and General Manager—Business of Old GCI Liberty;
- Gregory F. Chapados, the former President and Chief Operating Officer of Old GCI Liberty; and
- Tina M. Pidgeon, the former Senior Vice President, Chief Compliance Officer, General Counsel and Governmental Affairs of Old GCI Liberty.

The Named Executive Officers were executive officers of Old GCI Liberty during the year ended, and as of, December 31, 2017 as well as prior to the completion of the Transactions. On March 9, 2018, in connection with the completion of the Transactions, (i) substantially all of the members of the Legacy Board (including the members of its compensation committee (the **Legacy CC**)) resigned from the board of Old GCI Liberty and were replaced by the current members of our board and (ii) each individual who was an executive officer of Old GCI Liberty, including the Named Executive Officers, immediately prior to the completion of the Transactions was replaced by Messrs. Maffei, Carleton, Baer and Rosenthaler, who now serve as our executive officers. The descriptions in this section with respect to the Named Executive Officers and the Legacy CC refer to such former executive officers and members of the compensation committee of Old GCI Liberty prior to the completion of the Transactions. Further, references to Old GCI Liberty refer to Old GCI Liberty prior to the completion of the Transactions (including under its prior name, General Communication, Inc.). We expect that our compensation program for the year ending December 31, 2018 will differ significantly from the 2017 compensation program of Old GCI Liberty, which is described in this section. See ''—Compensation Discussion and Analysis—Changes for 2018—Services Agreement.''

COMPENSATION DISCUSSION AND ANALYSIS

Compensation Overview

Compensation of the Named Executive Officers and directors during 2017 was subject to processes and procedures carried out through the Legacy CC (the **Compensation Program**). This compensation discussion and analysis (**Compensation Discussion and Analysis**) addresses the material elements of the Compensation Program as applied to the Named Executive Officers.

Principles of the Compensation Program

The Compensation Program was based upon the following principles (**Compensation Principles**):

- Compensation was related to performance and had to cause alignment of interests of executive officers with the long-term interests of Old GCI Liberty's shareholders.
- Compensation targets had to take into consideration competitive market conditions and provide incentives for superior performance by Old GCI Liberty.
- Actual compensation had to take into consideration Old GCI Liberty's and the executive officer's performance over the prior year and the long-term, and Old GCI Liberty's resources.
- Compensation was based upon both qualitative and quantitative factors.
- Compensation had to enable Old GCI Liberty to attract and retain management necessary to cause Old GCI Liberty to succeed.

Process

Overview

The Legacy CC reviewed and approved the base salary, incentive and other compensation of Old GCI Liberty's former Chief Executive Officer and senior executive officers, including the Named Executive Officers. The analyses and recommendations of Old GCI Liberty's Chief Executive Officer on these matters could be considered by the Legacy CC in its deliberations and approvals.

Other elements of executive compensation and benefits as described in this section were also reviewed by the Legacy CC on a regular basis.

Implementation

Discussions on executive compensation and benefits made by the Legacy CC were guided by the Compensation Principles. The elements of compensation as described later in this section were believed by the Legacy CC to be integral and necessary parts of the Compensation Program.

The Legacy CC concluded that each individual segment of each element of executive compensation was generally consistent with one or more of the Compensation Principles. The Legacy CC further concluded the amount of compensation provided by the segment was reasonable, primarily based upon a comparison of the compensation amounts and segments Old GCI Liberty provided when compared to those offered by other similar companies in its industry and market.

Old GCI Liberty's process for determining executive compensation and benefits did not involve a precise and identifiable formula or link between each element and the Compensation Principles. However, it took into consideration market practice and information provided by its management. Furthermore, it was based upon the relationship of compensation as would be paid and financial performance of Old GCI Liberty. It was also the result of discussion among the Legacy CC members and management. Ultimately it was based upon the judgment of the Legacy CC.

Each year the Legacy CC reviewed elements of compensation for each of Old GCI Liberty's senior executive officers including, for 2017, the Named Executive Officers. The Legacy CC believed it had created a framework for an effective Compensation Program. The Legacy CC modified the Compensation Program at its discretion to continue its effectiveness for motivating the senior executive officers and aligning their interests with the long-term interests of Old GCI Liberty's shareholders. Old GCI Liberty did not compare its compensation to a peer group since 2010.

Elements of 2017 Executive Compensation

Overview

For 2017, the elements of compensation in the Compensation Program were as follows:

- Base Salary;
- Old GCI Liberty's Incentive Compensation Bonus Plan (**Incentive Compensation Plan**);
- Stock Option Plan;
- Perquisites; and
- Retirement and Welfare Benefits.

As of December 31, 2017, there were no compensatory plans or arrangements providing for payments to any of the Named Executive Officers in conjunction with any termination of employment or other working relationship of such an officer with Old GCI Liberty (including without limitation, resignation, severance, retirement or constructive termination of employment of the officer). Furthermore, as of that date, there were no such plans or arrangements providing for payments to any of the Named Executive Officers in conjunction with a change of control of Old GCI Liberty or a change in such an officer's responsibilities to Old GCI Liberty.

However, in the event of a change in control, the options and restricted stock of the Named Executive Officers could vest. See ''—Potential Payments upon Termination or Change-in-Control.''

Old GCI Liberty had no requirements with respect to security ownership by its officers or directors, and it had no policies regarding hedging the economic risk of ownership of its equity. Executive officers were invited to provide their input with respect to their compensation to the Legacy CC primarily through Old GCI Liberty's former Chief Executive Officer.

A Named Executive Officer participating in the Compensation Program in 2017 could, under terms of the corresponding Incentive Compensation Plan agreement with Old GCI Liberty and pursuant to Old GCI Liberty's deferred compensation plan, elect to defer a significant portion of that compensation. In this instance, the Named Executive Officer became Old GCI Liberty's unsecured creditor. See ''—Nonqualified Deferred Compensation.''

Base Salary

Effective January 1, 2017, based upon the process previously described in this section, the base salaries reported in the Summary Compensation Table (see ''—Summary Compensation Table'') were approved by the Legacy CC.

Mr. Duncan's base salary reflects cash compensation of $925,000 per year. Mr. Duncan's duties remained unchanged during 2017.

Mr. Pounds' base salary reflects cash compensation of $400,000 per year. Mr. Pounds' duties remained unchanged during 2017.

Mr. Cary's base salary reflects cash compensation of $200,000 per year. Mr. Cary's base salary increased in 2017 from $160,000 to $200,000 to compensate him for additional responsibilities acquired when he was promoted in 2016. His duties remained unchanged during 2017.

Mr. Chapados' base salary reflects cash compensation of $450,000 per year. During 2017, Mr. Chapados was appointed as President of Old GCI Liberty.

Ms. Pidgeon's base salary reflects cash compensation of $325,000 per year. Ms. Pidgeon's duties remained unchanged during 2017.

Incentive Compensation Plan

A portion of the Company's compensation to each Named Executive Officer in 2017 related to, and was contingent upon, the officer's performance and Old GCI Liberty's financial performance and resources.

Old GCI Liberty's board approved an Incentive Compensation Plan for the Named Executive Officers (Messrs. Duncan, Pounds, Chapados, and Cary and Ms. Pidgeon) to create a framework that aligned the interests of the executive officers with the long-term interests of Old GCI Liberty's shareholders.

The Legacy CC first determined the targeted annual incentive compensation for each of them. Incentive compensation was paid out in the form of 50% cash and 50% restricted stock grants that would vest 100% at the end of three years, unless otherwise determined by the Legacy CC based on the individual circumstances of each of the Named Executive Officers. Therefore, the incentive compensation was designed to encourage the focus of these executives on long-term performance. Discretionary annual cash bonuses were intended to reward short-term performance and to make senior executive compensation packages competitive with comparable executive positions in other companies.

Incentive Compensation. The following table provides a summary of the 2017 incentive compensation targets for the Named Executive Officers:

Name	Adjusted EBITDA ($)	Discretionary ($)	Total 2017 Incentive Compensation Plan Target ($)
Ronald A. Duncan(1)	402,580	1,610,321	2,012,901
Peter J. Pounds(2)	102,375	352,625	455,000
Martin E. Cary	97,500	552,500	650,000
Gregory F. Chapados(2)	270,619	932,131	1,202,750
Tina M. Pidgeon	90,000	510,000	600,000

(1) Mr. Duncan's incentive compensation target was $150,495 lower than what was disclosed in Old GCI Liberty's 2017 Proxy Statement filed with the SEC on May 16, 2017 due to lower actual Adjusted EBITDA from the estimate used in the Proxy Statement. As disclosed in the 2017 Proxy Statement, Mr. Duncan's final incentive compensation target was calculated by multiplying the sum of his base salary, director cash compensation, estimated value of the stock grant for service as a director, and incentive compensation (**Total Compensation**) by the percentage increase in Adjusted EBITDA from Adjusted EBITDA in 2013 and adding that to his target incentive compensation.

(2) Incentive Compensation was paid out in the form of 50% cash and 50% restricted stock grants that would vest at the end of two years. The number of shares issued to Mr. Pounds and Mr. Chapados was determined by dividing the 50% of Incentive Compensation for shares by the price of Old GCI Liberty's Class A shares on December 31, 2012, which was $9.59. This arrangement was in place for Mr. Pounds and Mr. Chapados through 2017.

The following is a description of what each of these incentive compensation targets are and how they were measured.

Adjusted EBITDA. The Adjusted EBITDA goal was intended to focus the Named Executive Officers on increasing Adjusted EBITDA. Adjusted EBITDA for purposes of this goal was defined as earnings plus imputed interest on financed devices and the cash received in excess of revenue recognized for long-term roaming arrangements before net interest expense, income taxes, depreciation and amortization expense, loss on extinguishment of debt, share-based compensation expense, accretion expense, loss attributable to non-controlling interest resulting from Old GCI Liberty transactions relating to a new markets tax credit program with US Bancorp, gains and impairment losses on equity and cost method investments, and other non-cash adjustments. The goal would be achieved by Old GCI Liberty recording Adjusted EBITDA that was equal to the Adjusted EBITDA target.

The target for this metric was $321.4 million in 2017 for the Named Executive Officers who would earn their Target Incentive Compensation for this goal if the metric was achieved. In the case of the Named Executive Officers, the incentive compensation earned would be increased or decreased from the Target Incentive Compensation by 5% for each $1 million that the actual Adjusted EBITDA was above or below the Adjusted EBITDA metric.

Discretionary. The Legacy Board took various factors into account when deciding on the payout of the discretionary portion of the plan applying to the Named Executive Officers. These factors included, but were not limited to, leadership, crisis management, succession planning, strategic planning, risk management, special projects, and financial reporting.

The following table summarizes the 2017 incentive compensation achieved by the Named Executive Officers, each of whom participated in this plan. The 2017 incentive compensation was paid 50% in cash and 50% in the form of restricted stock grants that would vest at the end of three years after the grant date with the exception of Mr. Duncan who was paid 75% in cash and 25% in the form of restricted stock grants; the majority of the cash portion was paid in 2017:

Goals	Ronald A. Duncan	Peter J. Pounds	Martin E. Cary	Gregory F. Chapados	Tina M. Pidgeon
Adjusted EBITDA Goal—Target Incentive Compensation	$ 402,580	$102,375	$ 97,500	$270,619	$ 90,000
Adjusted EBITDA Goal Achievement(1)	16.8%	16.8%	16.8%	16.8%	16.8%
2017 Adjusted EBITDA Incentive Compensation Earned	$ 67,533	$ 17,173	$ 16,356	$ 45,396	$ 15,098
Discretionary	$1,610,321	$352,625	$552,500	$932,131	$510,000
Discretionary Achievement(2)	77.1%	120.1%	89.0%	93.6%	93.6%
2017 Discretionary Incentive Compensation Earned	$1,241,463	$423,393	$491,998	$872,599	$477,302
2017 Incentive Compensation Earned	$1,308,996	$440,566	$508,354	$917,995	$492,400

(1) The Adjusted EBITDA for this 2017 goal was $321.4 million for Old GCI Liberty. The Named Executive Officers would earn their Target Incentive Compensation for this goal if Old GCI Liberty had Adjusted EBITDA equal to the metric. The Target Incentive Compensation would be increased or decreased by 5% for each $1 million that the actual Adjusted EBITDA is above or below the metric. For 2017, the actual Adjusted EBITDA for purposes of this goal was $304.8 million resulting in actual Adjusted EBITDA that was $16.6 million below the metric, therefore, the earned Incentive Compensation for the Adjusted EBITDA goal was decreased by 83%.

(2) The Legacy CC considered the following factors regarding the Discretionary Achievement of the Named Executive Officers. With regard to Mr. Duncan, the Legacy CC took into account his efforts to secure certain revenue streams, his support of company procurement efforts, and his leadership for efforts to reinforce the Company's culture. With regard to Mr. Pounds, the Legacy CC considered his leadership in regards to leading an initiative to achieve savings through a procurement initiative, team development and succession planning, and his support for other corporate initiatives. With regard to Mr. Cary, the Legacy CC considered, among other things, his efforts to secure certain revenue streams, his support of Old GCI Liberty's procurement initiative, and his leadership of key initiatives within Old GCI Liberty's business. With regard to Mr. Chapados, the Legacy CC considered, among other things, his leadership of key company initiatives including reinforcing Old GCI Liberty's culture, risk management, his support of Old GCI Liberty's procurement initiative, and team development. With regard to Ms. Pidgeon, the Legacy CC considered her leadership in revenue assurance efforts, corporate risk management, supporting Old GCI Liberty's initiatives, and team development.

Stock Option Plan

Awards, if granted to the Named Executive Officers, were granted pursuant to terms of the Stock Option Plan. Awards, if granted, were granted contemporaneously with the approval of the Legacy CC, typically early in the year in question or late in the previous year as described above. See ''—Elements of Compensation—Incentive Compensation Plan.''

Old GCI Liberty adopted the Stock Option Plan in 1986. It was subsequently amended from time to time. Under the Stock Option Plan, Old GCI Liberty was authorized to grant awards and options to purchase shares of GNCMA to selected officers, directors and other employees of, and consultants or advisors to, Old GCI Liberty and its subsidiaries. Old GCI Liberty did not issue any stock options after 2010. The selection of grantees for awards under the plan was made by the Legacy CC.

The number of shares of GNCMA allocated to the Stock Option Plan was 15.7 million shares. The number of shares for which options or awards could be granted was subject to adjustment upon the occurrence of stock dividends, stock splits, mergers, consolidations and certain other changes in corporate structure or capitalization. As of December 31, 2017, 1.2 million shares had been granted subject to vesting, 6.9 million share grants had vested, 8.7 million shares had been issued upon the exercise of options under the plan, 2.3 million shares had been repurchased by the plan and 1.2 million shares remained available for additional grants under the plan.

Restricted stock awards granted under the Stock Option Plan could be subject to vesting conditions based upon service or performance criteria as the Legacy CC could specify. These specifications could include attainment of one or more performance targets. Shares acquired pursuant to such an award could not be transferred by the participant until vested. Unless otherwise provided by the Legacy CC, a participant would forfeit any shares of restricted stock where the restrictions had not lapsed prior to the participant's termination of service with Old GCI Liberty. Participants holding restricted stock would have the right to vote the shares and to receive dividends paid, if any. However, those dividends or other distributions paid in shares would be subject to the same restrictions as the original award.

The Legacy CC selected each grantee and the time of grant of an option or award and determined the terms of each grant, including the number of shares covered by each grant and the exercise price. In selecting a participant, as well as in determining these other terms and conditions of each grant, the Legacy CC took into consideration such factors as it deemed, in its sole discretion, relevant in connection with accomplishing the purpose of the plan.

Under the Stock Option Plan, Old GCI Liberty's authority to modify or amend the plan was subject to prior approval of its shareholders only in cases of increasing the number of shares of its stock allocated to, and available and reserved for, issuance under the plan, changing the class of persons eligible to receive incentive stock options or where shareholder approval was required under applicable law, regulation or rule.

Subject to these limitations, Old GCI Liberty could terminate or amend the Stock Option Plan at any time. However, no termination or amendment could affect any outstanding option or award unless expressly provided by the Legacy CC. In any event, no termination or amendment of the plan could adversely affect an outstanding option or award without the consent of the participant unless necessary to comply with applicable law, regulation or rule.

With limited exception, no maximum or minimum existed with regard to the amount, either in dollars or in numbers, of options that could be exercised in any year, either by a single optionee or by all optionees under the Stock Option Plan. At the 2002 annual meeting, Old GCI Liberty's shareholders approved an amendment to the plan placing a limitation on accumulated grants of options of not more than 500,000 shares of GNCMA per optionee per year.

With these exceptions, there were no fixed limitations on the number or amount of securities being offered, other than the practical limitations imposed by the number of employees eligible to participate in the plan and the total number of shares of stock authorized and available for granting under the plan. Shares covered by options which terminated or expired for any reason prior to their exercise were available for grant of new options pursuant to the plan.

Perquisites

Old GCI Liberty provided certain perquisites to the Named Executive Officers. The Legacy CC believed these perquisites were reasonable and appropriate and consistent with Old GCI Liberty's awareness of perquisites offered by similar publicly traded companies. The perquisites assisted in attracting and retaining the Named Executive Officers and, in the case of certain perquisites, promoted health, safety and efficiency of the Named Executive Officers. These perquisites were as follows:

- ***Use of Company Aircraft.*** Old GCI Liberty permitted employees, including the Named Executive Officers, to use Company aircraft for personal travel for themselves and their guests. Such travel generally was limited to a space available basis on flights that were otherwise business-related. Where a Named Executive Officer, or a guest of that officer, flew on a space available basis, the additional variable cost to the Company (such as fuel, catering, and landing fees) was de minimus. As a result, no amount is reflected in the Summary Compensation Table for that flight. Where the additional variable cost to the Company occured on such a flight for solely personal purposes of that Named Executive Officer or guest, that cost is included in the Summary Compensation Table entry for that officer. Because it is rare for a flight to be purely personal in nature, fixed costs (such as hangar expenses, crew salaries and monthly leases) are not included in the Summary Compensation Table. In any case, in the event such a cost was non-deductible by Old GCI Liberty under the Internal Revenue Code, the value of that lost deduction is included in the Summary Compensation Table entry for that Named Executive Officer. When employees, including the Named Executive Officers, used company aircraft for such travel they were attributed with taxable income in accordance with regulations pursuant to the Internal Revenue Code. Old GCI Liberty did not ''gross up'' or reimburse an employee for taxes he or she owed on such attributed income. The variable cost of the aircraft for personal travel, if any, is included in the respective entries in the Summary Compensation Table. See ''—Summary Compensation Table.''

- ***Enhanced Long-Term Disability Benefit.*** Old GCI Liberty provided the Named Executive Officers and other senior executive officers with an enhanced long-term disability benefit. This benefit provided a supplemental replacement income benefit of 60% of average monthly compensation capped at $10,000 per month. The normal replacement income benefit applying to other of its employees was capped at $5,000 per month.
- ***Enhanced Short-Term Disability Benefit.*** Old GCI Liberty provided the Named Executive Officers and other senior executive officers with an enhanced short-term disability benefit. This benefit provided a supplemental replacement income benefit of 66⅔% of average monthly compensation, capped at $2,300 per week. The normal replacement income benefit applying to other of its employees was capped at $1,150 per week.
- ***Miscellaneous.*** Aside from benefits offered to its employees generally, Old GCI Liberty provided miscellaneous other benefits to its Named Executive Officers including the following (see ''—Summary Compensation Table—Components of 'All Other Compensation' ''):
  - Success Sharing. An incentive program offered to all of Old GCI Liberty's employees that shared 15% of the excess Adjusted EBITDA over the highest previous year (**Success Sharing**).
  - Board Fees. Provided to Mr. Duncan as one of Old GCI Liberty's directors. The Legacy CC believed that it was appropriate to provide such board fees to Mr. Duncan given the additional oversight responsibilities and the accompanying liability incumbent upon members of the board. In determining the appropriate amount of overall compensation payable to Mr. Duncan in his capacity as Chief Executive Officer, the Legacy CC took into account any such board fees that were payable to Mr. Duncan. This monitoring of Mr. Duncan's overall compensation package for services rendered as Chief Executive Officer and as a director was done to ensure that Mr. Duncan was not being doubly compensated for the same services rendered to Old GCI Liberty.

Retirement and Welfare Benefits

GCI 401(k) Plan. In January 1987, Old GCI Liberty adopted the GCI 401(k) Plan qualified under Section 401 of the Internal Revenue Code of 1986. The GCI 401(k) Plan provided for acquisition of Old GCI Liberty's Class A common stock (and later, Class A-1 common stock) at market value as well as various mutual funds. Old GCI Liberty could match a percentage of the employees' contributions up to certain limits. Named Executive Officers could, along with its employees generally, participate in the GCI 401(k) Plan in which Old GCI Liberty could provide matching contributions in accordance with the terms of the plan.

As of December 31, 2017, there remained 4.1 million shares of Old GCI Liberty's former Class A and 0.5 million shares of Old GCI Liberty's former Class B common stock allocated to the GCI 401(k) Plan and available for issuance by Old GCI Liberty or otherwise acquisition by the plan for the benefit of participants in the plan.

Deferred Compensation Arrangements. Old GCI Liberty offers to our executive officers deferred compensation arrangements specifically fashioned to the needs of the officer and us (**Deferred Compensation Arrangements**). During 2017, none of our Named Executive Officers participated in Deferred Compensation Arrangements.

Welfare Benefits. With the exception of the enhanced long-term and short-term disability benefits described previously, Old GCI Liberty provided to the Named Executive Officers the same health and welfare benefits provided generally to all other employees at the same general premium rates as charged to those employees. The cost of the health and welfare programs was subsidized by Old GCI Liberty for all eligible employees including the Named Executive Officers.

Performance Rewarded

The Compensation Program was, in large part, designed to reward individual performance. What constituted performance varied from officer to officer, depending upon the nature of the officer's responsibilities. Consistent with the Compensation Program, Old GCI Liberty identified key business metrics and established defined targets related to those metrics for each Named Executive Officer. In the case of each Named Executive Officer, the targets were regularly reviewed by management, from time to time, and provided an immediate and clear picture of performance and enabled management to respond quickly to both potential problems as well as potential opportunities. The Compensation Program also was used to establish and track corresponding applicable targets for individual management employees.

In 2017, the Compensation Program was used in the development of each Named Executive Officer's individual performance goals and established incentive compensation targets. The Legacy CC evaluated the performance of each of the executive officers and the financial performance of Old GCI Liberty and awarded incentive compensation as described above. See ''—Compensation Discussion and Analysis—Elements of Compensation—Incentive Compensation Plan.''

The Legacy CC increased Mr. Pounds' total incentive compensation plan target for 2018 from $455,000 to $535,000. The increase to Mr. Pounds' Incentive Compensation was to replace compensation that was previously granted in the form of a retention restricted stock award.

Timing of Equity Awards

Overview. Timing of equity awards under the Director Compensation Plan (as defined in ''Director Compensation'' below) and equity awards under the Compensation Program varied with the plan or portion of that program. However, Old GCI Liberty did not, and it had not in the past, timed its release of material nonpublic information for purposes of affecting the value of equity compensation. Timing issues and its grant policy are described further below.

Director Compensation Plan. As a part of the Director Compensation Plan, Old GCI Liberty granted awards of its common stock to board members, including those persons who were also be serving as one or more of our executive officers. Mr. Duncan, a board member and Named Executive Officer, had been granted such awards in the past. These awards were made annually in June of each year in accordance with the terms of the Director Compensation Plan. The awards were made through the Stock Option Plan. See ''—Compensation Discussion and Analysis—Elements of Compensation—Stock Option Plan.''

Incentive Compensation Plan. As a part of the Compensation Program, from time to time, Old GCI Liberty granted awards in its GNCMA shares to its executive officers, including the Named Executive Officers. In particular, awards were granted in conjunction with the agreements that Old GCI Liberty entered into with Named Executive Officers pursuant to the Incentive Compensation Plan. The grants of such awards were typically made early in the year at the time its board finalized the prior year incentive compensation plan payouts for each of the Named Executive Officers. All such awards were granted through the Stock Option Plan. See ''—Compensation Discussion and Analysis—Elements of Compensation—Incentive Compensation Plan'' and ''—Elements of Compensation—Stock Option Plan.''

Stock Option Plan. As a part of the Compensation Program, from time to time, Old GCI Liberty granted stock awards in its GNCMA shares to its executive officers. In all cases, regardless of the identity of the grantee, the timing, amount and other terms of the grant of awards under our Stock Option Plan were determined in the sole discretion of the Legacy CC. See ''—Compensation Discussion and Analysis—Elements of Compensation—Stock Option Plan.''

Grant Policy. Under the grant policy, all approved grants were granted effective the date they were approved by the Legacy CC and were priced at the market value at the close of trading on that date. The terms of the award were then communicated to the recipient within a reasonable time period.

Deductibility of Executive Compensation

In determining the amount and form of compensation granted to executive officers, including the Named Executive Officers, Old GCI Liberty took into consideration both tax treatment and accounting treatment of the compensation. Tax and accounting treatment for various forms of compensation is subject to changes in, and changing interpretations of, applicable laws, regulations, rulings and other factors that were not within Old GCI Liberty's control. As a result, tax and accounting treatment is only one of several factors that Old GCI Liberty took into account in designing the previously described elements of compensation.

Nonqualified Deferred Compensation Plans

From time to time, Old GCI Liberty entered into deferred compensation arrangements with certain of its executive officers. These arrangements were negotiated with individual officers on a case-by-case basis. The Named Executive Officers did not participate in a deferred compensation arrangement with Old GCI Liberty during 2017.

Changes for 2018

In connection with the Transactions, each individual who was an executive officer of Old GCI Liberty, including the Named Executive Officers, immediately prior to the completion of the Transactions was replaced by Messrs. Maffei, Carleton, Baer and Rosenthaler, who now serve as our executive officers. Such persons continue to serve as our executive officers.

Services Agreement

Also in connection with the Transactions, we entered into the services agreement with Liberty Media in March 2018 (the **Services Agreement**), pursuant to which Liberty Media provides to our company certain administrative and management services, and we pay Liberty Media a monthly management fee, the amount of which is subject to semi-annual review (and at least an annual review by our compensation committee). As a result, employees, including our executive officers, who provide services to our company pursuant to the Services Agreement, are not separately compensated by our company other than with respect to equity awards with respect to our common stock.

SUMMARY COMPENSATION TABLE

As of December 31, 2017, Old GCI Liberty did not have employment agreements with any of its Named Executive Officers. The following table summarizes total compensation paid or earned by each Named Executive Officer for fiscal years 2017, 2016 and 2015. The process followed by the Legacy CC in establishing total compensation for each Named Executive Officer as set forth in the table is described above. See ''—Compensation Discussion and Analysis.''

Name and Principal Position	Year	Salary ($)	Bonus ($)[1]	Nonequity Incentive Plan Compensation ($)	Stock Awards[2] ($)	Option Awards[2] ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)[3]	Total ($)
Ronald A. Duncan[4]	2017	925,000	—	981,747	1,188,789[5]	—	—	127,840	3,223,376
Former Chief Executive	2016	925,000	—	833,632	1,118,454[6]	—	—	83,000	2,960,086
Officer of Old GCI Liberty	2015	925,000	—	1,096,999	1,269,909[7]	—	—	83,000	3,374,908
Peter J. Pounds	2017	400,000	35,384	184,899	468,134[5]	—	—	25,000	1,113,417
Former Senior Vice President,	2016	400,000	5,280	206,982	1,845,581[8]	—	—	18,279	2,476,122
Chief Financial Officer and	2015	400,000	6,417	235,888	365,456[8]	—	—	20,437	1,028,198
Secretary of Old GCI Liberty									
Martin E. Cary	2017	200,000	—	254,177	812,393[5]			19,000	1,285,570
Former Senior Vice President and General Manager—Business of Old GCI Liberty[9]	2016	160,000	115,858	711,699	1,754,254[10]	—	—	60,190	2,802,001
Gregory F. Chapados	2017	450,000	—	458,998	1,144,786[5]	—	—	22,000	2,075,784
Former President and Chief	2016	450,000	7,313	511,768	1,020,883[6]	—	—	22,279	2,012,243
Operating Officer of Old GCI Liberty	2015	450,000	8,363	530,748	757,863[7]	—	—	24,437	1,771,411
Tina M. Pidgeon	2017	325,000	—	369,300	154,755[5]	—	—	22,000	871,055
Former Senior Vice President,	2016	325,000	17,550	409,415	158,682[6]	—	—	21,279	931,926
Chief Compliance Officer, General Counsel and Governmental Affairs of Old GCI Liberty	2015	325,000	31,990	486,519	228,024[11]	—	—	23,437	1,094,970

(1) The Bonus Compensation represents compensation paid pursuant to the Incentive Compensation Plan in excess of the target payment under the plan.

(2) This column reflects the grant date fair values of awards of GNCMA, restricted stock awards or stock options granted in the fiscal year indicated which were computed in accordance with Financial Accounting Standards Board (**FASB**) Accounting Standards Codification Topic 718, Compensation—Stock Options (**ASC Topic 718**).

(3) See, ''Components of 'All Other Compensation''' table displayed below for more detail.

(4) In 2015, Mr. Duncan received $183,650 in compensation for service on Old GCI Liberty's board in the form of $65,000 in director fees and a stock award valued at $118,650. In 2016, Mr. Duncan received $176,300 in compensation for service on Old GCI Liberty's board in the form of $65,000 in director fees and a stock award valued at $111,300. In 2017, Mr. Duncan received $347,300 in compensation for service on Old GCI Liberty's board in the form of $65,000 in director fees and a stock award valued at $282,300.

(5) The Stock Awards granted during 2017 were for the Named Executive Officer's performance during 2016.

(6) The Stock Awards granted during 2016 were for the Named Executive Officer's performance during 2015.

(7) The Stock Awards granted during 2015 were for the Named Executive Officer's performance during 2014.

(8) In 2016, Mr. Pounds received a stock award with a grant date fair value of $458,831 for his performance during 2015 and a stock award with a grant date fair value of $1,386,750 as a retention incentive. In 2015, Mr. Pounds received a stock award with a grant date fair value of $268,400 for his performance during 2014, a stock award with a grant date fair value of $48,528 for his performance related to the 2015 acquisition of certain interests in The Alaska Wireless Network, LLC and

Alaska Communications Systems Group, Inc. (the **Wireless Acquisition**), and a stock award with a grant date fair value of $48,528 as a retention incentive.

(9) Compensation for Mr. Cary is only provided for 2017 and 2016 as he was not a Named Executive Officer in 2015.

(10) In 2016, Mr. Cary received a stock award with a grant date fair value of $367,504 for his performance during 2015 and a stock award with a grant date fair value of $1,386,750 as a retention incentive.

(11) In 2015, Ms. Pidgeon received a stock award with a grant date fair value of $179,496 for her performance during 2014 and a stock award with a grant date fair value of $48,528 for her performance related to the Wireless Acquisition.

The amounts reported under the ''All Other Compensation'' column are comprised of the following:

Name	Year	GCI 401(k) Plan[1]($)	Board Fees ($)	Success Sharing[2] ($)	Use of Company Leased Aircraft[3] ($)	Use of Company Retreat Facilities[4] ($)	Miscellaneous ($)	Total ($)
Ronald A. Duncan	2017	18,000	65,000	—	—	44,840	—	127,840
	2016	18,000	65,000	—	—	—	—	83,000
	2015	18,000	65,000	—	—	—	—	83,000
Peter J. Pounds	2017	18,000	—	—	—	7,000	—	25,000
	2016	18,000	—	279	—	—	—	18,279
	2015	18,000	—	2,437	—	—	—	20,437
Martin E. Cary	2017	18,000	—	—	—	—	1,000[5]	19,000
	2016	18,000	—	279	41,911	—	—	60,190
Gregory F. Chapados	2017	18,000	—	—	—	—	4,000[5]	22,000
	2016	18,000	—	279	—	—	4,000[5]	22,279
	2015	18,000	—	2,437	—	—	4,000[5]	24,437
Tina M. Pidgeon	2017	18,000	—	—	—	—	4,000[5]	22,000
	2016	18,000	—	279	—	—	3,000[5]	21,279
	2015	18,000	—	2,437	—	—	3,000[5]	23,437

(1) Amounts were contributions by Old GCI Liberty matching each employee's contribution. Matching contributions by Old GCI Liberty under the GCI 401(k) Plan were available to each of its full-time employees with over one year of service. During 2017, 2016 and 2015, the match was based upon the lesser of $18,000 or 10% of the employee's salary and the total of the employee's pre-tax and post-tax contributions to the plan. See ''—Compensation Discussion and Analysis—Elements of Compensation—Retirement and Welfare Benefits—GCI 401(k) Plan.''

(2) See ''—Compensation Discussion and Analysis—Elements of Compensation—Perquisites.''

(3) The value of use of Old GCI Liberty leased aircraft is shown at the variable cost to Old GCI Liberty.

(4) The allocated cost of using Old GCI Liberty's remote fishing retreat for personal guests or family members.

(5) Compensation for attending certain management meetings.

Pay Ratio Disclosure

In August 2015, pursuant to a mandate of the Dodd-Frank Wall Street Reform and Consumer Protection Act (**Dodd-Frank Act**), the SEC adopted a rule requiring annual disclosure of the ratio of the median employee's annual total compensation to the total annual compensation of the principal executive officer (**PEO**). Old GCI Liberty's PEO as of December 31, 2017 was Ronald A. Duncan.

To determine the median employee, a listing was prepared of all active employees as of December 31, 2017 including the following:

- Full-time employees;
- Part-time employees;

- Temporary employees;
- Seasonal employees; and
- Any contractors paid W-2 wages.

Old GCI Liberty used gross wages from W-2s to determine the median employee and for the wages used to calculate the ratio. W-2 wages include base salary, bonus payments, the value of realized equity awards, paid commissions, and taxable fringe benefits. Old GCI Liberty did not annualize wages and salaries for employees who were not employed for all of 2017.

For 2017, the total compensation for Old GCI Liberty's PEO was $3,223,376 and its median employee's pay was $68,563. As a result, the pay ratio of its CEO to the median employee for 2017 was 47.01 to 1.

GRANTS OF PLAN-BASED AWARDS

The following table displays specific information on grants of options, awards and non-equity incentive plan awards under our Compensation Program and, in addition, in the case of Mr. Duncan, our Director Compensation Plan, made to Named Executive Officers during 2017.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards						
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards[1] ($)
Ronald A. Duncan	03/01/17	—	—	—	—	—	—	42,860(2)	—	—	906,489
	06/01/17	—	—	—	—	—	—	7,500(3)	—	—	282,300
Peter J. Pounds	03/01/17	—	—	—	—	—	—	22,134(2)	—	—	468,134
Martin E. Cary	03/01/17	—	—	—	—	—	—	38,411(2)	—	—	812,393
Gregory F. Chapados	03/01/17	—	—	—	—	—	—	54,127(2)	—	—	1,144,786
Tina M. Pidgeon	03/01/17	—	—	—	—	—	—	7,317(2)	—	—	154,755

(1) Computed in accordance with FASB ASC Topic 718.

(2) Represents the 50% portion of the 2016 incentive compensation paid in the form of restricted stock grants under the Incentive Compensation Plan that were not granted until 2017. Restricted stock awards are included in the ''Stock Awards'' column of the Summary Compensation Table above.

(3) Mr. Duncan's stock award was granted pursuant to the terms of the Director Compensation Plan. See ''Director Compensation.''

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table displays specific information on restricted stock that has not vested for each of the Named Executive Officers and outstanding as of December 31, 2017. Vesting of these awards varies for the Named Executive Officers as described in the footnotes to the table.

	Option Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock that Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Ronald A. Duncan	—	—	—	—	55,460[(1)]	2,164,049[(1)]	—	—
	—	—	—	—	42,860[(1)]	1,672,397[(1)]	—	—
Peter J. Pounds	—	—	—	—	3,333[(2)]	130,054[(2)]	—	—
	—	—	—	—	25,266[(1)]	985,879[(1)]	—	—
	—	—	—	—	22,134[(1)]	863,669[(1)]	—	—
	—	—	—	—	75,000[(3)]	2,926,500[(3)]	—	—
Martin E. Cary	—	—	—	—	6,745[(1)]	263,190[(1)]	—	—
	—	—	—	—	38,411[(1)]	1,498,797[(1)]	—	—
	—	—	—	—	75,000[(3)]	2,926,500[(3)]	—	—
Gregory F. Chapados	—	—	—	—	60,000[(4)]	2,341,200[(4)]	—	—
	—	—	—	—	56,216[(1)]	2,193,548[(1)]	—	—
	—	—	—	—	54,127[(1)]	2,112,036[(1)]	—	—
Tina M. Pidgeon	—	—	—	—	90,000[(5)]	3,511,800[(5)]	—	—
	—	—	—	—	8,738[(1)]	340,957[(1)]	—	—
	—	—	—	—	7,317[(1)]	285,509[(1)]	—	—

(1) Restricted stock vests on November 30, 2018.

(2) Restricted stock vests on February 6, 2018.

(3) Restricted stock vests on November 30, 2021.

(4) Restricted stock vests 30,000 shares on each of January 1, 2018 and 2019.

(5) Restricted stock vests 45,000 shares on each of January 1, 2018 and 2019.

OPTION EXERCISES AND STOCK VESTED

The following table displays specific information on each vesting of restricted stock, on an aggregate basis, for each of the Named Executive Officers during 2017:

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Ronald A. Duncan	—	—	79,070	3,155,684
	—	—	7,500[1]	282,300
Peter J. Pounds	—	—	1,666	31,904
	—	—	18,434	735,701
	—	—	50,000	1,984,000
Martin E. Cary	—	—	6,746	269,233
	—	—	7,795	311,098
Gregory F. Chapados	—	—	30,000	615,300
	—	—	52,051	2,077,355
Tina M. Pidgeon	—	—	135,000	2,768,850
	—	—	1,666	31,904
	—	—	12,328	492,010

(1) This stock award relates to Mr. Duncan's service as one of Old GCI Liberty's directors.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE-IN-CONTROL

As of December 31, 2017, there were no compensatory plans or arrangements providing for payments to any of the Named Executive Officers in conjunction with any termination of employment or other working relationship of such an officer with Old GCI Liberty (including without limitation, resignation, severance, retirement or constructive termination of employment of the officer). Furthermore, as of December 31, 2017, there were no such plans or arrangements providing for payments to any of the Named Executive Officers in conjunction with a change of control of Old GCI Liberty or a change in such an officer's responsibilities to Old GCI Liberty. However, the outstanding restricted stock awards for each of our Named Executive Officers would vest upon his or her disability, planned retirement or death, or could vest upon a change-in-control of the Company. See ''Outstanding Equity Awards at Fiscal Year-End'' for the value of such restricted stock awards as of December 31, 2017.

DIRECTOR COMPENSATION

The following table sets forth certain information concerning the cash and non-cash compensation earned by Old GCI Liberty's directors (**Director Compensation Plan**), each for services as a director during the year ended December 31, 2017:

Name[(1)]	Fees Earned or Paid in Cash ($)	Stock Awards[(2)] ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Stephen M. Brett	106,250	282,300	—	—	—	5,000	393,550
Bridget L. Baker	98,750	282,300	—	—	—	10,000	391,050
Jerry A. Edgerton	65,000	282,300	—	—	—	1,221	348,521
Scott M. Fisher	65,000	282,300	—	—	—	16,000	363,300
William P. Glasgow	65,000	282,300	—	—	—	9,127	356,427
Mark W. Kroloff	65,000	282,300	—	—	—	8,254	355,554
Stephen R. Mooney	90,000	282,300	—	—	—	1,127	373,427
James M. Schneider	98,750	282,300	—	—	—	2,000	383,050
Eric L. Zinterhofer	65,000	282,300	—	—	—	2,254	349,554

(1) Compensation to Mr. Duncan as a director is described elsewhere in this report. See ''Executive Compensation'' and ''Executive Compensation—Compensation Discussion and Analysis.''

(2) Each director received a grant award of 7,500 shares of GNCMA on June 1, 2017 (the grant date). The value of the shares on the date of grant was $37.64 per share, i.e., the closing price of the stock on Nasdaq on that date and as calculated in accordance with FASB ASC Topic 718.

Old GCI Liberty's initial Director Compensation Plan was adopted in 2004 by its board to acknowledge and compensate, from time to time, directors on the board for ongoing dedicated service. During 2017, the Director Compensation Plan provided for $65,000 per year for all directors with the exception of Mr. Mooney, Audit Committee chair, who received an additional $25,000 per year (paid quarterly). During 2017, the board appointed a special committee of independent directors to analyze the GCI Reorganization Agreement and Transactions with Qurate Retail. The board provided compensation of $41,250 to Mr. Brett and $33,750 each to Ms. Baker and Mr. Schneider for their work serving on the special committee.

During 2017, the stock compensation portion of the Director Compensation Plan consisted of a grant of 7,500 shares of GNCMA to a director for a year of service, or a portion of a year of service. Because the shares would vest upon award, they were subject to taxation based upon the then fair market value of the vested shares.

In addition to the Director Compensation Plan, during 2017 the directors' families used Old GCI Liberty's company retreat facilities and aircraft to transport their families to the retreat facilities. The compensation attributed to the directors for that use is included in ''All Other Compensation'' in the table above. During 2017, Old GCI Liberty's board received no other direct compensation for serving on the board and its committees. However, they were reimbursed for travel and out-of-pocket expenses incurred in connection with attendance at meetings of Old GCI Liberty's board and its committees.

EQUITY COMPENSATION PLAN INFORMATION

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth, as of the end of 2017, information on equity compensation plans approved by Old GCI Liberty's shareholders. The information is focused on outstanding options, warrants and rights; the only such plan is our Stock Option Plan as approved by Old GCI Liberty's shareholders.

EQUITY COMPENSATION PLAN INFORMATION

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights ($)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the second column)
Equity compensation plans approved by security holders:			
Stock Option Plan			1,159,766(1)
Old GCI Liberty Class A common stock	1,000	6.93	
Old GCI Liberty Class B common stock	—	—	
Total			
Old GCI Liberty Class A common stock	1,000		
Old GCI Liberty Class B common stock	—		
			1,159,766

(1) As described above under ''Proposal 3—Incentive Plan Proposal,'' our board will not make any additional awards under the Stock Option Plan if the 2018 incentive plan is approved by our stockholders.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Under our Code of Business Conduct and Ethics and Corporate Governance Guidelines, if a director or executive officer has an actual or potential conflict of interest (which includes being a party to a proposed ''related party transaction'' (as defined in Item 404 of Regulation S-K)), the director or executive officer should promptly inform the person designated by our board to address such actual or potential conflicts. No related party transaction may be effected by our company without the approval of the audit committee of our board or another independent body of our board designated to address such actual or potential conflicts.

Stanton Shareholdings, Registration Rights Agreement

As of December 31, 2017, John W. Stanton and Theresa E. Gillespie, husband and wife (collectively, **Stantons**), continued to be significant shareholders of Old GCI Liberty's Class B common stock, which had previously been quoted on the OTC Markets. As of that date, neither the Stantons nor the Stantons' affiliates were Old GCI Liberty's directors, officers, nominees for election as directors, or members of the immediate family of such directors, officers, or nominees. We are a party to a registration rights agreement (the **Stanton Registration Rights Agreement**) with the Stantons pursuant to which the Stantons have two demand registrations and incidental registration rights with respect to the Stantons' GLIBA and GLIBP shares (and any securities issued in exchange thereof or in respect thereof) if Rule 144 is not available for the sale of such securities by the Stantons. The basic terms of the Stanton Registration Rights Agreement are as follows. If we propose to register any of our securities under the Securities Act of 1933, as amended (the **Securities Act**), for our own account or for the account of one or more of our shareholders, we must notify the Stantons of that intent. In addition, we must allow the Stantons an opportunity to include the holder's shares (**Stanton Registerable Shares**) in that registration.

Under the Stanton Registration Rights Agreement, the Stantons also have the right, under certain circumstances, to require us to register all or any portion of the Stanton Registerable Shares under the

Securities Act. The agreement is subject to certain limitations and restrictions, including our right to limit the number of Stanton Registerable Shares included in the registration. Generally, we are required to pay all registration expenses in connection with each registration of Stanton Registerable Shares pursuant to this agreement.

The Stanton Registration Rights Agreement specifically states we are not required to effect any registration on behalf of the Stantons regarding Stanton Registerable Shares if the request for registration covers an aggregate number of Stanton Registerable Shares having a market value of less than $1.5 million. The agreement further states we are not required to effect such a registration for the Stantons where we have at that point previously filed two registration statements with the SEC, or where the registration would require us to undergo an interim audit or prepare and file with the SEC sooner than otherwise required financial statements relating to the proposed transaction. Finally, the agreement states we are not required to effect such a registration when in the opinion of our legal counsel a registration is not required in order to permit resale under Rule 144 as adopted by the SEC pursuant to the Exchange Act.

The Stanton Registration Rights Agreement provides that the first demand for registration by the Stantons must be for no less than 15% of the total number of Stanton Registerable Shares. However, the Stantons may take the opportunity to require us to include the Stanton Registerable Shares as incidental to a registered offering proposed by us.

Duncan Leases

Old GCI Liberty entered into a long-term capital lease agreement in 1991 with the wife of Old GCI Liberty's Chief Executive Officer for property occupied by it. The leased asset was capitalized in 1991 at the owner's cost of $900,000 and the related obligation was recorded. The lease agreement was amended in April 2008 and Old GCI Liberty's 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. The property consists of a building presently occupied by us. As of December 31, 2017, the payments on the lease were $27,132 per month. They continue at that rate through September 2018 at which time they will increase to $28,732 per month.

In January 2001 Old GCI Liberty entered into an aircraft operating lease agreement with a company owned by Old GCI Liberty's Chief Executive Officer. 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, Old GCI Liberty 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.

Searchlight Note and Derivative Financial Instrument

Searchlight Capital L.P. (**Searchlight**) became a related party as of February 2, 2015 when, as part of the Wireless Acquisition, Old GCI Liberty sold an unsecured promissory note to Searchlight in the principal amount of $75.0 million that was scheduled to mature on February 2, 2023 and bore interest at a rate of 7.5% per year (the **Searchlight Note**). The Searchlight Note had provided that we could not prepay the Searchlight Note prior to February 2, 2019. On July 13, 2015, Old GCI Liberty amended the Searchlight transaction documents to permit Searchlight to pledge the Searchlight Note and related stock appreciation rights, subject to a right to redeem the Searchlight Note for 50% of its then current outstanding balance in the event a lender attempts to enforce its rights with respect to such pledged collateral.

In conjunction with the Searchlight Note, Old GCI Liberty had entered into a stock appreciation rights agreement pursuant to which it issued to Searchlight three million stock appreciation rights which entitled Searchlight to receive, upon exercise, an amount payable at Old GCI Liberty's election in either cash or shares of GNCMA equal in value to the excess of the fair market value of a share of GNCMA on the date of exercise over the price of $13.00.

On March 9, 2018, in connection with the closing of the Transactions, we prepaid the principal amount of the Searchlight Note, together with accrued and unpaid interest, and terminated the Searchlight Note with the consent of Searchlight. On March 9, 2018, we also made a payment to Searchlight of approximately $80 million in connection with the cancellation of the stock appreciation rights issued to Searchlight and terminated the securityholders agreement with Searchlight.

Eric L. Zinterhofer is a founding partner and affiliate of Searchlight and was a director of Old GCI Liberty in 2017 and 2018 until his resignation on March 9, 2018 in connection with the completion of the Transactions.

Relationships Between GCI Liberty and Qurate Retail and/or Liberty Media Following the Transactions

Upon completion of the Transactions, Qurate Retail and GCI Liberty operated independently, and neither had any ownership interest in the other. In order to govern certain of the ongoing relationships between Qurate Retail and/or Liberty Media (or their respective subsidiaries), on the one hand, and GCI Liberty, on the other hand, after the Transactions and to provide mechanisms for an orderly transition, Qurate Retail and/or Liberty Media (or their respective subsidiaries), on the one hand, and GCI Liberty, on the other hand, entered into certain agreements, the terms of which are summarized below.

In addition to the agreements described below, Qurate Retail and/or Liberty Media may enter into, from time to time, agreements and arrangements with GCI Liberty and certain of its related entities, in connection with, and in the ordinary course of, its business.

Tax Sharing Agreement

On March 9, 2018, we and Qurate Retail entered into a tax sharing agreement, which generally allocates taxes, tax benefits, tax items, and tax-related losses between us and Qurate Retail in a manner consistent with the tax sharing policies of Qurate Retail in effect prior to the split-off, with taxes, tax benefits, tax items, and tax-related losses attributable to the assets, liabilities and activities of Qurate Retail’s former QVC Group (and former Interactive Group) being allocated to Qurate Retail and taxes, tax benefits, tax items, and tax-related losses attributable to the assets, liabilities and activities of Qurate Retail’s former Ventures Group being allocated to us.

In addition, the tax sharing agreement includes special allocation provisions, some of which are not addressed by the former Qurate Retail tax sharing policies, related to the manner in which certain taxes, tax-related losses, and other tax items will be allocated between us and Qurate Retail. Among other matters, these special rules include the manner in which any taxes or tax-related losses arising from the split-off and certain related restructuring transactions, as well as from prior transactions that have been effected by Qurate Retail and its subsidiaries (including the split-off of Liberty Expedia Holdings, Inc. on November 4, 2016 (the **LEXE Split-Off**), the spin-off of CommerceHub, Inc. on July 22, 2016 (the **CHUB Spin-Off**), and the spin-off of Liberty TripAdvisor Holdings, Inc. on August 27, 2014 (the **LTRIP Spin-Off**)), will be allocated between the parties and provides restrictive covenants intended to preserve the tax-free treatment of these transactions. Under the tax sharing agreement, Qurate Retail will be allocated any taxes and tax-related losses that result from the split-off and certain related restructuring transactions, except that we will be allocated any such taxes or tax-related losses that (i) result primarily from, individually or in the aggregate, our breach of any of our restrictive covenants in the tax sharing agreement or (ii) result from Section 355(e) of the Code applying to the split-off as a result of the split-off being part of a plan (or series of related transactions) pursuant to which one or more persons acquire a 50% or greater interest (by vote or value) in our stock. Further, we will be allocated any taxes and tax-related losses that result from the LEXE Split-Off, the CHUB Spin-off, and the LTRIP Spin-Off, except that Qurate Retail will be allocated any such taxes or tax-related losses that result primarily from, individually or in the aggregate, its breach of any of its restrictive covenants in the tax sharing agreement.

The parties must indemnify each other for taxes and losses allocated to them under the tax sharing agreement and for taxes and losses arising from a breach by them of their respective covenants and obligations under the tax sharing agreement. The tax sharing agreement also provides for the agreements between the parties related to the filing of tax returns, control of tax audits, cooperation on tax matters, retention of tax records, and other tax matters.

This summary is qualified by reference to the full text of the Tax Sharing Agreement, which is filed as Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on March 14, 2018.

Indemnification Agreement

In connection with the Transactions, Qurate Retail, Liberty LLC, Old GCI Liberty and the other party thereto, entered into the Indemnification Agreement, pursuant to which, and subject to certain exceptions, GCI Liberty will indemnify and hold harmless Qurate Retail and Liberty LLC, their subsidiaries, and certain related persons specified therein (the **LIC Indemnified Parties**) from and against any losses incurred by such parties to the extent arising out of or resulting from (i) the assets of Old GCI Liberty and its subsidiaries immediately prior to the closing of the contribution of assets and liabilities attributed to Ventures Group to GCI Liberty on March 9, 2018, in exchange for a controlling equity interest in GCI Liberty (the **contribution**), (ii) the assets contributed to Old GCI Liberty pursuant to the contribution (together with (i), the **Company Assets**), (iii) the conduct of the businesses of the Company Assets, (iv) (a) the liabilities of Old GCI Liberty and its subsidiaries immediately prior to the closing of the contribution and (b) the liabilities assumed by Old GCI Liberty pursuant to the contribution, and (v) any breach of, or failure to perform or comply with, any covenant, undertaking or obligation of Old GCI Liberty or any of its subsidiaries under the Indemnification Agreement. The Indemnification Agreement also provides that, except under specified circumstances, Qurate Retail and Liberty LLC will (jointly and severally) indemnify and hold harmless GCI Liberty, its subsidiaries and certain related persons specified therein from and against any losses incurred by such parties arising out of or resulting from (i) the conduct of the businesses of the assets held by Qurate Retail and its subsidiaries immediately prior to the closing of the contribution, other than the contributed Ventures Group assets (the **LIC Retained Assets**), (ii) the LIC Retained Assets, (iii) the liabilities held by Qurate Retail and its subsidiaries immediately prior to the closing of the contribution, other than the assumed liabilities, and (iv) any breach of, or failure to perform or comply with, any covenant, undertaking or obligation of Qurate Retail or any of its subsidiaries under the Indemnification Agreement.

Pursuant to the Indemnification Agreement, GCI Liberty has agreed to indemnify Liberty LLC for certain payments made to a holder of Liberty LLC 1.75% exchangeable debentures due 2046 (the **Liberty Charter Exchangeable Debentures**) that exercises its exchange right under the terms of the debentures on or before October 5, 2023 (the **Exchange Indemnity**). The Exchange Indemnity, which is supported by a negative pledge in favor of Qurate Retail on the referenced shares that underlie the Liberty Charter Exchangeable Debentures, will not apply to any Liberty Charter Exchangeable Debentures purchased by Liberty LLC, as described below. Also, within six months of the split-off, Qurate Retail, Liberty LLC and GCI Liberty will cooperate, and reasonably assist each other, with respect to the commencement and consummation of one or more privately negotiated transactions, a tender offer or other purchase transactions (each, a **Purchase Offer**) whereby Liberty LLC will offer to purchase the Liberty Charter Exchangeable Debentures on terms and conditions (including maximum offer price) reasonably acceptable to GCI Liberty. GCI Liberty will indemnify Liberty LLC for each Liberty Charter Exchangeable Debenture repurchased by Liberty LLC in a Purchase Offer for an amount by which the purchase price for such debenture exceeds the amount of cash reattributed with respect to such purchased Liberty Charter Exchangeable Debenture net of certain tax benefits, if any, attributable to such Liberty Charter Exchangeable Debenture (the **Repurchase Indemnity**). GCI Liberty's Exchange Indemnity obligation and the number of shares subject to the negative pledge will be ratably reduced as to any Liberty Charter Exchangeable Debentures purchased in a Purchase Offer in connection with the Repurchase Indemnity.

Furthermore, GCI Liberty will indemnify and reimburse the LIC Indemnified Parties and hold each of them harmless against any and all other losses to which such LIC Indemnified Party may become subject arising out of, resulting from or in connection with any claim, litigation, investigation or proceeding relating to a Purchase Offer or any other agreement, document, instrument or transaction related thereto.

This summary is qualified by reference to the full text of the Indemnification Agreement, which is filed as Exhibit 10.2 to our Current Report on Form 8-K filed with the SEC on March 14, 2018.

Services Agreement

In connection with the Transactions, Old GCI Liberty entered into a Services Agreement with Liberty Media, pursuant to which Liberty Media provides GCI Liberty with specified services, including:

- insurance administration and risk management services;
- other services typically performed by Liberty Media's legal, investor relations, tax, accounting and internal audit departments; and
- such other services as Liberty Media may obtain from its officers, employees and consultants in the management of its own operations that GCI Liberty may from time to time request or require.

In addition, Liberty Media provides to GCI Liberty certain technical and information technology services, including management information systems, computer, data storage, network and telecommunications services.

GCI Liberty pays Liberty Media an agreed-upon annual services fee under the Services Agreement, which is currently $7 million. GCI Liberty also reimburses Liberty Media for direct out-of-pocket costs incurred by Liberty Media for third party services provided to GCI Liberty. Liberty Media and GCI Liberty will evaluate all charges for reasonableness semi-annually and make adjustments to these charges as the parties mutually agree upon.

The Services Agreement will continue in effect until the close of business on the third anniversary of the split-off, unless earlier terminated (1) by GCI Liberty at any time on at least 30 days' prior written notice, (2) by Liberty Media upon written notice to GCI Liberty following a change in control or certain bankruptcy or insolvency-related events affecting GCI Liberty or (3) by GCI Liberty, upon written notice to Liberty Media, following certain changes in control of Liberty Media or Liberty Media being the subject of certain bankruptcy or insolvency-related events.

This summary is qualified by reference to the full text of the Services Agreement, which is filed as a form of which is filed as exhibit 10.3 to our Current Report on Form 8-K filed with the SEC on March 14, 2018.

Facilities Sharing Agreement

In connection with the split-off, Old GCI Liberty entered into a facilities sharing agreement with Liberty Media and Liberty Property Holdings, Inc. (**LPH**), a wholly-owned subsidiary of Liberty Media, pursuant to which, following the split-off, GCI Liberty shares office facilities with Qurate Retail and Liberty Media located at 12300 Liberty Boulevard, Englewood, Colorado. GCI Liberty pays a sharing fee for use of the office based on a comparable fair market rental rate and an estimate of the usage of the office facilities by or on behalf of GCI Liberty. The sharing fees payable to Liberty Media for the year ending December 31, 2018 are expected to be approximately $2 million. The Facilities Sharing Agreement will continue in effect until the close of business on the third anniversary of the split-off, unless earlier terminated (1) by GCI Liberty at any time on at least 30 days' prior written notice, (2) by LPH upon written notice to GCI Liberty following a default by GCI Liberty of any of its material obligations under the Facilities Sharing Agreement, which default remains unremedied for 30 days after written notice of such default is provided, (3) by GCI Liberty upon written notice to LPH, following certain changes in control of Liberty Media or Liberty Media being the subject of certain bankruptcy or insolvency-related events or (4) by LPH upon written notice to GCI Liberty, following certain changes in control of GCI Liberty or GCI Liberty being the subject of certain bankruptcy or insolvency-related events.

This summary is qualified by reference to the full text of the Facilities Sharing Agreement, which is filed as exhibit 10.4 to our Current Report on Form 8-K filed with the SEC on March 14, 2018.

Aircraft Time Sharing Agreements

Prior to the completion of the split-off, Old GCI Liberty (**Lessee**) entered into three aircraft time sharing agreements with Liberty Media or one or more of its wholly-owned subsidiaries (individually, the **Aircraft Time Sharing Agreement**, or collectively, the **Aircraft Time Sharing Agreements**) for each of three aircraft owned by Liberty Media or in which a wholly owned subsidiary of Liberty Media owns a fractional interest. Each Aircraft Time Sharing Agreement provides that Liberty Media or its subsidiaries will lease the aircraft to Lessee and provide or arrange for a fully qualified flight crew for all operations on a periodic, non-exclusive time sharing basis. Lessee will pay Liberty Media or its subsidiaries an amount equal to the actual expenses of each flight conducted under each Aircraft Time Sharing Agreement to the maximum extent permitted under Federal Aviation Administration rules (which GCI Liberty estimates will be a de minimis amount for the first year under the Aircraft Time Sharing Agreements). Such expenses may include fuel, oil, lubricants and other additives (plus an additional charge of 100% thereof), travel expenses of the crew, hanger and tie down costs, insurance obtained for a specific flight, landing fees, airport taxes and similar assessments, customs and similar fees, in-flight food and beverage costs, ground transportation, flight planning and weather contact services. The Aircraft Time Sharing Agreements will continue in effect until the close of business on the first anniversary of the split-off, and then will be automatically renewed on a month-to-month basis, unless terminated earlier by either party upon at least 30 days' prior written notice.

This summary is qualified by reference to the full text of the Aircraft Time Sharing Agreements, which are filed as exhibits 10.5 and 10.6 to our Current Report on Form 8-K filed with the SEC on March 14, 2018.

STOCKHOLDER PROPOSALS

This proxy statement relates to our annual meeting of stockholders for the calendar year 2018 which will take place on June 25, 2018. Based solely on the date of our 2018 annual meeting and the date of this proxy statement, (i) a stockholder proposal must be submitted in writing to our Corporate Secretary and received at our executive offices at 12300 Liberty Boulevard, Englewood, Colorado 80112, by the close of business on January 24, 2019 in order to be eligible for inclusion in our proxy materials for the annual meeting of stockholders for the calendar year 2019 (the **2019 annual meeting**), and (ii) a stockholder proposal, or any nomination by stockholders of a person or persons for election to the board of directors, must be received at our executive offices at the foregoing address not earlier than March 27, 2019 and not later than April 26, 2019 to be considered for presentation at the 2019 annual meeting. We currently anticipate that the 2019 annual meeting will be held during the second quarter of 2019. If the 2019 annual meeting takes place more than 30 days before or 30 days after June 25, 2019 (the anniversary of the 2018 annual meeting), a stockholder proposal, or any nomination by stockholders of a person or persons for election to the board of directors, will instead be required to be received at our executive offices at the foregoing address not later than the close of business on the tenth day following the first day on which notice of the date of the 2019 annual meeting is communicated to stockholders or public disclosure of the date of the 2019 annual meeting is made, whichever occurs first, in order to be considered for presentation at the 2019 annual meeting.

All stockholder proposals for inclusion in our proxy materials will be subject to the requirements of the proxy rules adopted under the Exchange Act, our charter and bylaws and Delaware law.

ADDITIONAL INFORMATION

We file periodic reports, proxy materials and other information with the SEC. You may read and copy any document that we file at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at (800) SEC-0330. You may also inspect such filings on the Internet website maintained by the SEC at *www.sec.gov*. Additional information can also be found on our website at *www.gciliberty.com*. (Information contained on any website referenced in this proxy statement is not incorporated by reference in this proxy statement.) **If you would like to receive a copy of the 2017 Form 10-K, or any of the exhibits listed therein, please call or submit a request in writing to Investor Relations, GCI Liberty, Inc., 12300 Liberty Boulevard, Englewood, Colorado 80112, Tel. No. (833) 618-8602, and we will provide you with the 2017 Form 10-K without charge, or any of the exhibits listed therein upon the payment of a nominal fee (which fee will be limited to the expenses we incur in providing you with the requested exhibits).**

GCI LIBERTY, INC.
2018 OMNIBUS INCENTIVE PLAN

ARTICLE I

PURPOSE OF PLAN; EFFECTIVE DATE

1.1 *Purpose.* The purpose of the Plan is to promote the success of the Company by providing a method whereby (i) eligible officers and employees of the Company and its Subsidiaries, (ii) directors and independent contractors, and (iii) employees of Liberty Media Corporation or Liberty Interactive Corporation, in each case, providing services to the Company and its Subsidiaries, may be awarded additional remuneration for services rendered and may be encouraged to invest in capital stock of the Company, thereby increasing their proprietary interest in the Company's businesses, encouraging them to remain in the employ or service of the Company or its Subsidiaries, and increasing their personal interest in the continued success and progress of the Company and its Subsidiaries. The Plan is also intended to aid in (i) attracting Persons of exceptional ability to become officers and employees of the Company and its Subsidiaries and (ii) inducing directors, independent contractors, or employees of Liberty Media Corporation or Liberty Interactive Corporation to agree to provide services to the Company and its Subsidiaries.

1.2 *Effective Date.* The Plan shall be effective as of March 9, 2018 (the ''Effective Date'').

ARTICLE II

DEFINITIONS

2.1 *Certain Defined Terms.* Capitalized terms not defined elsewhere in the Plan shall have the following meanings (whether used in the singular or plural):

''Account'' has the meaning ascribed thereto in Section 8.2.

''Affiliate'' of the Company means any corporation, partnership or other business association that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the Company.

''Agreement'' means a stock option agreement, stock appreciation rights agreement, restricted shares agreement, restricted stock units agreement, cash award agreement or an agreement evidencing more than one type of Award, specified in Section 10.5, as any such Agreement may be supplemented or amended from time to time.

''Approved Transaction'' means any transaction in which the Board (or, if approval of the Board is not required as a matter of law, the stockholders of the Company) shall approve (i) any consolidation or merger of the Company, or binding share exchange, pursuant to which shares of Common Stock of the Company would be changed or converted into or exchanged for cash, securities, or other property, other than any such transaction in which the common stockholders of the Company immediately prior to such transaction have the same proportionate ownership of the Common Stock of, and voting power with respect to, the surviving corporation immediately after such transaction, (ii) any merger, consolidation or binding share exchange to which the Company is a party as a result of which the Persons who are common stockholders of the Company immediately prior thereto have less than a majority of the combined voting power of the outstanding capital stock of the Company ordinarily (and apart from the rights accruing under special circumstances) having the right to vote in the election of directors immediately following such merger, consolidation or binding share exchange, (iii) the adoption of any plan or proposal for the liquidation or dissolution of the Company, or (iv) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company.

''Award'' means a grant of Options, SARs, Restricted Shares, Restricted Stock Units, Performance Awards, Cash Awards and/or cash amounts under the Plan.

''Board'' means the Board of Directors of the Company.

''Board Change'' means, during any period of two consecutive years, individuals who at the beginning of such period constituted the entire Board cease for any reason to constitute a majority thereof unless the election, or the nomination for election, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period.

''Cash Award'' means an Award made pursuant to Section 9.1 of the Plan to a Holder that is paid solely on account of the attainment of one or more Performance Objectives that have been pre-established by the Committee.

''Code'' means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute or statutes thereto. Reference to any specific Code section shall include any successor section.

''Committee'' means the committee of the Board appointed pursuant to Section 3.1 to administer the Plan.

''Common Stock'' means each or any (as the context may require) series of the Company's common stock.

''Company'' means GCI Liberty, Inc., a Delaware corporation.

''Control Purchase'' means any transaction (or series of related transactions) in which any person (as such term is defined in Sections 13(d)(3) and 14(d)(2) of the Exchange Act), corporation or other entity (other than the Company, any Subsidiary of the Company or any employee benefit plan sponsored by the Company or any Subsidiary of the Company or any Exempt Person (as defined below)) shall become the ''beneficial owner'' (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the then outstanding securities of the Company ordinarily (and apart from the rights accruing under special circumstances) having the right to vote in the election of directors (calculated as provided in Rule 13d-3(d) under the Exchange Act in the case of rights to acquire the Company's securities), other than in a transaction (or series of related transactions) approved by the Board. For purposes of this definition, ''Exempt Person'' means each of (a) the Chairman of the Board, the President and each of the directors of the Company as of the Effective Date, and (b) the respective family members, estates and heirs of each of the Persons referred to in clause (a) above and any trust or other investment vehicle for the primary benefit of any of such Persons or their respective family members or heirs. As used with respect to any Person, the term ''family member'' means the spouse, siblings and lineal descendants of such Person.

''Director Award Limitation'' has the meaning ascribed thereto in Section 4.1.

''Disability'' means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

''Dividend Equivalents'' means, with respect to Restricted Stock Units, to the extent specified by the Committee only, an amount equal to all dividends and other distributions (or the economic equivalent thereof) which are payable to stockholders of record during the Restriction Period on a like number and kind of shares of Common Stock. Notwithstanding any provision of the Plan to the contrary, Dividend Equivalents with respect to a Performance Award may only be paid to the extent the Performance Award is actually paid to the Holder.

''Domestic Relations Order'' means a domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder.

''Equity Security'' shall have the meaning ascribed to such term in Section 3(a)(11) of the Exchange Act, and an equity security of an issuer shall have the meaning ascribed thereto in Rule 16a-1 promulgated under the Exchange Act, or any successor Rule.

''Exchange Act'' means the Securities Exchange Act of 1934, as amended from time to time, or any successor statute or statutes thereto. Reference to any specific Exchange Act section shall include any successor section.

''Fair Market Value'' of a share of any series of Common Stock on any day means (i) for Option and SAR exercise transactions effected on any third-party incentive award administration system provided by the Company, the current high bid price of a share of any series of Common Stock as reported on the consolidated transaction reporting system on the principal national securities exchange on which shares of such series of Common Stock are listed on such day or if such shares are not then listed on a national securities exchange, then as quoted by OTC Markets Group Inc., (ii) for the purpose of determining the tax withholding due upon the vesting or settlement of Restricted Shares or Restricted Stock Units and the related purpose of valuing shares withheld from such Awards to satisfy tax withholding obligations, the closing price for a share of such series of Common Stock on the trading day next preceding the day that such Award vests as reported on the consolidated transaction reporting system for the principal national securities exchange on which shares of such series of Common Stock are listed on such day or if such shares are not then listed on a national securities exchange, then as quoted by OTC Markets Group Inc., or (iii) for all other purposes under the Plan, the closing price of a share of such series of Common Stock on such day (or if such day is not a trading day, on the next preceding trading day) all as reported on the consolidated transaction reporting system for the principal national securities exchange on which shares of such series of Common Stock are listed on such day or if such shares are not then listed on a national securities exchange, then as quoted by OTC Markets Group Inc. If for any day the Fair Market Value of a share of the applicable series of Common Stock is not determinable by any of the foregoing means, or if there is insufficient trading volume in the applicable series of Common Stock on such trading day, then the Fair Market Value for such day shall be determined in good faith by the Committee on the basis of such quotations and other considerations as the Committee deems appropriate.

''Free Standing SAR'' has the meaning ascribed thereto in Section 7.1.

''Holder'' means a Person who has received an Award under the Plan.

''Nonemployee Director'' means an individual who is a member of the Board and who is neither an officer nor an employee of the Company or any Subsidiary.

''Option'' means a stock option granted under Article VI.

''Performance Award'' means an Award made pursuant to Article IX of the Plan to a Holder that is subject to the attainment of one or more Performance Objectives.

''Performance Objective'' means a standard established by the Committee to determine in whole or in part whether a Performance Award shall be earned.

''Person'' means an individual, corporation, limited liability company, partnership, trust, incorporated or unincorporated association, joint venture or other entity of any kind.

''Plan'' means this GCI Liberty, Inc. 2018 Omnibus Incentive Plan.

''Restricted Shares'' means shares of any series of Common Stock awarded pursuant to Section 8.1.

‘‘Restricted Stock Unit’’ means a unit evidencing the right to receive in specified circumstances one share of the specified series of Common Stock or, in the discretion of the Company, the equivalent value in cash, which right may be subject to a Restriction Period or forfeiture provisions.

‘‘Restriction Period’’ means a period of time beginning on the date of each Award of Restricted Shares or Restricted Stock Units and ending on the Vesting Date with respect to such Award.

‘‘Retained Distribution’’ has the meaning ascribed thereto in Section 8.3.

‘‘SARs’’ means stock appreciation rights, awarded pursuant to Article VII, with respect to shares of any specified series of Common Stock.

‘‘Section 409A’’ has the meaning ascribed thereto in Section 10.17.

‘‘Subsidiary’’ of a Person means any present or future subsidiary (as defined in Section 424(f) of the Code) of such Person or any business entity in which such Person owns, directly or indirectly, 50% or more of the voting, capital or profits interests. An entity shall be deemed a subsidiary of a Person for purposes of this definition only for such periods as the requisite ownership or control relationship is maintained.

‘‘Tandem SARs’’ has the meaning ascribed thereto in Section 7.1.

‘‘Vesting Date,’’ with respect to any Restricted Shares or Restricted Stock Units awarded hereunder, means the date on which such Restricted Shares or Restricted Stock Units cease to be subject to a risk of forfeiture, as designated in or determined in accordance with the Agreement with respect to such Award of Restricted Shares or Restricted Stock Units pursuant to Article VIII. If more than one Vesting Date is designated for an Award of Restricted Shares or Restricted Stock Units, reference in the Plan to a Vesting Date in respect of such Award shall be deemed to refer to each part of such Award and the Vesting Date for such part. The Vesting Date for a particular Award will be established by the Committee and, for the avoidance of doubt, may be contemporaneous with the date of grant.

ARTICLE III

ADMINISTRATION

3.1 *Committee.* The Plan shall be administered by the Compensation Committee of the Board unless a different committee is appointed by the Board. The Committee shall be comprised of not less than two Persons. The Board may from time to time appoint members of the Committee in substitution for or in addition to members previously appointed, may fill vacancies in the Committee and may remove members of the Committee. The Committee shall select one of its members as its chairman and shall hold its meetings at such times and places as it shall deem advisable. A majority of its members shall constitute a quorum and all determinations shall be made by a majority of such quorum. Any determination reduced to writing and signed by all of the members shall be as fully effective as if it had been made by a majority vote at a meeting duly called and held.

3.2 *Powers.* The Committee shall have full power and authority to grant to eligible Persons Options under Article VI of the Plan, SARs under Article VII of the Plan, Restricted Shares under Article VIII of the Plan, Restricted Stock Units under Article VIII of the Plan, Cash Awards under Article IX of the Plan and/or Performance Awards under Article IX of the Plan, to determine the terms and conditions (which need not be identical) of all Awards so granted, to interpret the provisions of the Plan and any Agreements relating to Awards granted under the Plan and to supervise the administration of the Plan. The Committee in making an Award may provide for the granting or issuance of additional, replacement or alternative Awards upon the occurrence of specified events, including the exercise of the original Award. The Committee shall have sole authority in the selection of Persons to whom Awards may be granted under the Plan and in the determination of the timing, pricing and amount of any such Award, subject only to the express provisions of the Plan. In making determinations hereunder, the Committee may take into account the nature of the services rendered by the respective employees, officers, independent contractors and

Nonemployee Directors, their present and potential contributions to the success of the Company and its Subsidiaries, and such other factors as the Committee in its discretion deems relevant.

3.3 *Interpretation.* The Committee is authorized, subject to the provisions of the Plan, to establish, amend and rescind such rules and regulations as it deems necessary or advisable for the proper administration of the Plan and to take such other action in connection with or in relation to the Plan as it deems necessary or advisable. Each action and determination made or taken pursuant to the Plan by the Committee, including any interpretation or construction of the Plan, shall be final and conclusive for all purposes and upon all Persons. No member of the Committee shall be liable for any action or determination made or taken by such member or the Committee in good faith with respect to the Plan.

3.4 *Awards to Nonemployee Directors.* The Board shall have the same powers as the Committee with respect to awards to Nonemployee Directors and may exercise such powers in lieu of action by the Committee.

ARTICLE IV

SHARES SUBJECT TO THE PLAN

4.1 *Number of Shares.* Subject to the provisions of this Article IV, the maximum number of shares of Common Stock with respect to which Awards may be granted during the term of the Plan shall be 8,000,000 shares. Shares of Common Stock will be made available from the authorized but unissued shares of the Company or from shares reacquired by the Company, including shares purchased in the open market. The shares of Common Stock subject to (i) any Award granted under the Plan that shall expire, terminate or be cancelled or annulled for any reason without having been exercised (or considered to have been exercised as provided in Section 7.2), (ii) any Award of any SARs granted under the Plan the terms of which provide for settlement in cash, and (iii) any Award of Restricted Shares or Restricted Stock Units granted under the Plan that shall be forfeited prior to becoming vested (provided that the Holder received no benefits of ownership of such Restricted Shares or Restricted Stock Units other than voting rights and the accumulation of Retained Distributions and unpaid Dividend Equivalents that are likewise forfeited) shall again be available for purposes of the Plan. Notwithstanding the foregoing, the following shares of Common Stock may not again be made available for issuance as Awards under the Plan: (a) shares of Common Stock not issued or delivered as a result of the net settlement of an outstanding Option or SAR, (b) shares of Common Stock used to pay the purchase price or withholding taxes related to an outstanding Award, or (c) shares of Common Stock repurchased on the open market with the proceeds of an Option purchase price. Except for Awards described in Section 10.1, no Person may be granted in any calendar year Awards covering more than 1.5 million shares of Common Stock (as such amount may be adjusted from time to time as provided in Section 4.2). No Person shall receive payment for Cash Awards during any calendar year aggregating in excess of $10 million. No Nonemployee Director may be granted during any calendar year Awards having a value determined on the date of grant in excess of $3 million (the ''*Director Award Limitation*''). Awards granted to Nonemployee Directors shall only be subject to the Director Award Limitation.

4.2 *Adjustments*.

(a) If the Company subdivides its outstanding shares of any series of Common Stock into a greater number of shares of such series of Common Stock (by stock dividend, stock split, reclassification, or otherwise) or combines its outstanding shares of any series of Common Stock into a smaller number of shares of such series of Common Stock (by reverse stock split, reclassification, or otherwise) or if the Committee determines that any stock dividend, extraordinary cash dividend, reclassification, recapitalization, reorganization, stock redemption, split-up, spin-off, combination, exchange of shares, warrants or rights offering to purchase such series of Common Stock or other similar corporate event (including mergers or consolidations other than those which constitute Approved Transactions, adjustments with respect to which shall be governed by Section 10.1(b)) affects any series of Common Stock so that an adjustment is required to preserve the benefits or potential benefits intended to be made available under the Plan, then the Committee, in such manner as the Committee, in its sole discretion, deems equitable and appropriate, shall make such adjustments to any or all of (i) the number and kind of shares of stock which thereafter may be awarded, optioned or otherwise made subject to the benefits contemplated by the Plan, (ii) the number and kind of shares of stock subject to outstanding Awards, and

(iii) the purchase or exercise price and the relevant appreciation base with respect to any of the foregoing, provided, however, that the number of shares subject to any Award shall always be a whole number. The Committee may, if deemed appropriate, provide for a cash payment to any Holder of an Award in connection with any adjustment made pursuant to this Section 4.2.

(b) Notwithstanding any provision of the Plan to the contrary, in the event of a corporate merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation, the Committee shall be authorized, in its discretion, (i) to provide, prior to the transaction, for the acceleration of the vesting and exercisability of, or lapse of restrictions with respect to, the Award and, if the transaction is a cash merger, provide for the termination of any portion of the Award that remains unexercised at the time of such transaction, or (ii) to cancel any such Awards and to deliver to the Holders cash in an amount that the Committee shall determine in its sole discretion is equal to the fair market value of such Awards on the date of such event, which in the case of Options or SARs shall be the excess of the Fair Market Value (as determined in sub-section (ii) of the definition of such term) of Common Stock on such date over the purchase price of the Options or the base price of the SARs, as applicable. For the avoidance of doubt, if the purchase price of the Options or base price of the SARs, as applicable, is greater than such Fair Market Value, the Options or SARs may be canceled for no consideration pursuant to this section.

(c) No adjustment or substitution pursuant to this Section 4.2 shall be made in a manner that results in noncompliance with the requirements of Section 409A, to the extent applicable.

ARTICLE V

ELIGIBILITY

5.1 *General.* The Persons who shall be eligible to participate in the Plan and to receive Awards under the Plan shall be such Persons who are employees (including officers) of, or Nonemployee Directors, independent contractors or employees of Liberty Media Corporation or Liberty Interactive Corporation providing services to, the Company or its Subsidiaries as the Committee shall select. Awards may be made to employees, Nonemployee Directors or independent contractors who hold or have held Awards under the Plan or any similar or other awards under any other plan of the Company or any of its Affiliates.

ARTICLE VI

STOCK OPTIONS

6.1 *Grant of Options.* Subject to the limitations of the Plan, the Committee shall designate from time to time those eligible Persons to be granted Options, the time when each Option shall be granted to such eligible Persons, the series and number of shares of Common Stock subject to such Option, and, subject to Section 6.2, the purchase price of the shares of Common Stock subject to such Option.

6.2 *Option Price.* The price at which shares may be purchased upon exercise of an Option shall be fixed by the Committee and may be no less than the Fair Market Value of the shares of the applicable series of Common Stock subject to the Option as of the date the Option is granted.

6.3 *Term of Options.* Subject to the provisions of the Plan with respect to death, retirement and termination of employment or service, the term of each Option shall be for such period as the Committee shall determine as set forth in the applicable Agreement; provided that such term may not exceed ten years. However, if the term of an Option expires when trading in the Common Stock is prohibited by law or the Company’s insider trading policy, then the term of such Option shall expire on the 30th day after the expiration of such prohibition.

6.4 *Exercise of Options.* An Option granted under the Plan shall become (and remain) exercisable during the term of the Option to the extent provided in the applicable Agreement and the Plan and, unless the Agreement otherwise provides, may be exercised to the extent exercisable, in whole or in part, at any time and from time to time during such term; provided, however, that subsequent to the grant of an Option, the Committee, at any time before complete termination of such Option, may accelerate the time or times at which such Option may be exercised in whole or in part (without reducing the term of such Option).

6.5 *Manner of Exercise*.

(a) *Form of Payment.* An Option shall be exercised by written notice to the Company upon such terms and conditions as the Agreement may provide and in accordance with such other procedures for the exercise of Options as the Committee may establish from time to time. The method or methods of payment of the purchase price for the shares to be purchased upon exercise of an Option and of any amounts required by Section 10.9 shall be determined by the Committee and may consist of (i) cash, (ii) check, (iii) promissory note (subject to applicable law), (iv) whole shares of any series of Common Stock, (v) the withholding of shares of the applicable series of Common Stock issuable upon such exercise of the Option, (vi) the delivery, together with a properly executed exercise notice, of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay the purchase price, or (vii) any combination of the foregoing methods of payment, or such other consideration and method of payment as may be permitted for the issuance of shares under the Delaware General Corporation Law. The permitted method or methods of payment of the amounts payable upon exercise of an Option, if other than in cash, shall be set forth in the applicable Agreement and may be subject to such conditions as the Committee deems appropriate.

(b) *Value of Shares.* Unless otherwise determined by the Committee and provided in the applicable Agreement, shares of any series of Common Stock delivered in payment of all or any part of the amounts payable in connection with the exercise of an Option, and shares of any series of Common Stock withheld for such payment, shall be valued for such purpose at their Fair Market Value as of the exercise date.

(c) *Issuance of Shares.* The Company shall effect the transfer of the shares of Common Stock purchased under the Option as soon as practicable after the exercise thereof and payment in full of the purchase price therefor and of any amounts required by Section 10.9, and within a reasonable time thereafter, such transfer shall be evidenced on the books of the Company. Unless otherwise determined by the Committee and provided in the applicable Agreement, (i) no Holder or other Person exercising an Option shall have any of the rights of a stockholder of the Company with respect to shares of Common Stock subject to an Option granted under the Plan until due exercise and full payment has been made, and (ii) no adjustment shall be made for cash dividends or other rights for which the record date is prior to the date of such due exercise and full payment.

ARTICLE VII

SARS

7.1 *Grant of SARs.* Subject to the limitations of the Plan, SARs may be granted by the Committee to such eligible Persons in such numbers, with respect to any specified series of Common Stock, and at such times during the term of the Plan as the Committee shall determine. A SAR may be granted to a Holder of an Option (hereinafter called a ''related Option'') with respect to all or a portion of the shares of Common Stock subject to the related Option (a ''Tandem SAR'') or may be granted separately to an eligible Person (a ''Free Standing SAR''). Subject to the limitations of the Plan, SARs shall be exercisable in whole or in part upon notice to the Company upon such terms and conditions as are provided in the Agreement.

7.2 *Tandem SARs.* A Tandem SAR may be granted either concurrently with the grant of the related Option or at any time thereafter prior to the complete exercise, termination, expiration or cancellation of such related Option. Tandem SARs shall be exercisable only at the time and to the extent that the related Option is exercisable (and may be subject to such additional limitations on exercisability as the Agreement may provide) and in no event after the complete termination or full exercise of the related Option. Upon the exercise or termination of the related Option, the Tandem SARs with respect thereto shall be canceled automatically to the extent of the number of shares of Common Stock with respect to which the related Option was so exercised or terminated. Subject to the limitations of the Plan, upon the exercise of a Tandem SAR and unless otherwise determined by the Committee and provided in the applicable Agreement, (i) the Holder thereof shall be entitled to receive from the Company, for each share of the applicable series of Common Stock with respect to which the Tandem SAR is being exercised, consideration (in the form determined as provided in Section 7.4) equal in value to the excess of the Fair Market Value of a share of the applicable series of Common Stock with respect to which the Tandem SAR was granted on the date of exercise over the related Option purchase price per share, and (ii) the related Option with respect thereto shall be canceled automatically to the extent of the number of shares of Common Stock with respect to which the Tandem SAR was so exercised.

7.3 *Free Standing SARs.* Free Standing SARs shall be exercisable at the time, to the extent and upon the terms and conditions set forth in the applicable Agreement. The base price of a Free Standing SAR may be no less than the Fair Market Value of the applicable series of Common Stock with respect to which the Free Standing SAR was granted as of the date the Free Standing SAR is granted. Subject to the limitations of the Plan, upon the exercise of a Free Standing SAR and unless otherwise determined by the Committee and provided in the applicable Agreement, the Holder thereof shall be entitled to receive from the Company, for each share of the applicable series of Common Stock with respect to which the Free Standing SAR is being exercised, consideration (in the form determined as provided in Section 7.4) equal in value to the excess of the Fair Market Value of a share of the applicable series of Common Stock with respect to which the Free Standing SAR was granted on the date of exercise over the base price per share of such Free Standing SAR. The term of a Free Standing SAR may not exceed ten years. However, if the term of a Free Standing SAR expires when trading in the Common Stock is prohibited by law or the Company’s insider trading policy, then the term of such Free Standing SAR shall expire on the 30th day after the expiration of such prohibition.

7.4 *Consideration.* The consideration to be received upon the exercise of a SAR by the Holder shall be paid in cash, shares of the applicable series of Common Stock with respect to which the SAR was granted (valued at Fair Market Value on the date of exercise of such SAR), a combination of cash and such shares of the applicable series of Common Stock or such other consideration, in each case, as provided in the Agreement. No fractional shares of Common Stock shall be issuable upon exercise of a SAR, and unless otherwise provided in the applicable Agreement, the Holder will receive cash in lieu of fractional shares. Unless the Committee shall otherwise determine, to the extent a Free Standing SAR is exercisable, it will be exercised automatically for cash on its expiration date.

7.5 *Limitations.* The applicable Agreement may provide for a limit on the amount payable to a Holder upon exercise of SARs at any time or in the aggregate, for a limit on the number of SARs that may be exercised by the Holder in whole or in part for cash during any specified period, for a limit on the time periods during which a Holder may exercise SARs, and for such other limits on the rights of the Holder and such other terms and conditions of the SAR, including a condition that the SAR may be exercised only in accordance with rules and regulations adopted from time to time, as the Committee may determine. Unless otherwise so provided in the applicable Agreement, any such limit relating to a Tandem SAR shall not restrict the exercisability of the related Option. Such rules and regulations may govern the right to exercise SARs granted prior to the adoption or amendment of such rules and regulations as well as SARs granted thereafter.

7.6 *Exercise.* For purposes of this Article VII, the date of exercise of a SAR shall mean the date on which the Company shall have received notice from the Holder of the SAR of the exercise of such SAR (unless otherwise determined by the Committee and provided in the applicable Agreement).

ARTICLE VIII

RESTRICTED SHARES AND RESTRICTED STOCK UNITS

8.1 *Grant of Restricted Shares.* Subject to the limitations of the Plan, the Committee shall designate those eligible Persons to be granted Awards of Restricted Shares, shall determine the time when each such Award shall be granted, and shall designate (or set forth the basis for determining) the Vesting Date or Vesting Dates for each Award of Restricted Shares, and may prescribe other restrictions, terms and conditions applicable to the vesting of such Restricted Shares in addition to those provided in the Plan. The Committee shall determine the price, if any, to be paid by the Holder for the Restricted Shares; provided, however, that the issuance of Restricted Shares shall be made for at least the minimum consideration necessary to permit such Restricted Shares to be deemed fully paid and nonassessable. All determinations made by the Committee pursuant to this Section 8.1 shall be specified in the Agreement.

8.2 *Issuance of Restricted Shares.* An Award of Restricted Shares shall be registered in a book entry account (the ''Account'') in the name of the Holder to whom such Restricted Shares shall have been awarded. During the Restriction Period, the Account, any statement of ownership representing the Restricted Shares that may be issued during the Restriction Period and any securities constituting Retained Distributions shall bear a restrictive legend to the effect that ownership of the Restricted Shares (and such Retained Distributions), and the enjoyment of all rights appurtenant thereto, are subject to the restrictions, terms and conditions provided in the Plan and the applicable Agreement.

8.3 *Restrictions with Respect to Restricted Shares.* During the Restriction Period, Restricted Shares shall constitute issued and outstanding shares of the applicable series of Common Stock for all corporate purposes. The Holder will have the right to vote such Restricted Shares, to receive and retain such dividends and distributions, as the Committee may designate, paid or distributed on such Restricted Shares, and to exercise all other rights, powers and privileges of a Holder of shares of the applicable series of Common Stock with respect to such Restricted Shares; except, that, unless otherwise determined by the Committee and provided in the applicable Agreement, (i) the Holder will not be entitled to delivery of the Restricted Shares until the Restriction Period shall have expired and unless all other vesting requirements with respect thereto shall have been fulfilled or waived; (ii) the Company or its designee will retain custody of the Restricted Shares during the Restriction Period as provided in Section 8.2; (iii) other than such dividends and distributions as the Committee may designate, the Company or its designee will retain custody of all distributions (''Retained Distributions'') made or declared with respect to the Restricted Shares (and such Retained Distributions will be subject to the same restrictions, terms and vesting, and other conditions as are applicable to the Restricted Shares) until such time, if ever, as the Restricted Shares with respect to which such Retained Distributions shall have been made, paid or declared shall have become vested, and such Retained Distributions shall not bear interest or be segregated in a separate account; (iv) the Holder may not sell, assign, transfer, pledge, exchange, encumber or dispose of the Restricted Shares or any Retained Distributions or such Holder's interest in any of them during the Restriction Period; and (v) a breach of any restrictions, terms or conditions provided in the Plan or established by the Committee with respect to any Restricted Shares or Retained Distributions will cause a forfeiture of such Restricted Shares and any Retained Distributions with respect thereto.

8.4 *Grant of Restricted Stock Units.* Subject to the limitations of the Plan, the Committee shall designate those eligible Persons to be granted Awards of Restricted Stock Units, the value of which is based, in whole or in part, on the Fair Market Value of the shares of any specified series of Common Stock. Subject to the provisions of the Plan, including any rules established pursuant to Section 8.5, Awards of Restricted Stock Units shall be subject to such terms, restrictions, conditions, vesting requirements and payment rules as the Committee may determine in its discretion, which need not be identical for each Award. Such Awards may provide for the payment of cash consideration by the Person to whom such Award is granted or provide that the Award, and any shares of Common Stock to be issued in connection therewith, if applicable, shall be delivered without the payment of cash consideration; provided, however, that the issuance of any shares of Common Stock in connection with an Award of Restricted Stock Units shall be for at least the minimum consideration necessary to permit such shares to be deemed fully paid and nonassessable. The determinations made by the Committee pursuant to this Section 8.4 shall be specified in the applicable Agreement.

8.5 *Restrictions with Respect to Restricted Stock Units.* Any Award of Restricted Stock Units, including any shares of Common Stock which are part of an Award of Restricted Stock Units, may not be assigned, sold, transferred, pledged or otherwise encumbered prior to the date on which the shares are issued or, if later, the date provided by the Committee at the time of the Award. A breach of any restrictions, terms or conditions provided in the Plan or established by the Committee with respect to any Award of Restricted Stock Units will cause a forfeiture of such Restricted Stock Units and any Dividend Equivalents with respect thereto.

8.6 *Issuance of Restricted Stock Units.* Restricted Stock Units shall be issued at the beginning of the Restriction Period, shall not constitute issued and outstanding shares of the applicable series of Common Stock, and the Holder shall not have any of the rights of a stockholder with respect to the shares of Common Stock covered by such an Award of Restricted Stock Units, in each case until such shares shall have been issued to the Holder at the end of the Restriction Period. If and to the extent that shares of Common Stock are to be issued at the end of the Restriction Period, the Holder shall be entitled to receive Dividend Equivalents with respect to the shares of Common Stock covered thereby either (i) during the Restriction Period or (ii) in accordance with the rules applicable to Retained Distributions, as the Committee may specify in the Agreement.

8.7 *Cash Payments.* In connection with any Award of Restricted Shares or Restricted Stock Units, an Agreement may provide for the payment of a cash amount to the Holder of such Awards at any time after such Awards shall have become vested. Such cash amounts shall be payable in accordance with such additional restrictions, terms and conditions as shall be prescribed by the Committee in the Agreement and shall be in addition to any other salary, incentive, bonus or other compensation payments which such Holder shall be otherwise entitled or eligible to receive from the Company.

8.8 *Completion of Restriction Period.* On the Vesting Date with respect to each Award of Restricted Shares or Restricted Stock Units and the satisfaction of any other applicable restrictions, terms and conditions, (i) all or the applicable portion of such Restricted Shares or Restricted Stock Units shall become vested, (ii) any Retained Distributions with respect to such Restricted Shares and any unpaid Dividend Equivalents with respect to such Restricted Stock Units shall become vested to the extent that the Awards related thereto shall have become vested, and (iii) any cash amount to be received by the Holder with respect to such Restricted Shares or Restricted Stock Units shall become payable, all in accordance with the terms of the applicable Agreement. Any such Restricted Shares, Restricted Stock Units, Retained Distributions and any unpaid Dividend Equivalents that shall not become vested shall be forfeited to the Company, and the Holder shall not thereafter have any rights (including dividend and voting rights) with respect to such Restricted Shares, Restricted Stock Units, Retained Distributions and any unpaid Dividend Equivalents that shall have been so forfeited. The Committee may, in its discretion, provide that the delivery of any Restricted Shares, Restricted Stock Units, Retained Distributions and unpaid Dividend Equivalents that shall have become vested, and payment of any related cash amounts that shall have become payable under this Article VIII, shall be deferred until such date or dates as the recipient may elect. Any election of a recipient pursuant to the preceding sentence shall be filed in writing with the Committee in accordance with such rules and regulations, including any deadline for the making of such an election, as the Committee may provide, and shall be made in compliance with Section 409A.

ARTICLE IX

CASH AWARDS AND PERFORMANCE AWARDS

9.1 *Cash Awards.* In addition to granting Options, SARs, Restricted Shares and Restricted Stock Units, the Committee shall, subject to the limitations of the Plan, have authority to grant to eligible Persons Cash Awards. Each Cash Award shall be subject to such terms and conditions, restrictions and contingencies, if any, as the Committee shall determine. Restrictions and contingencies limiting the right to receive a cash payment pursuant to a Cash Award shall be based upon the achievement of single or multiple Performance Objectives over a performance period established by the Committee. The determinations made by the Committee pursuant to this Section 9.1 shall be specified in the applicable Agreement.

9.2 *Designation as a Performance Award.* The Committee shall have the right to designate any Award of Options, SARs, Restricted Shares or Restricted Stock Units as a Performance Award. All Cash Awards shall be designated as Performance Awards.

9.3 *Performance Objectives.* The grant or vesting of a Performance Award shall be subject to the achievement of Performance Objectives over a performance period established by the Committee based upon one or more of the following business criteria that apply to the Holder, one or more business units, divisions or Subsidiaries of the Company or the applicable sector of the Company, or the Company as a whole, and if so desired by the Committee, by comparison with a peer group of companies: increased revenue; net income measures (including income after capital costs and income before or after taxes); stock price measures (including growth measures and total stockholder return); price per share of Common Stock; market share; earnings per share (actual or targeted growth); earnings before interest, taxes, depreciation and amortization (EBITDA); operating income before depreciation and amortization (OIBDA); economic value added (or an equivalent metric); market value added; debt to equity ratio; cash flow measures (including cash flow return on capital, cash flow return on tangible capital, net cash flow and net cash flow before financing activities); return measures (including return on equity, return on average assets, return on capital, risk-adjusted return on capital, return on investors' capital and return on average equity); operating measures (including operating income, funds from operations, cash from operations, after-tax operating income, sales volumes, production volumes and production efficiency); expense measures (including overhead cost and general and administrative expense); margins; stockholder value; total stockholder return; proceeds from dispositions; total market value and corporate values measures (including ethics compliance, environmental and safety). Unless otherwise stated, such a Performance Objective need not be based upon an increase or positive result under a particular business criterion and could include, for example, maintaining the status quo or limiting economic losses (measured, in each case, by reference to specific business criteria). The Committee shall have the authority to determine whether the Performance Objectives and other terms and conditions of the Award are satisfied, and the Committee's determination as to the achievement of Performance Objectives relating to a Performance Award shall be made in writing.

9.4 *Section 162(m) of the Code.* Notwithstanding the foregoing provisions, if the Committee intends for a Performance Award to be granted and administered in a manner designed to preserve the deductibility of the compensation resulting from such Award in accordance with Section 162(m) of the Code, then the Performance Objectives for such particular Performance Award relative to the particular period of service to which the Performance Objectives relate shall be established by the Committee in writing (i) no later than 90 days after the beginning of such period and (ii) prior to the completion of 25% of such period.

9.5 *Waiver of Performance Objectives.* The Committee shall have no discretion to modify or waive the Performance Objectives or conditions to the grant or vesting of a Performance Award unless such Award is not intended to qualify as qualified performance-based compensation under Section 162(m) of the Code and the relevant Agreement provides for such discretion.

ARTICLE X

GENERAL PROVISIONS

10.1 *Acceleration of Awards*.

(a) *Death or Disability.* If a Holder's employment or service shall terminate by reason of death or Disability, notwithstanding any contrary waiting period, installment period, vesting schedule or Restriction Period in any Agreement or in the Plan, unless the applicable Agreement provides otherwise: (i) in the case of an Option or SAR, each outstanding Option or SAR granted under the Plan shall immediately become exercisable in full in respect of the aggregate number of shares covered thereby; (ii) in the case of Restricted Shares, the Restriction Period applicable to each such Award of Restricted Shares shall be deemed to have expired and all such Restricted Shares and any related Retained Distributions shall become vested and any related cash amounts payable pursuant to the applicable Agreement shall be adjusted in such manner as may be provided in the Agreement; and (iii) in the case of Restricted Stock Units, the Restriction Period applicable to each such Award of Restricted Stock Units shall be deemed to have expired and all such Restricted Stock Units and any unpaid Dividend Equivalents shall become vested and any related cash amounts payable pursuant to the applicable Agreement shall be adjusted in such manner as may be provided in the Agreement.

(b) *Approved Transactions; Board Change; Control Purchase.* In the event of any Approved Transaction, Board Change or Control Purchase, notwithstanding any contrary waiting period, installment period, vesting schedule or Restriction Period in any Agreement or in the Plan, unless the applicable Agreement provides otherwise: (i) in the case of an Option or SAR, each such outstanding Option or SAR granted under the Plan shall become exercisable in full in respect of the aggregate number of shares covered thereby; (ii) in the case of Restricted Shares, the Restriction Period applicable to each such Award of Restricted Shares shall be deemed to have expired and all such Restricted Shares and any related Retained Distributions shall become vested and any related cash amounts payable pursuant to the applicable Agreement shall be adjusted in such manner as may be provided in the Agreement; and (iii) in the case of Restricted Stock Units, the Restriction Period applicable to each such Award of Restricted Stock Units shall be deemed to have expired and all such Restricted Stock Units and any unpaid Dividend Equivalents shall become vested and any related cash amounts payable pursuant to the applicable Agreement shall be adjusted in such manner as may be provided in the Agreement, in each case effective upon the Board Change or Control Purchase or immediately prior to consummation of the Approved Transaction. The effect, if any, on a Cash Award of an Approved Transaction, Board Change or Control Purchase shall be prescribed in the applicable Agreement. Notwithstanding the foregoing, unless otherwise provided in the applicable Agreement, the Committee may, in its discretion, determine that any or all outstanding Awards of any or all types granted pursuant to the Plan will not vest or become exercisable on an accelerated basis in connection with an Approved Transaction if effective provision has been made for the taking of such action which, in the opinion of the Committee, is equitable and appropriate to substitute a new Award for such Award or to assume such Award and to make such new or assumed Award, as nearly as may be practicable, equivalent to the old Award (before giving effect to any acceleration of the vesting or exercisability thereof), taking into account, to the extent applicable, the kind and amount of securities, cash or other assets into or for which the applicable series of Common Stock may be changed, converted or exchanged in connection with the Approved Transaction.

10.2 *Termination of Employment or Service*.

(a) *General.* If a Holder's employment or service shall terminate prior to an Option or SAR becoming exercisable or being exercised (or deemed exercised, as provided in Section 7.2) in full, or during the Restriction Period with respect to any Restricted Shares or any Restricted Stock Units, then such Option or SAR shall thereafter become or be exercisable, and the Holder's rights to any unvested Restricted Shares, Retained Distributions and related cash amounts and any unvested Restricted Stock Units, unpaid Dividend Equivalents and related cash amounts shall thereafter vest, in each case solely to the extent provided in the applicable Agreement; provided, however, that, unless otherwise determined by the Committee and provided in the applicable Agreement, (i) no Option or SAR may be exercised after the scheduled expiration date thereof; (ii) if the Holder's employment or service terminates by reason of death or Disability, the Option or SAR shall remain exercisable for a period of at least one year following such termination (but not later than the scheduled expiration of such Option or SAR); and (iii) any termination of the Holder's employment or service for cause will be treated in accordance with the provisions of Section 10.2(b). The effect on a Cash Award of the termination of a Holder's employment or service for any reason, other than for cause, shall be prescribed in the applicable Agreement. For the avoidance of doubt, in the discretion of the Committee, an Award may provide that a Holder's service shall be deemed to have continued for purposes of the Award while a Holder provides services to the Company, any Subsidiary, or any former affiliate of the Company or any Subsidiary.

(b) *Termination for Cause.* If a Holder's employment or service with the Company or a Subsidiary of the Company shall be terminated by the Company or such Subsidiary for ''cause'' during the Restriction Period with respect to any Restricted Shares or Restricted Stock Units or prior to any Option or SAR becoming exercisable or being exercised in full or prior to the payment in full of any Cash Award (for these purposes, ''cause'' shall have the meaning ascribed thereto in any employment or consulting agreement to which such Holder is a party or, in the absence thereof, shall include insubordination, dishonesty, incompetence, moral turpitude, other misconduct of any kind and the refusal to perform such Holder's duties and responsibilities for any reason other than illness or incapacity; provided, however, that if such termination occurs within 12 months after an Approved Transaction or Control Purchase or Board Change, termination for ''cause'' shall mean only a felony conviction for fraud, misappropriation, or embezzlement), then, unless otherwise determined by the Committee and provided in the applicable Agreement, (i) all Options and SARs and all unpaid Cash Awards held by such Holder shall immediately terminate, and (ii) such Holder's rights to all Restricted Shares, Restricted Stock Units, Retained Distributions, any unpaid Dividend Equivalents and any related cash amounts shall be forfeited immediately

(c) *Miscellaneous.* The Committee may determine whether any given leave of absence constitutes a termination of employment or service; provided, however, that for purposes of the Plan, (i) a leave of absence, duly authorized in writing by the Company for military service or sickness, or for any other purpose approved by the Company if the period of such leave does not exceed 90 days, and (ii) a leave of absence in excess of 90 days, duly authorized in writing by the Company provided the employee's right to reemployment is guaranteed either by statute or contract, shall not be deemed a termination of employment. Unless otherwise determined by the Committee and provided in the applicable Agreement, Awards made under the Plan shall not be affected by any change of employment or service so long as the Holder continues to be an employee, director or independent contractor of the Company.

10.3 *Right of Company to Terminate Employment or Service.* Nothing contained in the Plan or in any Award, and no action of the Company or the Committee with respect thereto, shall confer or be construed to confer on any Holder any right to continue in the employ or service of the Company or any of its Subsidiaries or interfere in any way with the right of the Company or any Subsidiary of the Company to terminate the employment or service of the Holder at any time, with or without cause, subject, however, to the provisions of any employment or consulting agreement between the Holder and the Company or any Subsidiary of the Company, or in the case of a director, to the charter and bylaws, as the same may be in effect from time to time.

10.4 *Nonalienation of Benefits.* Except as set forth herein, no right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, hypothecation, pledge, exchange, transfer, garnishment, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, hypothecate, pledge, exchange, transfer, garnish, encumber or charge the same shall be void. No right or benefit hereunder shall in any manner be liable for or subject to the debts, contracts, liabilities or torts of the Person entitled to such benefits.

10.5 *Written Agreement.* Each Award under the Plan shall be evidenced by a written agreement, in such form as the Committee shall approve from time to time in its discretion, specifying the terms and provisions of such Award which may not be inconsistent with the provisions of the Plan; provided, however, that if more than one type of Award is made to the same Holder, such Awards may be evidenced by a single Agreement with such Holder. Each grantee of an Option, SAR, Restricted Shares, Restricted Stock Units or Performance Award (including a Cash Award) shall be notified promptly of such grant, and a written Agreement shall be promptly delivered by the Company. Any such written Agreement may contain (but shall not be required to contain) such provisions as the Committee deems appropriate to insure that the penalty provisions of Section 4999 of the Code will not apply to any stock or cash received by the Holder from the Company. Any such Agreement may be supplemented or amended from time to time as approved by the Committee as contemplated by Section 10.7(b).

10.6 *Nontransferability.* Unless otherwise determined by the Committee and expressly provided for in an Agreement, Awards are not transferable (either voluntarily or involuntarily), before or after a Holder's death, except as follows: (a) during the Holder's lifetime, pursuant to a Domestic Relations Order, issued by a court of competent jurisdiction, that is not contrary to the terms and conditions of the Plan or any applicable Agreement, and in a form acceptable to the Committee; or (b) after the Holder's death, by will or pursuant to the applicable laws of descent and distribution, as may be the case. Any person to whom Awards are transferred in accordance with the provisions of the preceding sentence shall take such Awards subject to all of the terms and conditions of the Plan and any applicable Agreement.

10.7 *Termination and Amendment*.

(a) *General.* Unless the Plan shall theretofore have been terminated as hereinafter provided, no Awards may be made under the Plan on or after the fifth anniversary of the Effective Date. The Plan may be terminated at any time prior to such date and may, from time to time, be suspended or discontinued or modified or amended if such action is deemed advisable by the Committee.

(b) *Modification.* No termination, modification or amendment of the Plan may, without the consent of the Person to whom any Award shall theretofore have been granted, adversely affect the rights of such Person with respect to such Award. No modification, extension, renewal or other change in any Award granted under the Plan shall be made after the grant of such Award, unless the same is consistent with the provisions of the Plan. With the consent of the Holder and subject to the terms and conditions of the Plan (including Section 10.7(a)), the Committee may amend outstanding Agreements with any Holder, including any amendment which would (i) accelerate the time or times at which the Award may be exercised and/or (ii) extend the scheduled expiration date of the Award. Without limiting the generality of the foregoing, the Committee may, but solely with the Holder's consent unless otherwise provided in the Agreement, agree to cancel any Award under the Plan and grant a new Award in substitution therefor, provided that the Award so substituted shall satisfy all of the requirements of the Plan as of the date such new Award is made. Nothing contained in the foregoing provisions of this Section 10.7(b) shall be construed to prevent the Committee from providing in any Agreement that the rights of the Holder with respect to the Award evidenced thereby shall be subject to such rules and regulations as the Committee may, subject to the express provisions of the Plan, adopt from time to time or impair the enforceability of any such provision.

10.8 *Government and Other Regulations.* The obligation of the Company with respect to Awards shall be subject to all applicable laws, rules and regulations and such approvals by any governmental agencies as may be required, including the effectiveness of any registration statement required under the Securities Act of 1933, and the rules and regulations of any securities exchange or association on which the Common Stock may be listed or quoted. For so long as any series of Common Stock are registered under the Exchange Act, the Company shall use its reasonable efforts to comply with any legal requirements (i) to maintain a registration statement in effect under the Securities Act of 1933 with respect to all shares of the applicable series of Common Stock that may be issuable, from time to time, to Holders under the Plan and (ii) to file in a timely manner all reports required to be filed by it under the Exchange Act. Notwithstanding any other provision in the Plan to the contrary, if, at the time of vesting or exercise of an Award that would otherwise require the Company to issue shares of Common Stock, the Company is prohibited by applicable law from settling such Award in Common Stock, then the Committee may, in its sole discretion, settle such Awards in cash, by payment to the Holder of an amount in cash equal to the then Fair Market Value of the shares otherwise deliverable upon such vesting or exercise, less the amount of any applicable exercise or purchase price.

10.9 *Withholding.* The Company's obligation to deliver shares of Common Stock or pay cash in respect of any Award under the Plan shall be subject to applicable federal, state and local tax withholding requirements. Federal, state and local withholding tax due at the time of an Award, upon the exercise of any Option or SAR or upon the vesting of, or expiration of restrictions with respect to, Restricted Shares or Restricted Stock Units or the satisfaction of the Performance Objectives applicable to a Performance Award, as appropriate, may, in the discretion of the Committee, be paid in shares of Common Stock already owned by the Holder or through the withholding of shares otherwise issuable to such Holder, upon such terms and conditions (including the conditions referenced in Section 6.5) as the Committee shall determine. For the avoidance of doubt, the Committee may, in its discretion, allow for the tax withholding in respect of any Award up to the maximum withholding rate applicable to the Holder. If the Holder shall fail to pay, or make arrangements satisfactory to the Committee for the payment to the Company of, all such federal, state and local taxes required to be withheld by the Company, then the Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to such Holder an amount equal to any federal, state or local taxes of any kind required to be withheld by the Company with respect to such Award.

10.10 *Nonexclusivity of the Plan.* The adoption of the Plan by the Board shall not be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including the granting of stock options and the awarding of stock and cash otherwise than under the Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

10.11 *Exclusion from Other Plans.* By acceptance of an Award, unless otherwise provided in the applicable Agreement, each Holder shall be deemed to have agreed that such Award is special incentive compensation that will not be taken into account, in any manner, as salary, compensation or bonus in determining the amount of any payment under any pension, retirement or other employee benefit plan, program or policy of the Company or any Subsidiary of the Company. In addition, each beneficiary of a deceased Holder shall be deemed to have agreed that such Award will not affect the amount of any life insurance coverage, if any, provided by the Company on the life of the Holder which is payable to such beneficiary under any life insurance plan of the Company or any Subsidiary of the Company.

10.12 *Unfunded Plan.* Neither the Company nor any Subsidiary of the Company shall be required to segregate any cash or any shares of Common Stock which may at any time be represented by Awards, and the Plan shall constitute an ''unfunded'' plan of the Company. Except as provided in Article VIII with respect to Awards of

Restricted Shares and except as expressly set forth in an Agreement, no Holder shall have voting or other rights with respect to the shares of Common Stock covered by an Award prior to the delivery of such shares. Neither the Company nor any Subsidiary of the Company shall, by any provisions of the Plan, be deemed to be a trustee of any shares of Common Stock or any other property, and the liabilities of the Company and any Subsidiary of the Company to any Holder pursuant to the Plan shall be those of a debtor pursuant to such contract obligations as are created by or pursuant to the Plan, and the rights of any Holder, former service provider or beneficiary under the Plan shall be limited to those of a general creditor of the Company or the applicable Subsidiary of the Company, as the case may be. In its sole discretion, the Board may authorize the creation of trusts or other arrangements to meet the obligations of the Company under the Plan, provided, however, that the existence of such trusts or other arrangements is consistent with the unfunded status of the Plan.

10.13 *Governing Law.* The Plan shall be governed by, and construed in accordance with, the laws of the State of Delaware.

10.14 *Accounts.* The delivery of any shares of Common Stock and the payment of any amount in respect of an Award shall be for the account of the Company or the applicable Subsidiary of the Company, as the case may be, and any such delivery or payment shall not be made until the recipient shall have paid or made satisfactory arrangements for the payment of any applicable withholding taxes as provided in Section 10.9.

10.15 *Legends.* Any statement of ownership evidencing shares of Common Stock subject to an Award shall bear such legends as the Committee deems necessary or appropriate to reflect or refer to any terms, conditions or restrictions of the Award applicable to such shares, including any to the effect that the shares represented thereby may not be disposed of unless the Company has received an opinion of counsel, acceptable to the Company, that such disposition will not violate any federal or state securities laws.

10.16 *Company's Rights.* The grant of Awards pursuant to the Plan shall not affect in any way the right or power of the Company to make reclassifications, reorganizations or other changes of or to its capital or business structure or to merge, consolidate, liquidate, sell or otherwise dispose of all or any part of its business or assets.

10.17 *Section 409A.* The Plan and the Awards made hereunder are intended to be (i) ''stock rights'' exempt from Section 409A of the Code (''Section 409A'') pursuant to Treasury Regulations § 1.409A-1(b)(5), (ii) ''short-term deferrals'' exempt from Section 409A or (iii) payments which are deferred compensation and paid in compliance with Section 409A, and the Plan and each Agreement shall be interpreted and administered accordingly. Any adjustments of Awards intended to be ''stock rights'' exempt from Section 409A pursuant to Treasury Regulations § 1.409A-1(b)(5) shall be conducted in a manner so as not to constitute a grant of a new stock right or a change in the time and form of payment pursuant to Treasury Regulations §1.409A-1(b)(5)(v). In the event an Award is not exempt from Section 409A, (x) payment pursuant to the relevant Agreement shall be made only on a permissible payment event or at a specified time in compliance with Section 409A, (y) no accelerated payment shall be made pursuant to Section 10.1(b) unless the Board Change, Approved Transaction or Control Purchase constitutes a ''change in control event'' under Treasury Regulations §1.409A-3(i)(5) or otherwise constitutes a permissible payment event under Section 409A and (z) no amendment or modification of such Award may be made except in compliance with the anti-deferral and anti-acceleration provisions of Section 409A. No deferrals of compensation otherwise payable under the Plan or any Award shall be allowed, whether at the discretion of the Company or the Holder, except in a manner consistent with the requirements of Section 409A. If a Holder is identified by the Company as a ''specified employee'' within the meaning of Code Section 409A(a)(2)(B)(i) on the date on which such Holder has a ''separation from service'' (other than due to death) within the meaning of Treasury Regulation § 1.409A-1(h), any Award payable or settled on account of a separation from service that is deferred compensation subject to Section 409A shall be paid or settled on the earliest of (1) the first business day following the expiration of six months from the Holder's separation from service, (2) the date of the Holder's death, or (3) such earlier date as complies with the requirements of Section 409A.

10.18 *Administrative Blackouts.* In addition to its other powers hereunder, the Committee has the authority to suspend (i) the exercise of Options or SARs and (ii) any other transactions under the Plan as it deems necessary or appropriate for administrative reasons.

10.19 *Clawback Policy.* Notwithstanding any other provisions in this Plan, any Award shall be subject to recovery or clawback by the Company under any clawback policy adopted by the Company in accordance with SEC regulations or other applicable law, as amended or superseded from time to time.

10.20 *Stock Ownership Guidelines.* Any Award shall be subject to any applicable stock ownership guidelines adopted by the Company, as amended or superseded from time to time.

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, 2017

or

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

For the transition period from_______to _____

Commission File No. 001-38385

GCI LIBERTY, INC.
(Exact name of registrant as specified in its charter)

State of Alaska	**92-0072737**
(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: Class A-1 common stock
Securities registered pursuant to Section 12(g) of the Act: Class B-1 common stock

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, a smaller reporting company, or emerging growth company. See the definitions of “large accelerated filer,” "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the average high and low prices of such stock as of the close of trading as of the last business day of the registrant’s most recently completed second fiscal quarter of June 30, 2017 was $533,981,114. Shares of voting stock held by each officer and director and by each person who owns 5% or more of the outstanding voting stock (as publicly reported by such persons pursuant to Section 13 and Section 16 of the Exchange Act) have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares outstanding of the registrant’s common stock as of February 23, 2018, was:

Class A-1 common stock – 32,848,000 shares; and
Class B-1 common stock – 3,047,000 shares.

GCI LIBERTY, INC.
2017 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," "GCI," "GCI Liberty," and "the Company" refer to GCI Liberty, Inc. and its direct and indirect subsidiaries. Prior to February 20, 2018, we were known as General Communication, Inc. On February 20, 2018, the Comissioner of the Department of Commerce, Community and Economic Development of the State of Alaska accepted for filing the amended and restated Articles of Incorporation that were approved by our shareholders at a special meeting held on February 2, 2018. The name change is a result of the Transactions described in "Part 1 - Item 1. Business - Narrative Description of our Business - Development of our Business During the Past Fiscal Year." Additionally, as of February 20, 2018, our Class A common stock and Class B common stock were reclassified into Class A-1 common stock and Class B-1 common stock, respectively.

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 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, 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.

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 our 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. We operate the only statewide wireless network.

For the year ended December 31, 2017, we generated consolidated revenues of $919.2 million. We ended the period with 219,400 wireless subscribers and 134,800 cable modem subscribers.

Development of our Business During the Past Fiscal Year
Transaction with Liberty Interactive Corporation. On April 4, 2017, General Communication, Inc., Liberty Interactive Corporation, a Delaware corporation (“Liberty”) and Liberty Interactive LLC, a Delaware limited liability company and a direct wholly-owned subsidiary of Liberty (“Liberty LLC”), entered into an Agreement and Plan of Reorganization (as may be amended from time to time, the “Reorganization Agreement” and the transactions contemplated thereby, the “Transactions”). Pursuant to the Reorganization Agreement, General Communication, Inc. amended and restated its articles of incorporation resulting in General Communication, Inc. being renamed GCI Liberty, Inc. and a reclassification and auto conversion of its common stock. Following these events, Liberty will acquire GCI through a reorganization in which certain interests, assets and liabilities of the Liberty Ventures Group (“Liberty Ventures”) will be contributed to GCI Liberty in exchange for a controlling interest in GCI Liberty. The assets to be contributed to GCI Liberty are expected to include Liberty’s equity interests in Liberty Broadband and Charter Communications, Inc. along with certain other equity interests, together with the operating business of Evite, Inc. and certain other assets and liabilities, in exchange for (a) the issuance to Liberty LLC of (i) a number of shares of GCI Liberty Class A Common Stock and a number of shares of GCI Liberty Class B Common Stock equal to the number of outstanding shares of Series A Liberty Ventures common stock and Series B Liberty Ventures common stock outstanding on the closing date of the contribution, respectively, and (ii) cash, and (b) the assumption by GCI Liberty of certain liabilities attributed to Liberty Ventures.

Following the contribution and acquisition of GCI Liberty, Liberty will then effect a tax-free separation of its controlling interest in GCI Liberty to the holders of Liberty Ventures common stock in full redemption of all outstanding shares of such stock. As a result of the Transactions, holders of GCI common stock (regardless of class) each will receive (i) 0.63 of a share of GCI Liberty Class A common stock and (ii) 0.20 of a share of new GCI Liberty Series A Cumulative Redeemable preferred stock in exchange for each share of their existing GCI common stock. The exchange ratios were determined based on total consideration of $32.50 per share in respect of each share of existing GCI common stock, comprised of $27.50 per share in GCI Liberty Class A common stock and $5.00 per share in newly issued GCI Liberty Series A Cumulative Redeemable preferred stock, based upon a Liberty Ventures reference price of $43.65 (with no premium paid for shares of GCI Class B common stock) and an initial liquidation price of $25.00 per share of GCI Liberty Series A Cumulative Redeemable preferred stock. The GCI Liberty Series A Cumulative Redeemable preferred stock will accrue dividends at an initial rate of 5% per annum (which would increase to 7% in connection with a future reincorporation of GCI Liberty in Delaware) and will be redeemable upon the 21st anniversary of the closing. The closing of the Transactions are expected to be consummated on March 9, 2018, subject to the satisfaction of customary closing conditions.

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

Business Strategy
We intend to grow the company 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.

We operate our business under a single reportable segment. Effective in the first quarter of 2017, we reassessed and reorganized our management and internal reporting structures in order to make our operations more efficient, which triggered an analysis of our reportable segments. As a result of our assessment, we merged our former Wireless and Wireline segments into one operating segment. We realigned our external financial reporting to support this change. Our chief operating decision maker assesses our financial performance as follows:

- Capital expenditure decisions are based on the support they provide to all revenue streams
- Revenues are managed on the basis of specific customers and customer groups
- Costs are generally managed and assessed by function and generally support the organization across all customer groups or revenue streams
- Profitability is assessed at the consolidated level

Prior to 2017, we operated our business under two reportable segments - Wireline and Wireless. As a result of the reorganization of our reporting structure, assets, including goodwill, and liabilities were reassigned to a single reporting unit.

Services and Products

We offer services and products to two major customer groups as follows:

Services and Products	Customer Group: Consumer	Customer Group: Business
Wireless		
Retail	X	X
Wholesale		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 - We offer a full range of wireless, data, video, voice, and managed services to businesses, governmental entities, and educational institutions, wholesale data, voice, and wireless 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, voice, and wireless services, and data services to rural schools and health organizations through direct contact marketing.

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.

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.

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"). 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.

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.

Competition

We operate in intensely competitive industries and compete with a 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.

Retail Wireless Services and Products Competition

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, service bundles, the services and enhancements offered, network quality, customer service, billing services, statewide network coverage and capacity, TurboZone, the type of wireless handsets offered, and perceived quality, reliability and availability. 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, service bundles, the services and enhancements 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.

<u>Video Services and Products Competition</u>
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 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.

<u>Voice Services and Products Competition</u>
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 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 major customer in 2017 and 2016. Verizon was a major customer in 2015.

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 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 business. We own two utility patents issued in 2017 pertaining to device diagnostics and network connectivity. 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. 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 Universal Service Fund ("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 are 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 mandated that as of January 1, 2017, Urban high cost support for 2017 and 2018 would 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 — 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 prohibited broadband providers from blocking or throttling most lawful public Internet traffic, from engaging in paid prioritization of that traffic, and from unreasonably interfering with or disadvantaging end users' and edge providers’ ability to send traffic to, from, and among each other. The order also strengthened the FCC’s 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 allowed broadband providers to engage in reasonable network management, including using techniques to address traffic congestion. These rules applied equally to wired and wireless broadband services. The order refrained from applying rate regulation and tariff requirements on broadband services. On January 4, 2018, the FCC released an order that returned to a Title I classification of Internet service and eliminated many of the requirements described above. There are various efforts in Congress, through the federal courts of appeal, and through state legislation to re-impose the rules adopted in 2015. While we do not believe that the 2015 FCC order conflicts with our existing practices or offerings, the re-imposition of that regulatory framework would impose regulatory burdens, likely would increase our costs, and could adversely affect the manner and price of providing service.

Rural Health Care Program. The USF Rural Health Care ("RHC") Program subsidizes the rates for services provided to rural health care providers. For the funding year that ran from July 1, 2016 through June 30, 2017, USAC received requests for funds that exceeded the funding available for the RHC Program. USAC allocated the funding on a pro-rata basis to rural health care providers who submitted their funding requests during a certain period. We provide services to rural health care providers who were impacted by the pro-rata allocation and as a result certain of our customers did not receive the full subsidy that was expected under the program. Under the program rules, we are forbidden from lowering our rates for services previously provided, however, the FCC published an order on June 30, 2017 to assist eligible remote Alaska rural health care providers by allowing Alaska service providers, such as us, to retroactively lower their rates, or effectively giving a credit against amounts owed, for services provided. Based on these specific circumstances, we decided to retroactively lower our rates to these customers pursuant to the FCC waiver, and as a result we reduced revenue by $5.5 million during the year ended December 31, 2017, to aid our rural health care provider customers who were impacted by the pro-rata allocation.

The FCC issued an Order and Notice of Proposed Rulemaking (“NPRM”) on December 18, 2017 and announced that requests for funds has exceeded the amount available for the funding year that runs from July 1, 2017 through June 30, 2018 (“FY2017”). The Order specifically addresses relief if a FY2017 proration is needed and directs USAC to use unused RHC program funding available at the time of proration to lower or eliminate the proration factor first for all qualifying funding requests from non-consortia health care providers. All of our customers in the FY2017 and included in our December 31, 2017 accounts receivable are non-consortia health care providers. The FCC and USAC have given no guidance as to the amount of unused funding available, thus we cannot predict the amount of any such shortfall.

The NPRM seeks comment about potential reforms to the RHC program to address future program shortfalls. We cannot predict at this time what changes, if any, that the FCC will adopt or the impact of any such changes.

Schools and Libraries Program. In 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.

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, in 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. 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 - 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 Alaska Communications Systems Group, Inc.'s (“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 — 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. In 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.

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. On July 7, 2017, ACS filed a petition in which it asked the FCC to regulate us as an ILEC pursuant to section 251(h)(2) of the Communications Act, including the requirement to provide competitors with access to unbundled network elements. We cannot predict at this time the outcome of this proceeding. However, grant of the petition in its entirety may subject us to regulatory burdens that could materially impact our costs.

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. In 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 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 2,208 persons as of December 31, 2017, 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, various service integration strategies, and business alliances, major providers are striving to strengthen their competitive positions. 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, see the section titled “Competition” included in “Part 1 — Item 1 — Business — Description of our Business.”

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 that 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.

We use tower facilities for the provision of our wireless services. 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 an applicant 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. In 2015, the FCC adopted an order reclassifying Internet service as a telecommunications service under Title II of the Communications Act. The order prohibited broadband providers from blocking or throttling most lawful public Internet traffic, from engaging in paid prioritization of that traffic, and from unreasonably interfering with or disadvantaging end users' and edge providers' ability to send traffic to, from, and among each other. The order also strengthened the FCC's 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 allowed broadband providers to engage in reasonable network management, including using techniques to address traffic congestion. The new rules applied equally to wired and wireless broadband services. The order refrained from imposing rate regulation or tariff requirements on broadband services.

On January 4, 2018, the FCC released an order that returned to a Title I classification of Internet service and eliminated many of the requirements described above. There are various efforts in Congress, through the federal courts of appeal, and through state legislation to re-impose the rules adopted in 2015. We cannot predict whether the FCC will re-impose the 2015 rules, but if it did, it is possible that the FCC could interpret or apply those rules in a way that has a material adverse effect on our business, financial position, results of operations, or liquidity.

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. 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 26%, 24%, and 19% of our revenue for the years ended December 31, 2017, 2016 and 2015, respectively. We had USF net receivables of $131.8 million and $100.5 million at December 31, 2017 and 2016, 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.

Additionally, the USF RHC Program subsidizes the rates for services provided to rural health care providers. USAC received requests for support that exceeded the available RHC Program funding for the first time in the funding year that ran from July 1, 2016 through June 30, 2017. We expect that the support requests will continue to exceed the program's annual cap for the funding year ending June 30, 2018 and possibly subsequent funding years. We provide services to rural health care providers who may be impacted by funding caps and as a result may not receive the full subsidy that was expected under the program. We cannot predict the impact of future RHC Program funding caps but they may negatively affect our financial position, results of operations, or liquidity.

See "Description of Our Business — Regulation — Wireless Services and Products — Universal Service" and "Description of Our Business — 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 voice services' results of operations, which include long-distance and local access services, may accelerate.

We expect our 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 project.

We have entered into five separate arrangements under the NMTC program with US Bancorp to help fund various phases of our TERRA project. In connection with the NMTC transactions we received proceeds which were restricted for use on TERRA. 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 $65.8 million in NMTCs plus interest and penalties until such time as our obligation to deliver tax benefits is relieved. Our obligation to deliver tax benefits is relieved in various stages from August 2018 through December 2024. 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 stay abreast of new technology could affect our ability to compete in the industry.

We test and deploy various new technologies and support systems intended to enhance our competitiveness and increase the utility of our services. As our operations grow in size and scope, we must continuously improve and upgrade our systems and infrastructure while maintaining or improving the reliability and integrity of our systems and infrastructure. The emergence of alternative platforms such as mobile or tablet computing devices and the emergence of niche competitors who may be able to optimize products, services or strategies for such platforms will require new investment in technology. 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. There can be no assurance that we will be able to compete with advancing technology or introduce new technologies and systems as quickly as we would like or in a cost effective manner. 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 lower oil prices.

The Alaska economy is in a recession that started in late 2015. While it is difficult for us to predict the future impact of the continuing recession on our business, these conditions have had an adverse impact on our business and could continue to adversely affect the affordability of and demand for some of our products and services and cause customers to shift to lower priced products and services or to delay or forgo purchases of our products and services. Additionally, 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. If the recession continues, it could continue to 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.

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. 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 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 some of which are unringed, operating in a remote environment and are at times difficult to access for repairs. Damage to an undersea fiber optic cable system or TERRA and its extensions could result in significant unplanned expense. If a failure of both sides of the ring of our undersea fiber optic facilities or our ringed TERRA facility and its unringed 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.

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. The failure of our key suppliers to provide products or product support could have a material adverse effect on our business, financial position, and results of operations.

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;
- 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 $530.8 million of indefinite-lived intangible assets at December 31, 2017, consisting of goodwill of $242.3 million, cable certificates of $191.6 million, wireless licenses of $93.8 million and broadcast licenses of $3.1 million. Goodwill represents the excess of cost over fair value of net assets acquired in connection with business acquisitions. 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.

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.

At December 31, 2017, we have tax net operating loss carryforwards of $371.2 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 we experience an "ownership change," as defined in Section 382 of the Internal Revenue Code and related Treasury regulations at a time when our 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 our 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, 2017, our executive officers and directors and their affiliates owned 15% of our combined outstanding 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 the Board.

We expect to incur significant costs and expenses in connection with the Transactions.

We expect to incur certain nonrecurring costs in connection with the consummation of the Transactions contemplated by the Reorganization Agreement, including advisory, legal and other transaction costs. A majority of these costs have already been incurred or will be incurred regardless of whether the Transactions are completed. While many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time, we continue to assess the magnitude of these costs, and additional unanticipated costs may be incurred in connection with the Transactions. Although we expect that the realization of benefits related to the Transactions will offset such costs and expenses over time, no assurances can be made that this net benefit will be achieved in the near term, or at all.

Additionally, the inputs that impact the estimate of value of our derivative stock appreciation rights have been impacted and may continue to be impacted by the Transactions with Liberty which could adversely affect our financial position or results of operations.

The announcement and pendency of the Transactions could divert the attention of management and cause disruptions in our business, which could have an adverse effect on our business and financial results.

Liberty and GCI are unaffiliated companies that are currently operated independently of each other. Our management may be required to divert a disproportionate amount of attention away from their respective day-to-day activities and operations, and devote time and effort to consummating the Transactions. The risks, and adverse effects, of such disruptions and diversions could be exacerbated by a delay in the completion of the Transactions. These factors could adversely affect our financial position or results of operations, regardless of whether the Transactions are completed.

We are subject to contractual restrictions while the Transactions are pending, which could adversely affect our business.

The Reorganization Agreement imposes certain restrictive interim covenants on us. For instance, the consent of Liberty is required in respect of, among other things, amendments to our organizational documents, share repurchases, certain actions relating to material contracts, certain employee benefit changes, limitations on capital expenditures and limitations on dispositions, payments of dividends, and certain issuances of shares of our common stock. These restrictions may prevent us from taking certain actions before the closing of the Transactions or the termination of the Reorganization Agreement, including making certain acquisitions or otherwise pursuing certain business opportunities, or making certain changes to our capital stock, that our board of directors may deem beneficial.

Failure to complete the Transactions could negatively impact our stock price, future business, and financial results.

If the Transactions are not completed for any reason, we may be subject to numerous risks, including the following:

- We may experience negative reactions from the financial markets, including negative impacts on the price of our common stock, or from customers, regulators, and employees;
- We may be required to pay Liberty a termination fee in connection with the termination of the Reorganization Agreement under certain circumstances;
- We may experience reputational harm due to the adverse perception of any failure to successfully complete the Transactions; and
- We may experience harm to our business due to the following: (i) operating under the restrictions on the conduct of our business set forth in the Reorganization Agreement, (ii) having our management divert attention away from their respective day-to-day activities and operations and devoting time and effort to consummating the Transactions and (iii) incurring significant costs, including advisory, legal and other transaction costs, each as explained above, without realizing any of the benefits of having completed the Transactions.

In addition, we could be subject to the cost of litigation related to any dispute regarding an alleged failure of a closing condition or any related enforcement proceeding commenced against us to perform our obligations under the Reorganization Agreement or any of the other transaction documents, as well as any judgment potentially sustained against us in any such action. All of these risks, expenses and contingencies could adversely affect our financial position and results of operation.

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 properties 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

Shares of GCI’s Class A-1 common stock are traded on the Nasdaq Global Select Market^{SM} under the symbol GNCMA.

Shares of GCI’s Class B-1 common stock are traded on the OTCQX market under the symbol GNCMB. Each share of Class B-1 common stock is convertible, at the option of the holder, into one share of Class A-1 common stock.

The following table sets forth the high and low sales price for our common stock for the periods indicated. Market price data for Class A-1 shares was obtained from the Nasdaq Stock Market System quotation system. Market price data for Class B-1 shares was obtained from reported Over-the-Counter Bulletin Board service market transactions. The prices represent prices between dealers, do not include retail markups, markdowns, or commissions, and do not necessarily represent actual transactions.

		Class A-1		Class B-1	
		High	Low	High	Low
2017					
First Quarter	$	22.34	17.50	20.85	20.65
Second Quarter	$	38.39	20.35	38.05	31.61
Third Quarter	$	43.63	35.79	43.08	36.08
Fourth Quarter	$	42.95	38.52	42.46	39.00
2016					
First Quarter	$	20.23	16.41	19.40	17.70
Second Quarter	$	18.75	14.12	16.95	16.95
Third Quarter	$	17.25	12.26	13.55	13.55
Fourth Quarter	$	19.55	13.44	16.50	15.50

Holders

As of December 31, 2017, there were 1,988 holders of record of our Class A-1 common stock and 261 holders of record of our Class B-1 common stock (amounts do not include the number of shareholders whose shares are held of record by brokers, but do include the brokerage house as one shareholder).

Dividends

We have never paid cash dividends on our common stock, and we have no present intention of doing so. Payment of cash dividends in the future, if any, will be determined by our 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 our stock transfer agent and registrar.

Performance Graph

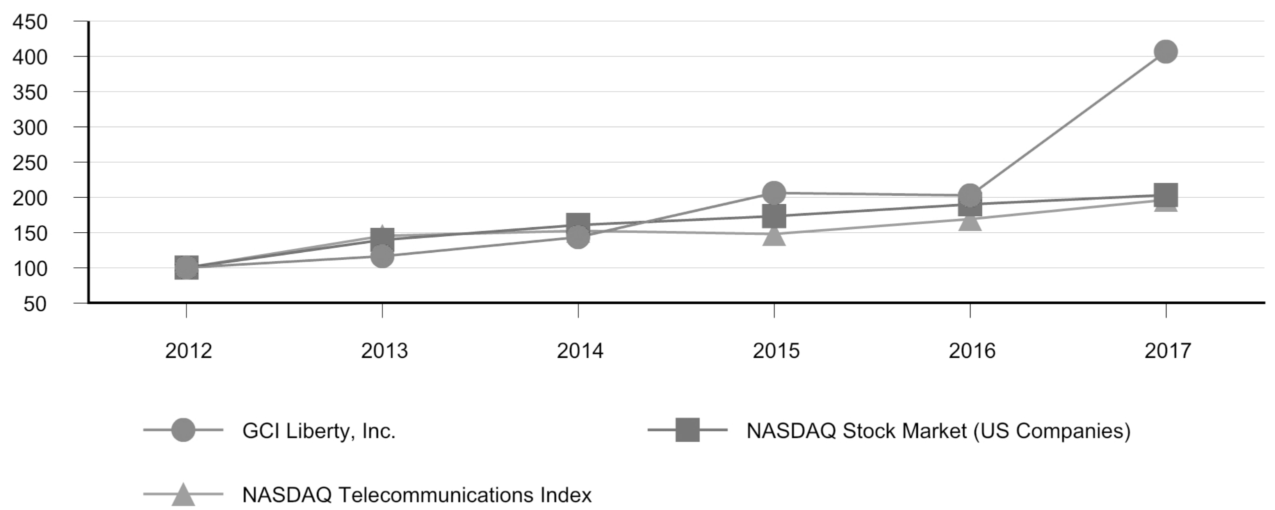
The following graph includes a line graph comparing the yearly percentage change in our cumulative total shareholder return on our Class A-1 common stock during the five-year period 2013 through 2017. This return is measured by dividing (1) the sum of (a) the cumulative amount of dividends for the measurement period (assuming dividend reinvestment, if any) and (b) the difference between our share price at the end and the beginning of the measurement period, by (2) the share price at the beginning of that measurement period. This line graph is compared in the following graph with two other line graphs during that five-year period, i.e., a market index and a peer index.

The market index is the Center for Research in Securities Price Index for the Nasdaq Stock Market for United States companies. It presents cumulative total returns for a broad based equity market assuming reinvestment of dividends and is based upon companies whose equity securities are traded on the Nasdaq Stock Market. The peer index is the Center for Research in Securities Price Index for Nasdaq Telecommunications Stock. It presents cumulative total returns for the equity market in the telecommunications industry segment assuming reinvestment of dividends and is based upon companies whose equity securities are traded on the Nasdaq Stock Market. The line graphs represent annual index levels derived from compounding daily returns.

In constructing each of the line graphs in the following graph, the closing price at the beginning point of the five-year measurement period has been converted into a fixed investment, stated in dollars, in our Class A-1 common stock (or in the stock represented by a given index, in the cases of the two comparison indexes), with cumulative returns for each subsequent fiscal year measured as a change from that investment. Data for each succeeding fiscal year during the five-year measurement period are plotted with points showing the cumulative total return as of that point. The value of a shareholder's investment as of each point plotted on a given line graph is the number of shares held at that point multiplied by the then prevailing share price.

Our Class B-1 common stock is traded on the OTCQX Market on a more limited basis. Therefore, comparisons similar to those previously described for the Class A-1 common stock are not directly available. However, the performance of Class B-1 common stock may be analogized to that of the Class A-1 common stock in that the Class B-1 common stock is readily convertible into Class A-1 common stock upon request to us.

Comparison of 5 Year Cumulative Total Return
Assumes Initial Investment of $100



Prepared by Zacks Investment Research, Inc. All indexes used with permission.

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURNS PERFORMANCE GRAPH FOR GCI, NASDAQ STOCK MARKET INDEX FOR UNITED STATES COMPANIES, AND NASDAQ TELECOMMUNICATIONS STOCK[1,2,3,4]

Measurement Period (Fiscal Year Covered)	Company ($)	Nasdaq Stock Market Index for U.S. Companies ($)	Nasdaq Telecommunications Stock ($)
FYE 12/31/12	100.00	100.00	100.00
FYE 12/31/13	116.27	139.38	145.01
FYE 12/31/14	143.38	160.72	152.49
FYE 12/31/15	206.26	173.11	147.88
FYE 12/31/16	202.82	190.07	169.11
FYE 12/31/17	406.88	203.16	196.34

[1] The lines represent annual index levels derived from compounded daily returns that include all dividends.

[2] The indexes are reweighted daily, using the market capitalization on the previous trading day.

[3] If the annual interval, based on the fiscal year-end, is not a trading day, the preceding trading day is used.

[4] The index level for all series was set to $100.00 on December 31, 2012.

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,				
		2017	2016	2015	2014	2013
(Amounts in thousands except per share amounts)						
Revenues	$	919,204	933,812	978,534	910,198	811,648
Income (loss) before income taxes	$	(66,148)	1,069	(27,213)	69,273	42,684
Net income (loss)	$	(24,722)	(4,136)	(25,866)	59,244	31,727
Net income (loss) attributable to non-controlling interest	$	(476)	(469)	159	51,687	22,321
Net income (loss) attributable to GCI common stockholders	$	(24,246)	(3,667)	(26,025)	7,557	9,406
Basic net income (loss) attributable to GCI per common share	$	(0.70)	(0.10)	(0.69)	0.18	0.23
Diluted net income (loss) attributable to GCI per common share	$	(0.70)	(0.15)	(0.69)	0.18	0.23
Total assets	$	2,093,500	2,065,939	1,966,940	1,992,761	1,961,536
Long-term debt, including current portion and net of unamortized discount and deferred loan fees	$	1,382,048	1,336,772	1,332,738	1,027,061	1,037,462
Obligations under capital leases, including current portion	$	50,316	59,647	68,359	76,456	74,605
Tower obligation, excluding current portion	$	93,606	87,653	—	—	—
Total GCI stockholders' equity	$	9,166	22,719	88,263	167,356	157,144
Dividends declared per common share	$	—	—	—	—	—

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

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.”

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 adversely impacts the Alaska economy, which in turn can 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 have historically 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 lower oil prices.

The Alaska economy is in a recession that started in late 2015. While it is difficult for us to predict the future impact of the continuing recession on our business, these conditions have had an adverse impact on our business and could continue to adversely affect the affordability of and demand for some of our products and services and cause customers to shift to lower priced products and services or to delay or forgo purchases of our products and services. Additionally, 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. If the recession continues, it could continue to 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.

General Overview

Through our focus on long-term results, acquisitions, and strategic capital investments, we strive to consistently grow our earnings before interest, taxes, depreciation, and amortization. We have historically met our cash needs for operations and regular 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

On April 4, 2017, General Communication, Inc., Liberty and Liberty LLC, entered into an Agreement and Plan of Reorganization (as may be amended from time to time, the “Reorganization Agreement” and the transactions contemplated thereby, the “Transactions”). Pursuant to the Reorganization Agreement, General Communication, Inc. amended and restated its articles of incorporation resulting in General Communication, Inc. being renamed GCI Liberty, Inc. and a reclassification and auto conversion of its common stock. Following these events, Liberty will acquire GCI through a reorganization in which certain interests, assets and liabilities of the Liberty Ventures will be contributed to GCI Liberty in exchange for a controlling interest in GCI Liberty. The assets to be contributed to GCI Liberty are expected to include Liberty's equity interests in Liberty Broadband and Charter Communications, Inc. along with certain other equity interests, together with the operating business of Evite, Inc. and certain other assets and liabilities, in exchange for (a) the issuance to Liberty LLC of (i) a number of shares of GCI Liberty Class A Common Stock and a number of shares of GCI Liberty Class B Common Stock equal to the number of outstanding shares of Series A Liberty Ventures common stock and Series B Liberty Ventures common stock outstanding on the closing date of the contribution, respectively, and (ii) cash, and (b) the assumption by GCI Liberty of certain liabilities attributed to Liberty Ventures.

Following the contribution and acquisition of GCI Liberty, Liberty will then effect a tax-free separation of its controlling interest in GCI Liberty to the holders of Liberty Ventures common stock in full redemption of all outstanding shares of such stock. As a result of the Transactions, holders of GCI common stock (regardless of class) each will receive (i) 0.63 of a share of GCI Liberty Class A common stock and (ii) 0.20 of a share of new GCI Liberty Series A Cumulative Redeemable preferred stock in exchange for each share of their existing GCI common stock. The exchange ratios were determined based on total consideration of $32.50 per share in respect of each share of existing GCI common stock, comprised of $27.50 per share in GCI Liberty Class A common stock and $5.00 per share in newly issued GCI Liberty Series A Cumulative Redeemable preferred stock, based upon a Liberty Ventures reference price of $43.65 (with no premium paid for shares of GCI Class B common stock) and an initial liquidation price of $25.00 per share of GCI Liberty Series A Cumulative Redeemable preferred stock. The GCI Liberty Series A Cumulative Redeemable preferred stock will accrue dividends at an initial rate of 5% per annum (which would increase to 7% in connection with a future reincorporation of GCI Liberty in Delaware) and will be redeemable upon the 21st anniversary of the closing. The closing of the Transactions are expected to be consummated on March 9, 2018, subject to the satisfaction of customary closing conditions.

In the third quarter of 2016, we received $90.8 million for the initial closing to sell to Vertical Bridge Towers II, LLC ("Vertical Bridge") the majority of our urban wireless rooftop and tower sites ("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. We sold additional tower sites to Vertical Bridge in 2017 for total consideration of $6.8 million.

The USF RHC Program subsidizes the rates for services provided to rural health care providers. USAC received requests for support that exceeded the available RHC Program funding for the first time in the funding year that ran from July 1, 2016 through June 30, 2017. We expect that the support requests will continue to exceed the program's annual cap for the funding year ending June 30, 2018 and possibly subsequent funding years. We provide services to rural health care providers who may be impacted by funding caps and as a result may not receive the full subsidy that was expected under the program. We cannot predict the impact of future RHC Program funding caps but they may negatively affect our financial position, results of operations, or liquidity.

In August 2016, the FCC published the Alaska High Cost Order which mandates that Urban high cost support will end at the beginning of 2019. We recognized $9.9 million for Urban high cost support in 2017 and expect to recognize $9.9 million in 2018 and $0 in 2019.

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 included 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 $75.0 million unsecured promissory note from Searchlight Capital, L.P. ("Searchlight").

Results of Operations

Revenues

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

	2017	2016	2015	Percentage Change 2017 vs. 2016	Percentage Change 2016 vs. 2015
Consumer[1]					
Wireless	$ 167,733	177,801	199,862	(6)%	(11)%
Data	145,757	140,196	130,213	4 %	8 %
Video	99,609	107,305	115,074	(7)%	(7)%
Voice	23,783	26,734	30,110	(11)%	(11)%
Business[2]					
Wireless	104,614	105,355	151,710	(1)%	(31)%
Data	308,480	296,202	269,472	4 %	10 %
Video	18,039	20,102	18,819	(10)%	7 %
Voice	51,189	60,117	63,274	(15)%	(5)%
Total revenue	$ 919,204	933,812	978,534	(2)%	(5)%

[1] Includes revenues from sales to residential customers and, for 2017, also includes sales to small business customers.

[2] Includes revenues from sales to businesses, governmental entities, educational and medical institutions, and common carrier customers and for 2016 and 2015 includes sales to small business customers.

Selected key performance indicators follow:

	2017	2016	2015	Percentage Change 2017 vs. 2016	Percentage Change 2016 vs. 2015
Consumer					
Data:					
Cable modem subscribers[1]	124,900	129,500	129,000	(4)%	— %
Video:					
Basic subscribers[2]	97,200	107,600	113,900	(10)%	(6)%
Homes passed	252,500	250,800	251,900	1 %	— %
Voice:					
Total local access lines in service[3]	48,900	53,400	55,200	(8)%	(3)%
Business					
Data:					
Cable modem subscribers[1]	9,900	10,100	9,600	(2)%	5 %
Voice:					
Total local access lines in service[3]	38,500	41,100	41,800	(6)%	(2)%
Consumer and Business Combined					
Wireless					
Consumer wireless lines in service[4]	196,800	198,600	201,900	(1)%	(2)%
Business wireless lines in service[4]	22,600	23,900	25,900	(5)%	(8)%
Total wireless lines in service	219,400	222,500	227,800	(1)%	(2)%

[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. On January 1, 2017, we transferred 3,100 small business cable modem subscribers from Business to Consumer. We adjusted the previously reported subscriber numbers as of December 31, 2016 and 2015 for the number of subscribers that were transferred on January 1, 2017 and for database cleanup in preparation for our new billing system.

[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. On January 1, 2017, we transferred 500 small business basic subscribers from Business to Consumer. We adjusted the previously reported subscriber numbers as of December 31, 2016 and 2015 for the number of subscribers that were transferred on January 1, 2017 and for database cleanup in preparation for our new billing system.

[3] A local access line in service is defined as a revenue generating circuit or channel connecting a customer to the public switched telephone network. On January 1, 2017, we transferred 4,800 small business local access lines from Business to Consumer. We adjusted the previously reported subscriber numbers as of December 31, 2016 and 2015 for the number of subscribers that were transferred on January 1, 2017.

[4] A wireless line in service is defined as a revenue generating wireless device. On January 1, 2017, we transferred 3,700 small business wireless lines from Business to Consumer. We adjusted the previously reported subscriber numbers as of December 31, 2016 and 2015 for the number of subscribers that were transferred on January 1, 2017.

Consumer

The recession in Alaska has impacted our ability to increase our number of subscribers and customers cutting back on the services the receive from us, which have impacted our revenues.

The items contributing to the decrease in wireless revenue for 2017 and 2016 include:

- A $6.5 million or 9% and $15.9 million or 18% decrease in plan fee revenue in 2017 and 2016, respectively, primarily due to discounts given to customers who finance or bring their own device and a decrease in the number of subscribers primarily due to the recession in Alaska, and
- A $4.9 million or 16% and $2.4 million or 7% decrease in equipment sales revenue in 2017 and 2016, respectively. The decrease in equipment sales revenue in 2017 was primarily due to the absence of the adjustment explained in the following discussion. The decrease in equipment sales revenue in 2016 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 decreases in 2017 and 2016 were also partially due to a decrease in the number of wireless devices sold.

The increase in data revenue in 2017 is primarily due to subscribers' selection of plans that offer higher speeds and higher usage limits and revenue from small business subscribers transferred from our Business customer group. The increase was partially offset by a decrease in the overall number of subscribers. The increase in data revenue in 2016 is primarily due to a $12.8 million or 11% increase in cable modem revenue for 2016 due to an increase in the average number of subscribers and our subscribers’ selection of plans that offer higher speeds and higher usage limits.

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

The recession in Alaska has had an impact on both the number of businesses in Alaska as well as the services that business customers have chosen. The decrease in the number of businesses and services have impacted our revenues and we expect it to continue impacting us until the recession in Alaska ends.

Business 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 decline in oil prices which negatively impacts certain of our customers.

The increase in data revenue in 2017 and 2016 is primarily due to a $5.8 million or 2% and $32.4 million or 15% increase, respectively, in data transport and storage revenue due to new customers and increased purchases by our existing customers. The increase in data revenue in 2017 was also partially due to a $6.8 million or 17% increase in time and materials revenue primarily due to an acquisition that was completed during the first quarter of 2017.

The increases in data revenue for 2017 were partially offset by decreases due to rate compression and a $5.5 million reduction of revenue recorded during 2017 as a result of a credit we provided to certain of our rural health care provider customers. For the funding year that ran from July 1, 2016 through June 30, 2017, USAC received requests for funds that exceeded the funding available for the RHC Program. USAC allocated the funding on a pro-rata basis to rural health care providers who submitted their funding requests during a certain period. We provide services to rural health care providers who were impacted by the pro-rata allocation and as a result certain of our customers did not receive the full subsidy that was expected under the program. Under the program rules, we are forbidden from lowering our rates for services previously provided, however, the FCC published an order on June 30, 2017 to assist eligible remote Alaska rural health care providers by allowing Alaska service providers, such as us, to retroactively lower their rates, or effectively giving a credit against amounts owed, for services provided. Based on these specific circumstances, we decided to retroactively lower our rates to these customers pursuant to the FCC waiver, and as a result we reduced revenue by $5.5 million during 2017, to aid our rural health care provider customers who were impacted by the pro-rata allocation.

The increases in data revenue for 2016 were partially offset by a $5.3 million or 11% decrease in time and materials revenue due to a decrease in special project work for 2016.

The decrease in wireless revenue in 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, and
- A $6.1 million or 36% decrease in plan fee revenue primarily due to discounts given to customers who finance or bring their own device and a decrease in subscribers.

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

Cost of Goods Sold
Cost of Goods Sold are as follows (amounts in thousands):

	2017	2016	2015	Percentage Change 2017 vs. 2016	Percentage Change 2016 vs. 2015
Cost of Goods Sold	$ 280,200	302,578	322,338	(7)%	(6)%

The individually significant items contributing to the 2017 and 2016 decreases in Cost of Goods Sold include:

- A $10.7 million or 16% decrease in wireless Cost of Goods Sold for 2017 primarily due to savings from a decrease in tariff rates, the migration of circuits to our own facilities, and a reduction of tower related costs due to our sales of towers in the third quarter of 2016,
- A $15.6 million or 27% decrease in wireless device Cost of Goods Sold for 2016 primarily due to a decrease in the number of handsets sold,
- A $7.1 million or 20% decrease in time and materials Cost of Goods Sold for 2017 due to process efficiencies partially offset by an increase due to an acquisition that was completed during the first quarter of 2017,
- A $4.6 million or 11% decrease in time and materials Cost of Goods Sold for 2016 primarily due to a reduction in special project work,
- A $3.9 million or 5% decrease in video distribution and programming costs in 2017 primarily due to a decrease in subscribers,
- A $3.2 million or 12% and $3.3 million or 11% decrease in voice Cost of Goods Sold for 2017 and 2016, respectively, primarily due to a decrease in minutes, a decrease in the number of local access lines, and the movement of more traffic to our own facilities.

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.

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

	2017	2016	2015	Percentage Change 2017 vs. 2016	Percentage Change 2016 vs. 2015
Selling, general and administrative expenses	$ 370,639	358,356	338,379	3%	6%

Individually significant items contributing to the increases in selling, general and administrative expenses include:

- A $15.5 million increase in transaction costs related to the Transactions with Liberty in 2017,
- A $6.4 million increase in share-based compensation for 2017 primarily due to an increase in our stock price,
- A $4.0 million and $11.5 million increase in labor and health insurance costs for 2017 and 2016, respectively, and
- A $8.0 million increase in the use of contract labor for 2016.

The increases discussed above are partially offset by the following items:

- The absence of $2.4 million for costs in 2016 to support a campaign to encourage public action related to the State of Alaska budget, and
- The absence of $9.0 million for costs related to the acquisition of ACS' wireless subscribers and its non-controlling interest in AWN for 2016.

As a percentage of total revenues, selling, general and administrative expenses were 40%, 38%, and 35% of revenue for 2017, 2016, and 2015, respectively. The 2017 increase in selling, general and administrative expenses as a percentage of total revenues is primarily due to the costs related to the Transactions with Liberty. 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.

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

	2017	2016	2015	Percentage Change 2017 vs. 2016	Percentage Change 2016 vs. 2015
Depreciation and amortization expense	$ 197,115	193,775	181,767	2%	7%

The increases in 2017 and 2016 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 or 100% 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. In early 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 in early 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. Subsequently we signed a contract with an established billing solution provider and a multi-year implementation is in process.

In early 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.

In late 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):

	2017	2016	2015	Percentage Change 2017 vs. 2016	Percentage Change 2016 vs. 2015
Other expense, net	$ 137,398	78,034	133,924	76%	(42)%

Items contributing to the increase in 2017 include:

- A $51.8 million increase in unrealized loss recorded for adjusting to fair value a derivative instrument where we issued 3.0 million stock appreciation rights to an affiliate of Searchlight,
- A $5.0 million increase in interest expense due to increased borrowings during 2017, and
- The absence of a $3.2 million gain recorded in 2016 for adjusting to fair value assets that were included in the consideration paid to acquire a fiber system.

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
- A $14.3 million change from an unrealized loss in 2015 to an unrealized gain recorded in 2016 for adjusting to fair value a derivative instrument where we issued 3.0 million stock appreciation rights to an affiliate of Searchlight.

Income Tax (Expense) Benefit

	2017	2016	2015	Percentage Change 2017 vs. 2016	Percentage Change 2016 vs. 2015
Income tax (expense) benefit	$ 41,426	(5,205)	1,847	(896)%	382%
Effective income tax rate	63%	487%	7%		

The income tax benefit for 2017 was primarily a result of the enactment of the Tax Cuts & Jobs Act (“Tax Reform”) in December 2017. The primary provisions of Tax Reform impacting us are the reduction to the U.S. corporate income tax rate from 35% to 21% and temporary 100% bonus depreciation for certain assets. The change in the tax law required us to remeasure existing net deferred tax liabilities using the lower rate in the year of enactment resulting in an income tax benefit of $41.6 million for 2017 to reflect these changes.

Partially off-setting the impact of Tax Reform on our effective income tax rate in 2017 and primarily impacting our effective income tax rates for 2016 and 2015 was the volatility of our income (loss) before income taxes and permanent differences. The primary driver of our permanent difference volatility in 2017, 2016 and 2015 was the unrealized gain (loss) recorded for adjusting to fair value a derivative instrument where we issued 3.0 million stock appreciation rights to an affiliate of Searchlight.

At December 31, 2017, we have income tax net operating loss carryforwards of $371.2 million that will begin expiring in 2020 if not utilized. We have recorded deferred tax assets of $104.6 million associated with income tax net operating losses that were generated from 2000 to 2017 and that expire from 2020 to 2037.

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 (15%) to (20%) in the year ending December 31, 2018. The effective income 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 first and fourth quarters of 2017, we entered into additional financing arrangements under the NMTC program, which provided $6.6 million in net cash to help fund the continued expansion of our TERRA network (see Note 14 included in "Part II - Item 8 - Consolidated Financial Statements and Supplementary Data" for additional information).

In the fourth quarter of 2016, we amended our Senior Credit Facility. The amended Senior Credit Facility provided 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.

To fund the purchase from ACS, we used proceeds from our Senior Credit Facility. We also sold an unsecured promissory note to Searchlight in the principal amount of $75.0 million that will mature on February 2, 2023 and will bear interest at a rate of 7.5% per year ("Searchlight Note"). A portion of the proceeds from the Searchlight Note were used to finance the Wireless Acquisition and the remainder was used for general corporate purposes. Additionally, we entered into a stock appreciation rights agreement pursuant to which we issued to Searchlight three million stock appreciation rights which entitles Searchlight to receive, upon exercise, an amount payable at our election in either cash or shares of GCI's Class A-1 common stock equal in value to the excess of the fair market value of a share of GCI Class A-1 common stock on the date of exercise over the price of $13.00.

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% issued by our wholly owned subsidiary, GCI, Inc. 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.

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 $189.4 million and $194.5 million during 2017 and 2016, respectively. Depending on available opportunities and the amount of cash flow we generate during 2018, we expect our 2018 capital expenditures to total approximately $170.0 million. This estimate is based on purchases in 2018 regardless of the timing of cash payments.

Financing Activities
Net cash provided by financing activities in 2017 consists primarily of borrowings from our Senior Credit Facility, net of payments partially offset by repurchases of our stock. Net cash provided by financing activities in 2016 consists primarily of cash received from the Tower Transaction partially offset by repurchases of our stock, payments on our Senior Credit Facility, net of borrowings, and costs paid for the amendment to our Senior Credit Facility. 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 our common stock depending on various factors, such as market conditions.

Available Borrowings Under Senior Credit Facility
We had a $100.0 million outstanding balance and $21.0 million in letters of credit under the $200.0 million Senior Credit Facility Revolver at December 31, 2017, which leaves $79.0 million available for borrowing as of December 31, 2017.

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 common stock in order to reduce the outstanding shares of common stock. During 2017 we repurchased 0.2 million shares of GCI common stock under the stock buyback program at a cost of $4.0 million excluding shares withheld to cover employee tax liabilities resulting from the vesting of restricted stock awards. We have temporarily suspended the buyback program due to the Reorganization Agreement that we entered into with Liberty.

Schedule of Certain Known Contractual Obligations
The following table details future projected payments associated with certain known contractual obligations as of December 31, 2017 (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	$ 1,415,631	2,989	6,040	876,418	530,184
Interest on long-term debt	432,551	80,813	161,281	118,307	72,150
Capital lease obligations, including interest	60,097	13,440	26,909	17,337	2,411
Tower obligations, including interest	188,150	7,465	15,382	16,003	149,300
Operating lease commitments	174,087	48,409	65,859	31,521	28,298
Purchase obligations	55,134	55,134	—	—	—
Total contractual obligations	$ 2,325,650	208,250	275,471	1,059,586	782,343

Long-term debt listed in the table above includes principal payments on our 2021 and 2025 Notes, Senior Credit Facility, Searchlight Note, 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. Our Searchlight Note requires annual interest payments of $5.6 million through February 2023. 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 15 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, 2017, because the goods had not been received or the services had not been performed at December 31, 2017.

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 our Audit Committee.

Those policies and estimates considered to be critical for the year ended December 31, 2017 are described below.

<u>Allowance for Doubtful Receivables</u>
We record expense to maintain an allowance for doubtful receivables 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.

<u>Valuation of Derivative Stock Appreciation Rights</u>
In connection with the $75.0 million unsecured promissory note issued to Searchlight on February 2, 2015, we entered into a stock appreciation rights agreement pursuant to which we issued to Searchlight three million stock appreciation rights. Each stock appreciation right entitles Searchlight to receive, upon exercise, an amount payable at our election in either cash or shares of GCI's Class A-1 common stock equal in value to the excess of the fair market value of a share of GCI Class A-1 common stock on the date of exercise over the price of $13.00. The instrument is exercisable on the fourth anniversary of the grant date and will expire eight years from the date of grant. We have determined that the stock appreciation rights are required to be separately accounted for as a derivative instrument and are subject to fair value liability accounting under ASC 815-10.

We use a lattice-based valuation model to value the stock appreciation rights liability at each reporting date. The model incorporates transaction details such as our stock price, instrument term and settlement provisions, as well as highly complex and subjective assumptions about volatility, risk-free interest rates, issuer behavior and holder behavior. The lattice model uses highly subjective assumptions and the use of other reasonable assumptions could provide different results that could have a material effect on our results of operations.

Impairment and Useful Lives of Intangible Assets

We had $530.8 million of indefinite-lived intangible assets at December 31, 2017, consisting of goodwill of $242.3 million, cable certificates of $191.6 million, wireless licenses of $93.8 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 unit is the same as our reportable segment. 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 2017 and 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 our reporting unit or indefinite-lived intangible assets were less than their carrying amounts. Consequently, we did not perform a step one quantitative analysis in 2017 or 2016.

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, 2017, 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 and adjustments to the fair value of our derivative stock appreciation rights liability. 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 2.25%. 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, 2017, we have borrowed $565.6 million subject to interest rate risk. On this amount, each 1% increase in the LIBOR interest rate would result in $5.7 million of additional gross interest cost on an annualized basis. All of our other material borrowings have a fixed interest rate.

Other Market Risk

As our derivative stock appreciation rights are subject to fair value liability accounting, we revalue the instrument at each reporting date and recognize changes in the fair value of the derivative liability as a component of Other Income (Expense) included in our Consolidated Statements of Operations. The earnings effect of the fair value adjustment at each reporting date is sensitive to changes in our stock price. At December 31, 2017, a $1.00 increase in our stock price used as an input to determine the fair value of our stock appreciation rights would result in recognition of $3.0 million of additional derivative instrument unrealized loss.

Item 8. Consolidated Financial Statements and Supplementary Data

Our consolidated financial statements are filed under this Item, beginning on page 73. Our supplementary data is filed under Item 7, beginning on page 30.

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, 2017.

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, 2017, we maintained effective internal control over financial reporting.

Grant Thornton LLP, our independent registered public accounting firm, has issued an audit report on our internal control over financial reporting as of December 31, 2017, which is included in Item 8 of this Form 10-K.

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, 2017, 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

Item 10. Directors, Executive Officers and Corporate Governance

Identification

As of December 31, 2017, our board consisted of ten director positions, divided into three classes of directors serving staggered three-year terms.

A director on our board is elected at an annual meeting of shareholders and serves until the earlier of his or her resignation or removal, or his or her successor is elected and qualified. Our executive officers generally are appointed at our board's meeting immediately preceding each annual meeting of shareholders and serve at the discretion of the board.

The following table sets forth certain information about our directors and executive officers as of December 31, 2017:

Name	Age	Position
Stephen M. Brett[1]	77	Chairman, Director
Ronald A. Duncan[1]	65	Chief Executive Officer and Director
Peter J. Pounds	44	Senior Vice President, Chief Financial Officer, and Secretary
G. Wilson Hughes	72	Executive Vice President
William C. Behnke	60	Senior Vice President
Martin E. Cary	53	Senior Vice President and General Manager, GCI Business
Gregory F. Chapados	60	President and Chief Operating Officer
Paul E. Landes	59	Senior Vice President and General Manager, GCI Consumer
Tina M. Pidgeon	49	Senior Vice President, Chief Compliance Officer, General Counsel and Government Affairs
Bridget L. Baker[1]	57	Director
Jerry A. Edgerton[1]	75	Director
Scott M. Fisher[1]	51	Director
William P. Glasgow[1]	59	Director
Mark W. Kroloff[1]	60	Director
Stephen R. Mooney[1]	58	Director
James M. Schneider[1]	65	Director
Eric L. Zinterhofer[1]	46	Director

[1]The present classification of our board is as follows: (1) Class I – Messrs. Edgerton and Kroloff and Ms. Baker, whose present terms expire at the time of our 2020 annual meeting; (2) Class II – Messrs. Brett, Duncan, Mooney and Zinterhofer whose present terms expire at the time of our 2018 annual meeting; and (3) Class III – Messrs. Fisher, Glasgow, and Schneider, whose present terms expire at the time of our 2019 annual meeting.

The board, when considering whether directors have the experience, qualifications, attributes or skills, taken as a whole, to enable the board to satisfy its oversight responsibilities effectively in light of the Company's business and structure, focused primarily on each person's background and experience. We believe that the Company's directors have backgrounds that, when combined, provide us with a board equipped to direct us through an ever challenging course in the segments of the telecommunication business in which we are involved. Attributes of members of our board include experience in entrepreneurial, video service, telecommunication, technological and financial aspects of companies similar to, as well as much larger than, us.

In particular, our board considered important the following regarding its members. With regard to Mr. Brett, our board considered his telecommunications and cable experience, as well as his over 40 year experience as a corporate lawyer. With regard to Ms. Baker, our board considered her experience with broadcast and cable networks. With regards to Messrs. Fisher and Glasgow, our board considered the broad backgrounds of these individuals in finance and their operational experience with cable companies. With regards to Messrs. Edgerton and Mooney, our board considered the extensive experience and expertise of these individuals in business development in the telecommunications industry and their financial knowledge. Our board also considered the broad perspective brought by Mr. Kroloff's experience in operating diverse businesses throughout Alaska as well as his experience as a lawyer. With regard to Mr. Schneider, our board considered his significant financial and accounting experience including his time spent as Chief Financial Officer of a large public company. With regard to Mr. Zinterhofer, our board considered his experience as an investor in cable, fiber, wireless, and satellite companies.

Our board also considered the many years of experience with the Company represented by Mr. Duncan, our Chief Executive Officer. He has been with the Company since he co-founded it.

Many of our directors, including Messrs. Edgerton, Glasgow, Kroloff, Mooney and Schneider, were initially proposed for nomination by (or, in the case of Mr. Kroloff, through a request from Mr. Duncan to) holders of significant amounts of Company shares. Our board has retained each of these directors, even after the shareholders have exited the Company or no longer have retained a right to nominate a director, due to the valued expertise our board feels they provide as members.

Stephen M. Brett. Mr. Brett has served as Chairman of our board since June 2005 and as a director on our board since January 2001. He has been of counsel to Sherman & Howard, L.L.C., a law firm, since January 2001. He was Senior Executive Vice President for AT&T Broadband from March 1999 to April 2000. In addition, Mr. Brett serves as director for Liberty Expedia Holdings, Inc. His present term as a director on our board expires at the time of our 2018 annual meeting.

Ronald A. Duncan. Mr. Duncan is a co-founder of the Company and has served as a director on our board since 1979. Mr. Duncan has served as our Chief Executive Officer since August 2017. Prior to that, he served as our President and Chief Executive Officer from January 1989 to August 2017. His present term as director on the board expires at the time of our 2018 annual meeting.

Peter J. Pounds. Mr. Pounds became our Chief Financial Officer and one of our Senior Vice Presidents effective January 1, 2014. Prior to that he served as Vice President, Finance since 2009.

G. Wilson Hughes. Mr. Hughes has served as an Executive Vice President since January 1, 2017. Prior to that he served as the Chief Executive Officer of The Alaska Wireless Network, LLC from July 22, 2013 to January 1, 2017. Prior to that he served as our Executive Vice President – Wireless from June 4, 2012 to July 22, 2013. Prior to that, he served as our Executive Vice President and General Manager from June 1991 to June 4, 2012.

William C. Behnke. Mr. Behnke has served as one of our Senior Vice Presidents since January 2001.

Martin E. Cary. Mr. Cary has served as one of our Senior Vice Presidents and as General Manager, GCI Business since April 2016. Prior to that, he served as our Vice President – General Manager, Managed Broadband Services from September 2004 to April 2016.

Gregory F. Chapados. Mr. Chapados has served as our President and Chief Operating Officer since August 2017. Priort to that he served as our Executive Vice President and Chief Operating Officer from June 2012 to August 2017. Prior to that, he served as one of our Senior Vice Presidents from June 2006 to June 2012.

Paul E. Landes. Mr. Landes has served as one of our Senior Vice Presidents and as General Manager, GCI Consumer since December 2010. Prior to that, he served as our Vice President and General Manager, Consumer Services from September 2005 to December 2010.

Tina M. Pidgeon. Ms. Pidgeon has served as our Senior Vice President, Chief Compliance Officer, General Counsel and Government Affairs, since September 2010. Prior to that, she served as our Vice President, Federal Regulatory Affairs from January 2003 to September 2010.

Bridget L. Baker. Ms. Baker has served as a director on our board since July 2013. Since January 2013, she has been a Principal of Baker Media, Inc., an entertainment and media consulting firm that she founded. From 2006 to 2012, Ms. Baker was NBCUNIVERSAL's president of content distribution where she was responsible for the company's multi-billion dollar subscription revenue business across the cable, satellite, and telecommunications industry. Her present term as a director on our board expires at the time of our 2020 annual meeting.

Jerry A. Edgerton. Mr. Edgerton has served as a director on our board since June 2004. Since January 2013, he has been Chief Executive Officer of Cumulus Solutions, Inc., a provider of visual collaboration tools. From September 2011 to December 2012, he was President of Global Services for iNETWORKS Group, Inc., a comprehensive telecommunications solutions provider. From July 2009 to August 2011, he was President of Government Markets for Core 180, a network integrator for large governmental and commercial customers. From November 2007 to May 2009, he was Chief Executive Officer for Command Information, Inc., a next generation Internet service company. From April 2007 to October 2007, Mr. Edgerton was an advisor on matters affecting the telecommunications industry as well as the U.S. government. Prior to that and from January 2006 to April 2007, he was Group President of Verizon Federal. Prior to that and from November 1996, he was Senior Vice President – Government Markets for MCI Communications Corporation, an affiliate of MCI, which was later acquired by Verizon Communications, Inc. His present term as a director on our board expires at the time of our 2020 annual meeting.

Scott M. Fisher. Mr. Fisher has served on our board since December 2005. From 1998 to the present, he has been a partner of Fisher Capital Partners, Ltd., a private equity and real estate investment company located in Denver, Colorado. During that time, Fisher Capital owned and operated Peak Cablevision, a multiple system cable television operator with approximately 120,000 subscribers. At Peak Cablevision, Mr. Fisher was responsible for television programming and corporate development. Mr. Fisher serves on the advisory boards of several private companies. His present term as director on our board expires at the time of our 2019 annual meeting.

William P. Glasgow. Mr. Glasgow has served as a director on our board since 1996. From 2000 to the present Mr. Glasgow has been acting as President for the operating and investing entities of Prime IX Investment's group of companies of which he has been involved for thirty years. His present term as a director on our board expires at the time of our 2019 annual meeting.

Mark W. Kroloff. Mr. Kroloff has served as a director on our board since February 2009. Since January 2010, he has been a principal at First Alaskan Capital Partners, LLC, an investment firm. From May 2005 to December 2009, he was Senior Executive Vice President and Chief Operating Officer of Arctic Slope Regional Corporation, an Alaska Native regional corporation formed pursuant to the Alaska Native Claims Settlement Act. From 2001 to April 2005, Mr. Kroloff was Chief Operating Officer of Cook Inlet Region, Inc., also an Alaska Native regional corporation. He also serves on the board of directors of Trilogy International Partners, Inc. Mr. Kroloff's present term as a director on our board expires at the time of our 2020 annual meeting.

Stephen R. Mooney. Mr. Mooney has served as a director on our board since January 1999. He has been a Partner at Chessiecap Securities, Inc., an investment bank specializing in technology and telecommunications services based in Maryland since 2012. From April 2010 to 2012, Mr. Mooney was a Managing Director with the McClean Group, LLC, a national financial advisory services firm. From February 2008 to November 2009, Mr. Mooney was Vice President, Business Development for Affiliated Computer Services, Inc., a global information technology and business process outsourcing company. From January 2006 to September 2007, he was Executive Director, Business Development of VerizonBusiness, a unit of Verizon. Prior to that, he was Vice President, Corporate Development and Treasury Services at MCI beginning in 2002. His present term as a director on our board expires at the time of our 2018 annual meeting.

James M. Schneider. Mr. Schneider has served as a director on our board since July 1994. He has been Chairman of Frontier Bancshares, Inc. since February 2007. Prior to that, Mr. Schneider had been Senior Vice President and Chief Financial Officer for Dell, Inc. from March 2000 to February 2007. Prior to that, he was Senior Vice President – Finance for Dell Computer Corporation from September 1998 to March 2000. From 2012 to the present Mr. Schneider has been an Operating Partner for Lead Edge Capital. His present term as a director on our board expires at the time of our 2019 annual meeting.

Eric L. Zinterhofer. Mr. Zinterhofer has served as a director on our board since March 4, 2015. Mr. Zinterhofer is a Founding Partner of Searchlight Capital Partners. Prior to co-founding Searchlight, Mr. Zinterhofer was co-head of the media and telecommunications investment platform at Apollo Management, L.P. Mr. Zinterhofer has been an active cable investor over the last 15 years in companies such as Charter Communications, Liberty Cablevision Puerto Rico, Unity Media, Cablecom and Primacom. Mr. Zinterhofer is also an active investor in the fiber, wireless and satellite sectors, having invested in Integra Telecom, IPCS, Spectrasite and Dish TV India. In addition, Mr.

Zinterhofer serves as a director for Charter Communications (Chairman) and Hemisphere Media Group. His present term as a director on our board expires at the time of our 2018 annual meeting.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires executive officers and directors and persons who beneficially own more than 10% of the outstanding common stock to file initial reports of ownership on Form 3 and reports of changes in ownership on Forms 4 and 5 with the SEC. Executive officers, directors, and greater than 10% beneficial owners are required by SEC regulations to furnish us with copies of all Section 16(a) forms that they file.

Based solely on a review of the copies of such forms furnished to us, each of our directors, officers and beneficial owners of more than 10% of the outstanding common stock filed all forms required by Section 16 of the Exchange Act in 2017 on a timely basis, except that Mr. Cary inadvertently failed to file a Form 4 with the SEC for transactions that occurred on January 3, 2017. The filing to report the transaction was made on January 9, 2017. Mr. Chapados inadvertently failed to file a Form 4 with the SEC for transactions that occurred on January 9, 2017, however, the filing to report the transactions was made on January 12, 2017. Mr. Hughes inadvertently failed to file a Form 4 with the SEC for transactions that occurred on March 31, 2017, however, the filing to report the transactions was made on April 5, 2017.

Additionally, Ms. Pidgeon informed us that her financial adviser engaged in transactions for her account, pursuant to an investment strategy she approved for the purposes of protecting against a decline in the value of her shares of our common stock, which should have been reported on Forms 4. On April 25, 2017, May 22, 2017, July 10, 2017, July 24, 2017, and November 24, 2017, Ms. Pidgeon made Form 4 filings reporting all such transactions.

Code of Business Conduct and Ethics

Our current Code of Business Conduct and Ethics ("Ethics Code"), was adopted by our board in 2013. It applies to all of our officers, directors and employees. The Ethics Code takes as its basis a set of business principles adopted by our board several years ago. It also builds upon the basic requirements for a code of ethics as required by federal securities law and rules adopted by the SEC.

Through our Ethics Code, we reaffirm our course of business conduct and ethics as based upon key values and characteristics and through adherence to a clear code of ethical conduct. Our Ethics Code promotes honest and ethical conduct, including ethical handling of actual or apparent conflicts of interest between personal and professional relationships of our employees. It also promotes full, fair, accurate, timely and understandable disclosure in our reports and documents filed with, or submitted to, the SEC and other public communications made by us. Our Ethics Code further promotes compliance with applicable governmental laws, rules and regulations, internal reporting of violations of the code to appropriate persons as identified in the code and accountability for adherence to the code.

A copy of our Ethics Code is displayed on our Internet website at www.gci.com. Except for the Ethics Code, and any other documents specifically incorporated herein, no information contained on the Company’s website shall be incorporated by reference in this Form 10-K.

No Change in Nominating Procedure

There were no changes made during 2017 to the procedure by which our shareholders may recommend nominees to our board.

Litigation and Regulatory Matters

We were, as of December 31, 2017, involved in various lawsuits, billing disputes, legal proceedings, and regulatory matters that have arisen from time to time in the normal course of business. These actions are discussed in more detail elsewhere in this report. See "Part I – Item 3 – Legal Proceedings." However, as of that date, our board was unaware of any legal proceedings in which one or more of our directors, officers, affiliates or owners of record or beneficially of more than 5% of any class of our voting securities, or any associates of the previously listed persons were parties adverse to us or any of our subsidiaries. Furthermore, as of that date, our board was unaware of any events occurring during the past 10 years materially adverse to an evaluation of the ability or integrity of any director, person nominated to become a director or executive officer of the Company.

In December 2010, Mr. Schneider settled charges brought against him by the SEC for actions that allegedly took place when he was the chief financial officer at Dell, Inc. Mr. Schneider is no longer employed by Dell, Inc. He settled the charges and consented to the issuance of an SEC administrative order without admitting or denying the SEC's findings, with limited exceptions. The limited exceptions are acknowledgment of the SEC's jurisdiction over Mr. Schneider and the subject matter of the SEC proceedings brought against him, and the SEC findings with respect to litigation involving that company and certain of its senior executive officers including Mr. Schneider. The court in that litigation entered an order permanently enjoining Mr. Schneider, by consent, from future violations of specified provisions of federal securities law. Mr. Schneider paid, as specified in the court's order, $3.0 million as a civil money penalty and $83,096 in disgorgement of ill-gotten gains, as well as $38,640 in prejudgment interest. In the settlement with the SEC, Mr. Schneider consented to his suspension from appearing or practicing before the SEC as an accountant for at least five years. Mr. Schneider filed an application for reinstatement to appear or practice as an accountant before the SEC as a preparer or reviewer of a public company's financial statements. That application for reinstatement was approved by the SEC on July 22, 2016.

Audit Committee, Audit Committee Financial Expert

We have a board audit committee ("Audit Committee") comprised of several members of our board, i.e., Messrs. Mooney (Chair), Fisher, and Glasgow.

Our Audit Committee is governed by, and carries out its responsibilities under, an Audit Committee Charter, as adopted and amended from time to time by our board ("Audit Committee Charter"). The charter sets forth the purpose of the Audit Committee and its membership prerequisites and operating principles. It also requires our Audit Committee to select our independent, registered, public accounting firm to provide for us accounting and audit services ("External Accountant") and sets forth other primary responsibilities. A copy of our Audit Committee Charter is available to our shareholders on our Internet website: www.gci.com.

The Nasdaq corporate governance listing standards require that at least one member of our Audit Committee must have past employment experience in finance or accounting, requisite professional certification in accounting, or comparable experience or background which results in the individual's "financial sophistication." This financial sophistication may derive from the person being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

Our board believes that Messrs. Fisher, Glasgow and Mooney, are audit committee financial experts ("Audit Committee Financial Experts") and also meet the Nasdaq requirements for financial sophistication. Our board further believes that Messrs. Fisher, Glasgow and Mooney are each an independent director as the term is defined in the Nasdaq Stock Market corporate listing standards (to which the Company is subject), i.e., an individual other than one of our executive officers or employees or any other individual having a relationship which in the opinion of our board would interfere in carrying out the responsibilities of a director ("Independent Director") and are independent as defined by Rule 10A-3(b)(1) under the Exchange Act.

Under the SEC's rules, an Audit Committee Financial Expert is defined as a person who has all of the following attributes:

- Understanding of GAAP and financial statements.
- Ability to assess the general application of GAAP in connection with accounting for estimates, accruals and reserves.
- Experience in preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by our financial statements, or experience actively supervising one or more persons engaged in such activities.
- Understanding of internal control over financial reporting.
- Understanding of audit committee functions.

The Audit Committee Charter specifies how one may determine whether a person has acquired the attributes of an Audit Committee Financial Expert. They are one or more of the following:

- Education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involved the performance of similar functions.
- Experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions.
- Experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements.
- Other relevant experience.

Our Audit Committee acts on behalf of our board and generally carries out specific duties including the following, all of which are described in detail in our Audit Committee Charter:

- ***Principal Accountant Selection, Qualification –*** Is directly responsible for appointment, compensation, retention, oversight, qualifications and independence of our External Accountant.
- ***Financial Statements –*** Assists in our board's oversight of integrity of the Company financial statements.
- ***Financial Reports, Internal Control –*** Is directly responsible for oversight of the audit by our External Accountant of our financial reports and reports on internal control.
- ***Annual Reports –*** Prepares reports required to be included in our annual proxy statement.
- ***Complaints –*** Receives and responds to certain complaints relating to internal accounting controls, and auditing matters, confidential, anonymous submissions by our employees regarding questionable accounting or auditing matters, and certain alleged illegal acts or behavior-related conduct in violation of our Ethics Code. See "Part III – Item 10 – Code of Business Conduct and Ethics."
- ***Principal Accountant Disagreements –*** Resolves disagreements, if any, between our External Accountant and us regarding financial reporting.
- ***Non-Audit Services –*** Reviews and pre-approves any non-audit services (audit-related, tax and other non-audit related services) offered to us by our External Accountant ("Non-Audit Services").
- ***Attorney Reports –*** Addresses certain attorney reports, if any, relating to violation of securities law or fiduciary duty by one of our officers, directors, employees or agents.
- ***Related Party Transactions –*** Reviews certain related party transactions as described elsewhere in this report. See "Part III – Item 13 – Certain Transactions."
- ***Other –*** Carries out other assignments as designated by our board.

Item 11. Executive Compensation

Compensation Discussion and Analysis

Overview –

Compensation of our executive officers and directors during 2017 was subject to processes and procedures carried out through our Compensation Committee ("Compensation Program"). This compensation discussion and analysis ("Compensation Discussion and Analysis") addresses the material elements of our Compensation Program as applied to our Chief Executive Officer, our Chief Financial Officer, and to each of our three other most highly compensated executive officers other than the Chief Executive Officer and Chief Financial Officer who were serving as executive officers as of December 31, 2017. All five of these officers are identified in the Summary Compensation Table ("Named Executive Officers"). See "Part III – Item 11 – Executive Compensation: Summary Compensation Table."

Both the Compensation Committee and the Company believe that the compensation paid to the Named Executive Officers under our Compensation Program is fair, reasonable, competitive and consistent with our Compensation Principles. See "Part III – Item 11 – Compensation Discussion and Analysis: Principles of the Compensation Program."

Our Compensation Committee is composed of Messrs. Brett, Edgerton (Chair), Mooney, Schneider, and Ms. Baker. All of the members of the committee are considered by our board to be Independent Directors.

The charter of the Compensation Committee guides decisions regarding our Compensation Program, the aspects of which are described elsewhere in this report. See "Part III – Item 11 – Compensation Discussion and Analysis: Process." A copy of our Compensation Committee Charter is available to our shareholders on our Internet website: www.gci.com.

Our Charter of the Compensation Committee sets forth the scope of authority of our Compensation Committee and requires the committee to carry out the following:

- Review, on an annual basis, plans and targets for executive officer and board member compensation, if any –
    - Review is specifically to address expected performance and compensation of, and the criteria on which compensation is based for, the Chief Executive Officer and such other of our executive officers as our board may designate for this purpose.
- Monitor the effect of ongoing events on, and the effectiveness of, existing compensation policies, goals, and plans –
    - Events specifically include but are not limited to the status of the premise that all pay systems correlate with our compensation goals and policies.
    - Report from time to time, its findings to our board.
- Administer our Amended and Restated 1986 Stock Option Plan ("Stock Option Plan") and approve grants of options and awards pursuant to the plan.
- Strive to make our compensation plans fair and structured so as to maximize shareholder value.

In carrying out its duties, our Compensation Committee may accept for review and inclusion in its annual review with our board, recommendations from our Chief Executive Officer as to expected performance and compensation of, and the criteria on which compensation is based for, executive officers. See "Part III – Item 11 – Compensation Discussion and Analysis: Process."

Principles of the Compensation Program –

Our Compensation Program is based upon the following principles ("Compensation Principles"):

- Compensation is related to performance and must cause alignment of interests of executive officers with the long-term interests of our shareholders.
- Compensation targets must take into consideration competitive market conditions and provide incentives for superior performance by the Company.
- Actual compensation must take into consideration the Company's and the executive officer's performance over the prior year and the long-term, and the Company's resources.
- Compensation is based upon both qualitative and quantitative factors.

- Compensation must enable the Company to attract and retain management necessary to cause the Company to succeed.

Process –

Overview. Our Compensation Committee reviews and approves the base salary, incentive and other compensation of our Chief Executive Officer and senior executive officers, including the Named Executive Officers. The analyses and recommendations of the Chief Executive Officer on these matters may be considered by our Compensation Committee in its deliberations and approvals.

Other elements of executive compensation and benefits as described in this section are also reviewed by our Compensation Committee on a regular basis.

Implementation. Discussions on executive compensation and benefits made by the Compensation Committee have been guided by our Compensation Principles. The elements of compensation as described later in this section are believed by the Compensation Committee to be integral and necessary parts of the Compensation Program.

Our Compensation Committee has concluded that each individual segment of each element of executive compensation continues generally to be consistent with one or more of our Compensation Principles. Our Compensation Committee has further concluded the amount of compensation provided by the segment is reasonable, primarily based upon a comparison of the compensation amounts and segments we provide when compared to those offered by other similar companies in our industry and in our market.

Our process for determining executive compensation and benefits does not involve a precise and identifiable formula or link between each element and our Compensation Principles. However, it takes into consideration market practice and information provided by our management. Furthermore, it is based upon the relationship of compensation as shall be paid and financial performance of the Company. It is also the result of discussion among our Compensation Committee members and management. Ultimately it is based upon the judgment of our Compensation Committee.

Each year our Compensation Committee reviews elements of compensation for each of our senior executive officers including, for 2017, the Named Executive Officers. The Compensation Committee believes it has created a framework for an effective Compensation Program. The Compensation Committee modifies the Compensation Program at its discretion to continue its effectiveness for motivating the senior executive officers and aligning their interests with the long-term interests of our shareholders. We have not compared our compensation to a peer group since 2010. We do not currently benchmark our executive compensation against other peer group companies.

Elements of Compensation –

Overview. For 2017, the elements of compensation in our Compensation Program were as follows:

- Base Salary.
- Incentive Compensation Bonus Plan ("Incentive Compensation Plan").
- Stock Option Plan.
- Perquisites.
- Retirement and Welfare Benefits.

As of December 31, 2017, there were no compensatory plans or arrangements providing for payments to any of the Named Executive Officers in conjunction with any termination of employment or other working relationship of such an officer with us (including without limitation, resignation, severance, retirement or constructive termination of employment of the officer). Furthermore, as of that date, there were no such plans or arrangements providing for payments to any of the Named Executive Officers in conjunction with a change of control of us or a change in such an officer's responsibilities to us. However, in the event of a change in control, the options and restricted stock of our Named Executive Officers could vest. See "Part III – Item 11 – Executive Compensation: Potential Payments upon Termination or Change-in-Control."

The Company has no requirements with respect to security ownership by its officers or directors, and it has no policies regarding hedging the economic risk of ownership of Company equity. Executive officers are invited to provide their input with respect to their compensation to the Compensation Committee primarily through our Chief Executive Officer.

A Named Executive Officer participating in the Compensation Program could, under terms of the corresponding Incentive Compensation Plan agreement with us and pursuant to our Deferred Compensation Plan, elect to defer a significant portion of that compensation. In this instance, the Named Executive Officer becomes our unsecured creditor. See "Part III – Item 11 – Nonqualified Deferred Compensation."

Base Salary. Effective January 1, 2017, based upon the process previously described in this section, the base salaries reported in the Summary Compensation Table (see "Part III – Item 11 – Executive Compensation: Summary Compensation Table") were approved by the Compensation Committee.

Mr. Duncan's base salary reflects cash compensation of $925,000 per year. Mr. Duncan's duties remained unchanged during 2017.

Mr. Pounds' base salary reflects cash compensation of $400,000 per year. Mr. Pounds' duties remained unchanged during 2017.

Mr. Cary's base salary reflects cash compensation of $200,000 per year. Mr. Cary's base salary increased in 2017 from $160,000 to $200,000 to compensate him for additional responsibilities acquired when he was promoted in 2016. His duties remained unchanged during 2017.

Mr. Chapados' base salary reflects cash compensation of $450,000 per year. During 2017, Mr. Chapados was appointed as President of GCI.

Ms. Pidgeon's base salary reflects cash compensation of $325,000 per year. Ms. Pidgeon's duties remained unchanged during 2017.

Incentive Compensation Plan. ***Overview –*** A portion of the Company's compensation to each Named Executive Officer relates to, and is contingent upon, the officer's performance and our financial performance and resources.

Our board approved an Incentive Compensation Plan for our Named Executive Officers (Messrs. Duncan, Pounds, Chapados, and Cary and Ms. Pidgeon) to create a framework that aligns the interests of our executive officers with the long-term interests of our shareholders.

The Compensation Committee first determined the targeted annual incentive compensation for each of them. Incentive compensation is paid out in the form of 50% cash and 50% restricted stock grants that vest 100% at the end of three years, unless otherwise determined by the Compensation Committee based on the individual circumstances of each of the Named Executive Officers. Therefore, the incentive compensation is designed to encourage the focus of these executives on long-term performance. Discretionary annual cash bonuses are intended to reward short-term performance and to make our senior executive compensation packages competitive with comparable executive positions in other companies.

Incentive Compensation. The following table provides a summary of the 2017 incentive compensation targets for the Four Named Executive Officers:

Name	Adjusted EBITDA ($)	Discretionary ($)	Total 2017 Incentive Compensation Plan Target ($)
Ronald A. Duncan[1]	404,032	1,616,130	2,020,162
Peter J. Pounds[2]	102,375	352,625	455,000
Martin E. Cary	97,500	552,500	650,000
Gregory F. Chapados[2]	270,619	932,131	1,202,750
Tina M. Pidgeon	90,000	510,000	600,000

[1] Mr. Duncan's incentive compensation target is $150,495 lower than what was disclosed in the 2017 Proxy Statement filed with the SEC on May 16, 2017 due to lower actual Adjusted EBITDA from the estimate used in the Proxy Statement. As disclosed in the 2017 Proxy Statement, Mr. Duncan's final incentive compensation target is calculated by multiplying the sum of his base salary, director cash compensation, estimated value of the stock grant for service as a director, and incentive compensation ("Total Compensation") by the percentage increase in Adjusted EBITDA from Adjusted EBITDA in 2013 and adding that to his target incentive compensation.

[2] Incentive Compensation is paid out in the form of 50% cash and 50% restricted stock grants that vest at the end of two years. The number of shares issued to Mr. Pounds and Mr. Chapados are determined by dividing the 50% of Incentive Compensation for shares by the price of our Class A shares on December 31, 2012, which was $9.59. This arrangement is in place for Mr. Pounds and Mr. Chapados through 2017.

The following is a description of what each of these incentive compensation targets are and how they are measured.

Adjusted EBITDA. The Adjusted EBITDA goal is intended to focus the Named Executive Officers on increasing Adjusted EBITDA. Adjusted EBITDA for purposes of this goal is defined as earnings plus imputed interest on financed devices and the cash received in excess of revenue recognized for long-term roaming arrangements before net interest expense, income taxes, depreciation and amortization expense, loss on extinguishment of debt, 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, and other non-cash adjustments. The goal is achieved by the Company recording Adjusted EBITDA that is equal to the Adjusted EBITDA target.

The target for this metric was $321.4 million in 2017 for the Named Executive Officers who would earn their Target Incentive Compensation for this goal if the metric was achieved. In the case of the Named Executive Officers, the incentive compensation earned is increased or decreased from the Target Incentive Compensation by 5% for each $1 million that the actual Adjusted EBITDA is above or below the Adjusted EBITDA metric.

Discretionary. The board will take various factors into account when deciding on the payout of the discretionary portion of the plan applying to the Named Executive Officers. These factors include, but are not limited to, leadership, crisis management, succession planning, strategic planning, risk management, special projects, and financial reporting.

The following table summarizes the 2017 incentive compensation achieved by the Named Executive Officers, each of whom participated in this plan. The 2017 incentive compensation was paid 50% in cash and 50% in the form of restricted stock grants that will vest at the end of three years after the grant date with the exception of Mr. Duncan who was paid 75% in cash and 25% in the form of restricted stock grants; the majority of the cash portion was paid in 2017:

Goals	Ronald A. Duncan	Peter J. Pounds	Martin E. Cary	Gregory F. Chapados	Tina M. Pidgeon
Adjusted EBITDA Goal – Target Incentive Compensation	$ 402,580	$ 102,375	$ 97,500	$ 270,619	$ 90,000
Adjusted EBITDA Goal Achievement[1]	16.8 %	16.8 %	16.8 %	16.8 %	16.8 %
2017 Adjusted EBITDA Incentive Compensation Earned	$ 67,533	$ 17,173	$ 16,356	$ 45,396	$ 15,098
Discretionary	$ 1,610,321	$ 352,625	$ 552,500	$ 932,131	$ 510,000
Discretionary Achievement[2]	77.1 %	120.1 %	89.0 %	93.6 %	93.6 %
2017 Discretionary Incentive Compensation Earned	$ 1,241,463	$ 423,393	$ 491,998	$ 872,599	$ 477,302
2017 Incentive Compensation Earned	$ 1,308,996	$ 440,566	$ 508,354	$ 917,995	$ 492,400

[1] The Adjusted EBITDA for this 2017 goal was $321.4 million for the Company. The Named Executive Officers would earn their Target Incentive Compensation for this goal if the Company had Adjusted EBITDA equal to the metric. The Target Incentive Compensation is increased or decreased by 5% for each $1 million that the actual Adjusted EBITDA is above or below the metric. For 2017, the actual Adjusted EBITDA for purposes of this goal was $304.8 million resulting in actual Adjusted EBITDA that was $16.6 million below the metric, therefore, the earned Incentive Compensation for the Adjusted EBITDA goal was decreased by 83%.

[2] Our Compensation Committee considered the following factors regarding the Discretionary Achievement of the Named Executive Officers. With regard to Mr. Duncan, the Compensation Committee took into account his efforts to secure certain revenue streams, his support of company procurement efforts, and his leadership for efforts to reinforce the Company's culture. With regard to Mr. Pounds, the Compensation Committee considered his leadership in regards to leading an initiative to achieve savings through a procurement initiative, team development and succession planning, and his support for other corporate initiatives. With regard to Mr. Cary, the Compensation Committee considered, among other things, his efforts to secure certain revenue streams, his support of the Company's procurement initiative, and his leadership of key initiatives within GCI Business. With regard to Mr. Chapados, the Compensation Committee considered, among other things, his leadership of key company initiatives including reinforcing the Company's culture, risk management, his support of the Company's procurement initiative, and team development. With regard to Ms. Pidgeon, the Compensation Committee considered her leadership in revenue assurance efforts, corporate risk management, supporting the Company's initiatives, and team development.

Stock Option Plan. Awards, if granted to the Named Executive Officers, were granted pursuant to terms of our Stock Option Plan. Awards, if granted, were granted contemporaneously with the approval of the Compensation Committee, typically early in the year in question or late in the previous year as described above. See "Part III – Item 11 – Compensation Discussion and Analysis: Elements of Compensation – Incentive Compensation Plan."

We adopted our stock option plan in 1986. It has been subsequently amended from time to time and presently is our Stock Option Plan, i.e., our Amended and Restated 1986 Stock Option Plan. Under our Stock Option Plan, we are authorized to grant awards and options to purchase shares of Class A-1 common stock to selected officers, directors and other employees of, and consultants or advisors to, the Company and its subsidiaries. We have not issued any stock options since 2010. The selection of grantees for awards under the plan is made by our Compensation Committee.

The number of shares of Class A-1 common stock allocated to the Stock Option Plan is 15.7 million shares. The number of shares for which options or awards may be granted is subject to adjustment upon the occurrence of stock dividends, stock splits, mergers, consolidations and certain other changes in corporate structure or capitalization. As of December 31, 2017, 1.2 million shares had been granted subject to vesting, 6.9 million share grants had vested, 8.7 million shares had been issued upon the exercise of options under the plan, 2.3 million shares had been repurchased by the plan and 1.2 million shares remained available for additional grants under the plan.

Restricted stock awards granted under the Stock Option Plan may be subject to vesting conditions based upon service or performance criteria as the Compensation Committee may specify. These specifications may include attainment of one or more performance targets. Shares acquired pursuant to such an award may not be transferred by the participant until vested. Unless otherwise provided by the Compensation Committee, a participant will forfeit any shares of restricted stock where the restrictions have not lapsed prior to the participant's termination of service with us. Participants holding restricted stock will have the right to vote the shares and to receive dividends paid, if any. However, those dividends or other distributions paid in shares will be subject to the same restrictions as the original award.

Our Compensation Committee selects each grantee and the time of grant of an option or award and determines the terms of each grant, including the number of shares covered by each grant and the exercise price. In selecting a participant, as well as in determining these other terms and conditions of each grant, our Compensation Committee takes into consideration such factors as it deems, in its sole discretion, relevant in connection with accomplishing the purpose of the plan.

Under our Stock Option Plan, our authority to modify or amend the plan is subject to prior approval of our shareholders only in cases of increasing the number of shares of our stock allocated to, and available and reserved for, issuance under the plan, changing the class of persons eligible to receive incentive stock options or where shareholder approval is required under applicable law, regulation or rule.

Subject to these limitations, the Company may terminate or amend the Stock Option Plan at any time. However, no termination or amendment may affect any outstanding option or award unless expressly provided by the Compensation Committee. In any event, no termination or amendment of the plan may adversely affect an outstanding option or award without the consent of the participant unless necessary to comply with applicable law, regulation or rule.

With limited exception, no maximum or minimum exists with regard to the amount, either in dollars or in numbers, of options that may be exercised in any year, either by a single optionee or by all optionees under our Stock Option Plan. At the 2002 annual meeting, our shareholders approved an amendment to the plan placing a limitation on accumulated grants of options of not more than 500,000 shares of Class A-1 common stock per optionee per year.

With these exceptions, there are no fixed limitations on the number or amount of securities being offered, other than the practical limitations imposed by the number of employees eligible to participate in the plan and the total number of shares of stock authorized and available for granting under the plan. Shares covered by options which have terminated or expired for any reason prior to their exercise are available for grant of new options pursuant to the plan.

Perquisites. The Company provides certain perquisites to its Named Executive Officers. The Compensation Committee believes these perquisites are reasonable and appropriate and consistent with our awareness of perquisites offered by similar publicly traded companies. The perquisites assist in attracting and retaining the Named Executive Officers and, in the case of certain perquisites, promote health, safety and efficiency of our Named Executive Officers. These perquisites are as follows:

- ***Use of Company Aircraft –*** The Company permits employees, including the Named Executive Officers, to use Company aircraft for personal travel for themselves and their guests. Such travel generally is limited to a space available basis on flights that are otherwise business-related. Where a Named Executive Officer, or a guest of that officer, flies on a space available basis, the additional variable cost to the Company (such as fuel, catering, and landing fees) is de minimus. As a result, no amount is reflected in the Summary Compensation Table for that flight. Where the additional variable cost to the Company occurs on such a flight for solely personal purposes of that Named Executive Officer or guest, that cost is included in the Summary Compensation Table entry for that officer. Because it is rare for a flight to be purely personal in nature, fixed costs (such as hangar expenses, crew salaries and monthly leases) are not included in the Summary Compensation Table. In any case, in the event such a cost is non-deductible by the Company under the Internal Revenue Code, the value of that lost deduction is included in the Summary Compensation Table entry for that Named Executive Officer. When employees, including the Named Executive Officers, use Company aircraft for such travel they are attributed with taxable income in accordance with regulations pursuant to the Internal Revenue Code. The Company does not "gross up" or reimburse an employee for taxes he or she owes on such attributed income. The variable cost of the aircraft for personal travel, if any, is included in the respective entries in the Summary Compensation Table. See "Part III – Item 11 – Executive Compensation: Summary Compensation Table."

- ***Enhanced Long-Term Disability Benefit –*** The Company provides the Named Executive Officers and other senior executive officers of the Company with an enhanced long-term disability benefit. This benefit provides a supplemental replacement income benefit of 60% of average monthly compensation capped at $10,000 per month. The normal replacement income benefit applying to other of our employees is capped at $5,000 per month.

- ***Enhanced Short-Term Disability Benefit –*** The Company provides the Named Executive Officers and other senior executive officers of the Company with an enhanced short-term disability benefit. This benefit provides a supplemental replacement income benefit of 66 2/3% of average monthly compensation, capped at $2,300 per week. The normal replacement income benefit applying to other of our employees is capped at $1,150 per week.

- ***Miscellaneous –*** Aside from benefits offered to its employees generally, the Company provided miscellaneous other benefits to its Named Executive Officers including the following (see "Part III – Item 11 – Executive Compensation: Summary Compensation Table – Components of 'All Other Compensation'"):

    - Success Sharing – An incentive program offered to all of our employees that shares 15% of the excess Adjusted EBITDA over the highest previous year ("Success Sharing").

    - Board Fees – Provided to Mr. Duncan as one of our directors. The Compensation Committee believes that it is appropriate to provide such board fees to Mr. Duncan given the additional oversight responsibilities and the accompanying liability incumbent upon members of our board. In determining the appropriate amount of overall compensation payable to Mr. Duncan in his capacity as Chief Executive Officer, the Compensation Committee does take into account any such board fees that are payable to Mr. Duncan. This monitoring of Mr. Duncan's overall compensation package for services rendered as Chief Executive Officer and as a director is done to ensure that Mr. Duncan is not being doubly compensated for the same services rendered to the Company.

<u>Retirement and Welfare Benefits</u> – *GCI 401(k) Plan.* In January 1987, we 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-1 common stock at market value as well as various mutual funds. We may match a percentage of the employees' contributions up to certain limits. Named Executive Officers may, along with our employees generally, participate in our GCI 401(k) Plan in which we may provide matching contributions in accordance with the terms of the plan.

As of December 31, 2017, there remained 4.1 million shares of Class A-1 and 0.5 million shares of Class B-1 common stock allocated to our GCI 401(k) Plan and available for issuance by us or otherwise acquisition by the plan for the benefit of participants in the plan.

– Deferred Compensation Arrangements. The Company offers to our executive officers deferred compensation arrangements specifically fashioned to the needs of the officer and us ("Deferred Compensation Arrangements"). During 2017, none of our Named Executive Officers participated in Deferred Compensation Arrangements.

– Welfare Benefits. With the exception of the enhanced long-term and short-term disability benefits described previously, the Company provided to the Named Executive Officers the same health and welfare benefits provided generally to all other employees of the Company at the same general premium rates as charged to those employees. The cost of the health and welfare programs is subsidized by the Company for all eligible employees including the Named Executive Officers.

Performance Rewarded –

Our Compensation Program is, in large part, designed to reward individual performance. What constitutes performance varies from officer to officer, depending upon the nature of the officer's responsibilities. Consistent with the Compensation Program, the Company identified key business metrics and established defined targets related to those metrics for each Named Executive Officer. In the case of each Named Executive Officer, the targets were regularly reviewed by management, from time to time, and provided an immediate and clear picture of performance and enabled management to respond quickly to both potential problems as well as potential opportunities. The

Compensation Program also was used to establish and track corresponding applicable targets for individual management employees.

In 2017, the Compensation Program was used in the development of each Named Executive Officer's individual performance goals and established incentive compensation targets. The Compensation Committee evaluated the performance of each of the executive officers and the financial performance of the Company and awarded incentive compensation as described above. See "Part III – Item 11 – Compensation Discussion and Analysis: Elements of Compensation – Incentive Compensation Plan."

Our Compensation Committee increased Mr. Pounds' total incentive compensation plan target for 2018 from $455,000 to $535,000. The increase to Mr. Pounds' Incentive Compensation is to replace compensation that was previously granted in the form of a retention restricted stock award.

Timing of Equity Awards –

Overview. Timing of equity awards under our Director Compensation Plan and equity awards under our Compensation Program varies with the plan or portion of that program. However, the Company does not, and has not in the past, timed its release of material nonpublic information for purposes of affecting the value of equity compensation. Timing issues and our grant policy are described further below.

Director Compensation Plan. As a part of the Director Compensation Plan, we grant awards of our common stock to board members, including those persons who may also be serving as one or more of our executive officers. Mr. Duncan, a board member and Named Executive Officer, has been granted such awards in the past. These awards are made annually in June of each year in accordance with the terms of the Director Compensation Plan. The awards are made through our Stock Option Plan. See "Part III – Item 11 – Compensation Discussion and Analysis: Elements of Compensation – Stock Option Plan."

Incentive Compensation Plan. As a part of our Compensation Program, from time to time, we grant awards in our Class A-1 common stock to our executive officers, including the Named Executive Officers. In particular, awards are granted in conjunction with the agreements that we enter into with Named Executive Officers pursuant to our Incentive Compensation Plan. The grants of such awards are typically made early in the year at the time our board finalizes the prior year incentive compensation plan payouts for each of the Named Executive Officers. All such awards are granted through the Stock Option Plan. See "Part III – Item 11 – Compensation Discussion and Analysis: Elements of Compensation – Incentive Compensation Plan" and "– Elements of Compensation – Stock Option Plan."

Stock Option Plan. As a part of our Compensation Program, from time to time, we grant stock awards in our Class A-1 common stock to our executive officers. In all cases, regardless of the identity of the grantee, the timing, amount and other terms of the grant of awards under our Stock Option Plan are determined in the sole discretion of our Compensation Committee. See "Part III – Item 11 – Compensation Discussion and Analysis: Elements of Compensation – Stock Option Plan."

Grant Policy. Under our grant policy, all approved grants are granted effective the date they were approved by the committee and are priced at the market value at the close of trading on that date. The terms of the award are then communicated to the recipient within a reasonable time period.

Tax and Accounting Treatment of Executive Compensation –

In determining the amount and form of compensation granted to executive officers, including the Named Executive Officers, the Company takes into consideration both tax treatment and accounting treatment of the compensation. Tax and accounting treatment for various forms of compensation is subject to changes in, and changing interpretations of, applicable laws, regulations, rulings and other factors not within the Company's control. As a result, tax and accounting treatment is only one of several factors that the Company takes into account in designing the previously described elements of compensation.

Compensation Policies and Practices in Relation to Our Risk Management –

At the direction of our board, Company management has reviewed our compensation policies, plans and practices to determine whether they create incentives or encourage behavior that is reasonably likely to have a materially adverse effect on the Company. This effort included a review of our various employee compensation plans and practices as described elsewhere in this report. See "Part III – Item 11 – Compensation Discussion and Analysis: Process."

The purpose of the review was to evaluate risks and the internal controls we have implemented to manage those risks. The controls include multiple performance metrics, corporate-wide financial measures, statutory clawbacks on equity awards, and board and board committee oversight and approvals.

In completing this review, our board and management believe risks created by our compensation policies, plans and practices that create incentives likely to have a material adverse effect on us are remote.

Pay Ratio Disclosure Rule -

In August 2015, pursuant to a mandate of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"), the SEC adopted a rule requiring annual disclosure of the ratio of the median employee's annual total compensation to the total annual compensation of the principal executive officer ("PEO"). Our PEO Is Ronald A. Duncan.

To determine the median employee, a listing was prepared of all active employees as of December 31, 2017 including the following:

- Full-time employees
- Part-time employees
- Temporary employees
- Seasonal employees
- Any contractors paid W-2 wages

We used gross wages from the W-2 to determine the median employee and for the wages used to calculate the ratio. W-2 wages include base salary, bonus payments, the value of realized equity awards, paid commissions, and taxable fringe benefits. We did not annualize wages and salaries for employees who were not employed for all of 2017.

For 2017, the total compensation for our PEO was $3,223,376 and our median employee's pay was $68,563. As a result, the pay ratio of our CEO to the median employee for 2017 was 47.01 to 1.

Shareholder Advisory Votes on Executive Compensation

At our 2017 annual meeting, our shareholders adopted a non-binding proposal pertaining to executive compensation of our Named Executive Officers. Our board anticipates placing before our shareholders a proposal on executive compensation at our 2020 annual shareholder meeting.

Our board views decisions as to compensation of Company named executive officers, including but not limited to those for 2017, as its responsibility. Our board takes this responsibility seriously and has gone to considerable effort to establish and implement a process for determining executive compensation as described elsewhere in this report. See "Part III – Item 11 – Compensation Discussion and Analysis."

Our board carefully considers all proposals from our shareholders. However, in light of its responsibilities to the Company, our board may or may not follow the advice of those shareholder votes.

Our board contemplates next placing before our shareholders a proposal dealing with the frequency of shareholder advisory votes on executive compensation of our named executive officers during our 2020 annual shareholder meeting.

Executive Compensation

Summary Compensation Table –

As of December 31, 2017, the Company did not have employment agreements with any of the Named Executive Officers. The following table summarizes total compensation paid or earned by each Named Executive Officer for fiscal years 2017, 2016 and 2015. The process followed by the Compensation Committee in establishing total compensation for each Named Executive Officer as set forth in the table is described elsewhere in this report. See "Part III – Item 11 – Compensation Discussion and Analysis."

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)[1]	Nonequity Incentive Plan Compen-sation ($)	Stock Awards[2] ($)	Option Awards[2] ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)[3]	Total ($)
Ronald A. Duncan[4] Chief Executive Officer	2017	925,000	—	981,747	1,188,789[5]	—	—	127,840	3,223,376
	2016	925,000	—	833,632	1,118,454[6]	—	—	83,000	2,960,086
	2015	925,000	—	1,096,999	1,269,909[7]	—	—	83,000	3,374,908
Peter J. Pounds Senior Vice President, Chief Financial Officer and Secretary	2017	400,000	35,384	184,899	468,134[5]	—	—	25,000	1,113,417
	2016	400,000	5,280	206,982	1,845,581[8]	—	—	18,279	2,476,122
	2015	400,000	6,417	235,888	365,456[8]	—	—	20,437	1,028,198
Martin E. Cary Senior Vice President and General Manager - Business[9]	2017	200,000	—	254,177	812,393[5]			19,000	1,285,570
	2016	160,000	115,858	711,699	1,754,254[10]	—	—	60,190	2,802,001
Gregory F. Chapados President and Chief Operating Officer	2017	450,000	—	458,998	1,144,786[5]	—	—	22,000	2,075,784
	2016	450,000	7,313	511,768	1,020,883[6]	—	—	22,279	2,012,243
	2015	450,000	8,363	530,748	757,863[7]	—	—	24,437	1,771,411
Tina M. Pidgeon Senior Vice President, Chief Compliance Officer, General Counsel and Governmental Affairs	2017	325,000	—	369,300	154,755[5]	—	—	22,000	871,055
	2016	325,000	17,550	409,415	158,682[6]	—	—	21,279	931,926
	2015	325,000	31,990	486,519	228,024[11]	—	—	23,437	1,094,970

1 The Bonus Compensation represents compensation paid pursuant to the Incentive Compensation Plan in excess of the target payment under the plan.

2 This column reflects the grant date fair values of awards of Class A-1 common stock, restricted stock awards or stock options granted in the fiscal year indicated which were computed in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 718, Compensation – Stock Options ("ASC Topic 718").

3 See, "Components of 'All Other Compensation'" table displayed below for more detail.

4 In 2015, Mr. Duncan received $183,650 in compensation for service on our board in the form of $65,000 in director fees and a stock award valued at $118,650. In 2016, Mr. Duncan received $176,300 in compensation for service on our board in the form of $65,000 in director fees and a stock award valued at $111,300. In 2017, Mr. Duncan received $347,300 in compensation for service on our board in the form of $65,000 in director fees and a stock award valued at $282,300.

5 The Stock Awards granted during 2017 were for the Named Executive Officer's performance during 2016.

6 The Stock Awards granted during 2016 were for the Named Executive Officer's performance during 2015.

7 The Stock Awards granted during 2015 were for the Named Executive Officer's performance during 2014.

8 In 2016, Mr. Pounds received a stock award with a grant date fair value of $458,831 for his performance during 2015 and a stock award with a grant date fair value of $1,386,750 as a retention incentive. In 2015, Mr. Pounds received a stock award with a grant date fair value of $268,400 for his performance during 2014, a stock award with a grant date fair value of $48,528 for his performance related to the Wireless Acquisition, and a stock award with a grant date fair value of $48,528 as a retention incentive.

9 Compensation for Mr. Cary is only provided for 2017 and 2016 as he was not a Named Executive Officer in 2015.

10 In 2016, Mr. Cary received a stock award with a grant date fair value of $367,504 for his performance during 2015 and a stock award with a grant date fair value of $1,386,750 as a retention incentive.

11 In 2015, Ms. Pidgeon received a stock award with a grant date fair value of $179,496 for her performance during 2014 and a stock award with a grant date fair value of $48,528 for her performance related to the Wireless Acquisition.

The amounts reported under the "All Other Compensation" column are comprised of the following:

Components of "All Other Compensation"

Name	Year	Stock Purchase Plan[1] ($)	Board Fees ($)	Success Sharing[2] ($)	Use of Company Leased Aircraft[3] ($)	Use of Company Retreat Facilities[4] ($)	Miscellaneous ($)	Total ($)
Ronald A. Duncan	2016	18,000	65,000	—	—	44,840	—	127,840
	2016	18,000	65,000	—	—	—	—	83,000
	2015	18,000	65,000	—	—	—	—	83,000
Peter J. Pounds	2017	18,000	—	—	—	7,000	—	25,000
	2016	18,000	—	279	—	—	—	18,279
	2015	18,000	—	2,437	—	—	—	20,437
Martin E. Cary	2017	18,000	—	—	—	—	1,000[5]	19,000
	2016	18,000	—	279	41,911	—	—	60,190
Gregory F. Chapados	2017	18,000	—	—	—	—	4,000[5]	22,000
	2016	18,000	—	279	—	—	4,000[5]	22,279
	2015	18,000	—	2,437	—	—	4,000[5]	24,437
Tina M. Pidgeon	2017	18,000	—	—	—	—	4,000[5]	22,000
	2016	18,000	—	279	—	—	3,000[5]	21,279
	2015	18,000	—	2,437	—	—	3,000[5]	23,437

[1] Amounts are contributions by us matching each employee's contribution. Matching contributions by us under our GCI 401(k) Plan are available to each of our full-time employees with over one year of service. During 2017, 2016 and 2015, the match was based upon the lesser of $18,000 or 10% of the employee's salary and the total of the employee's pre-tax and post-tax contributions to the plan. See "Part III – Item 11 – Compensation Discussion and Analysis: Elements of Compensation – Retirement and Welfare Benefits – GCI 401(k) Plan."

[2] See "Part III – Item 11 – Compensation Discussion and Analysis: Elements of Compensation – Perquisites."

[3] The value of use of Company leased aircraft is shown at the variable cost to the Company.

[4] The allocated cost of using the Company's remote fishing retreat for personal guests or family members.

[5] Compensation for attending certain management meetings.

Grants of Plan-Based Awards Table –

The following table displays specific information on grants of options, awards and non-equity incentive plan awards under our Compensation Program and, in addition, in the case of Mr. Duncan, our Director Compensation Plan, made to Named Executive Officers during 2017.

Grants of Plan-Based Awards

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards						
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards[1] ($)
Ronald A. Duncan	03/01/17	---	---	---	---	---	---	42,860[2]	---	---	906,489
	06/01/17	---	---	---	---	---	---	7,500[3]	---	---	282,300
Peter J. Pounds	03/01/17	---	---	---	---	---	---	22,134[2]	---	---	468,134
Martin E. Cary	03/01/17	---	---	---	---	---	---	38,411[2]	---	---	812,393
Gregory F. Chapados	03/01/17	---	---	---	---	---	---	54,127[2]	---	---	1,144,786
Tina M. Pidgeon	03/01/17	---	---	---	---	---	---	7,317[2]	---	---	154,755

[1] Computed in accordance with FASB ASC Topic 718.

[2] Represents the 50% portion of the 2016 incentive compensation paid in the form of restricted stock grants under our Incentive Compensation Plan that were not granted until 2017. Restricted stock awards are included in the "Stock Awards" column of the Summary Compensation Table above.

[3] Mr. Duncan's stock award was granted pursuant to the terms of our Director Compensation Plan. See "Part III – Item 11 – Director Compensation."

Outstanding Equity Awards at Fiscal Year-End Table –

The following table displays specific information on unexercised options, stock that has not vested and equity incentive plan awards for each of the Named Executive Officers and outstanding as of December 31, 2017. Vesting of these options and awards varies for the Named Executive Officers as described in the footnotes to the table.

Outstanding Equity Awards at Fiscal Year-End

	Option Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock that Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Ronald A. Duncan	---	---	---	---	55,460 [1]	2,164,049 [1]	---	---
	---	---	---	---	42,860 [1]	1,672,397 [1]	---	---
Peter J. Pounds	---	---	---	---	3,333 [2]	130,054 [2]	---	---
	---	---	---	---	25,266 [1]	985,879 [1]	---	---
	---	---	---	---	22,134 [1]	863,669 [1]	---	---
	---	---	---	---	75,000 [3]	2,926,500 [3]	---	---
Martin E. Cary	---	---	---	---	6,745 [1]	263,190 [1]	---	---
	---	---	---	---	38,411 [1]	1,498,797 [1]	---	---
					75,000 [3]	2,926,500 [3]		
Gregory F. Chapados	---	---	---	---	60,000 [4]	2,341,200 [4]	---	---
	---	---	---	---	56,216 [1]	2,193,548 [1]	---	---
	---	---	---	---	54,127 [1]	2,112,036 [1]	---	---
Tina M. Pidgeon	---	---	---	---	90,000 [5]	3,511,800 [5]	---	---
	---	---	---	---	8,738 [1]	340,957 [1]	---	---
	---	---	---	---	7,317 [1]	285,509 [1]	---	---

[1] Restricted stock vests on November 30, 2018.

[2] Restricted stock vests on February 6, 2018.

[3] Restricted stock vests on November 30, 2021.

[4] Restricted stock vests 30,000 shares on each of January 1, 2018 and 2019.

[5] Restricted stock vests 45,000 shares on each of January 1, 2018 and 2019.

Option Exercises and Stock Vested Table –

The following table displays specific information on each exercise of stock options, stock appreciation rights, and similar instruments, and each vesting of stock, including restricted stock, restricted stock units and similar instruments on an aggregate basis, for each of the Named Executive Officers during 2017:

Option Exercises and Stock Vested

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Ronald A. Duncan	---	---	79,070	3,155,684
	---	---	7,500 [1]	282,300
Peter J. Pounds	---	---	1,666	31,904
	---	---	18,434	735,701
	---	---	50,000	1,984,000
Martin E. Cary	---	---	6,746	269,233
	---	---	7,795	311,098
Gregory F. Chapados	---	---	30,000	615,300
	---	---	52,051	2,077,355
Tina M. Pidgeon	---	---	135,000	2,768,850
	---	---	1,666	31,904
	---	---	12,328	492,010

[1] This stock award relates to Mr. Duncan's service as one of our directors.

Potential Payments upon Termination or Change-in-Control –

As of December 31, 2017, there were no compensatory plans or arrangements providing for payments to any of the Named Executive Officers in conjunction with any termination of employment or other working relationship of such an officer with us (including without limitation, resignation, severance, retirement or constructive termination of employment of the officer). Furthermore, as of December 31, 2017, there were no such plans or arrangements providing for payments to any of the Named Executive Officers in conjunction with a change of control of us or a change in such an officer's responsibilities to us. However, the outstanding options and awards for each of our Named Executive Officers would vest upon his or her disability, planned retirement or death, or could vest upon a change-in-control of the Company.

Nonqualified Deferred Compensation

Deferred Compensation Arrangements –

We have, from time to time, entered into Deferred Compensation Arrangements with certain of our executive officers. These arrangements are negotiated with individual officers on a case-by-case basis. Our Named Executive Officers did not participate in a Deferred Compensation Arrangement with us during 2017.

Compensation Committee Interlocks and Insider Participation

Our Compensation Committee is composed of four members of our board as identified elsewhere in this report. All of these members served on the committee during all of 2017. See "Part III – Item 11 – Compensation Discussion and Analysis: Overview." The relationships of them to us are described elsewhere in this report. See "Part III – Item 10 – Identification," "Part III – Item 12 – Principal Shareholders" and "Part III – Item 13 – Certain Transactions."

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis. Based upon that review and discussion, the Compensation Committee recommended to our board that the Compensation Discussion and Analysis be included in our 2017 annual report.

Compensation Committee
Jerry A. Edgerton, Chair
Bridget L. Baker
Stephen M. Brett
Stephen R. Mooney
James M. Schneider

Director Compensation

The following table sets forth certain information concerning the cash and non-cash compensation earned by our directors ("Director Compensation Plan"), each for services as a director during the year ended December 31, 2017:

2017 Director Compensation[1]

Name	Fees Earned or Paid in Cash ($)	Stock Awards[2] ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Stephen M. Brett	106,250	282,300	—	—	—	5,000	393,550
Bridget L. Baker	98,750	282,300	—	—	—	1,000	382,050
Jerry A. Edgerton	65,000	282,300	—	—	—	1,221	348,521
Scott M. Fisher	65,000	282,300	—	—	—	16,000	363,300
William P. Glasgow	65,000	282,300	—	—	—	9,127	356,427
Mark W. Kroloff	65,000	282,300	—	—	—	8,254	355,554
Stephen R. Mooney	90,000	282,300	—	—	—	1,127	373,427
James M. Schneider	98,750	282,300	—	—	—	2,000	383,050
Eric L. Zinterhofer	65,000	282,300	—	—	—	2,254	349,554

[1] Compensation to Mr. Duncan as a director is described elsewhere in this report. See "Part III – Item 11 – Executive Compensation" and "Compensation Discussion and Analysis."

[2] Each director received a grant award of 7,500 shares of Company Class A-1 common stock on June 1, 2017 (the grant date). The value of the shares on the date of grant was $37.64 per share, i.e., the closing price of the stock on Nasdaq on that date and as calculated in accordance with FASB ASC Topic 718.

Our initial Director Compensation Plan was adopted in 2004 by our board to acknowledge and compensate, from time to time, directors on the board for ongoing dedicated service. During 2017, the Director Compensation Plan provided for $65,000 per year for all Directors with the exception of Mr. Mooney, Audit Committee chair, who received an additional $25,000 per year (paid quarterly). During 2017, the board appointed a special committee of independent directors to analyze the Reorganization Agreement and Transactions with Liberty. The board provided compensation of $41,250 to Mr. Brett and $33,750 each to Ms. Baker and Mr. Schneider for their work serving on the special committee.

During 2017, the stock compensation portion of our Director Compensation Plan consisted of a grant of 7,500 shares of Class A-1 common stock to a director for a year of service, or a portion of a year of service. Because the shares vest upon award, they are subject to taxation based upon the then fair market value of the vested shares.

In addition to our Director Compensation Plan, during 2017 the directors' families used our company retreat facilities and aircraft to transport their families to the retreat facilities. The compensation attributed to the directors for that use is included in "All Other Compensation" in the table above. During 2017, our board received no other direct compensation for serving on the board and its committees. However, they were reimbursed for travel and out-of-pocket expenses incurred in connection with attendance at meetings of our board and its committees.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth, as of the end of 2017, information on equity compensation plans approved by our shareholders and separately such plans not approved by our shareholders. The information is focused on outstanding options, warrants and rights; the only such plan is our Stock Option Plan as approved by our shareholders.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights ($)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the second column)
Equity compensation plans approved by security holders	1,000	6.93	1,159,766
Total:	1,000	6.93	1,159,766

Ownership of Company

Principal Shareholders –

The following table sets forth, as of December 31, 2017 (unless otherwise noted), certain information regarding the beneficial ownership of our Class A-1 common stock and Class B-1 common stock by each of the following:

- Each person known by us to own beneficially 5% or more of the outstanding shares of Class A-1 common stock or Class B-1 common stock.
- Each of our directors.
- Each of the Named Executive Officers.
- All of our executive officers and directors as a group.

All information with respect to beneficial ownership has been furnished to us by the respective shareholders.

Name of Beneficial Owner[1]	Title of Class[2]	Amount and Nature of Beneficial Ownership (#)	% of Class	% of Total Shares Outstanding (Class A & B)[2]	% Combined Voting Power (Class A & B)[2]
Stephen M. Brett	Class A-1	97,750	*	*	*
	Class B-1	—	—		
Ronald A. Duncan	Class A-1	1,098,986 [3]	3.3	6.3	20.3
	Class B-1	1,174,918 [3]	38.5		

Bridget L. Baker	Class A-1	35,000 [4]	*	*	*
	Class B-1	—	—		
Jerry A. Edgerton	Class A-1	61,750 [5]	*	*	*
	Class B-1	—	—		
Scott M. Fisher	Class A-1	598,050 [6]	1.8	1.7	*
	Class B-1	—	—		
William P. Glasgow	Class A-1	51,594 [7]	*	*	*
	Class B-1	—	—		
Mark W. Kroloff	Class A-1	66,100	*	*	*
	Class B-1	—	—		
Stephen R. Mooney	Class A-1	56,400	*	*	*
	Class B-1	—	—		
James M. Schneider	Class A-1	53,892	*	*	*
	Class B-1	—	—		
Peter J. Pounds	Class A-1	167,894	*	*	*
	Class B-1	—	—		
Martin E. Cary	Class A-1	147,050	*	*	*
	Class B-1	—	—		
Gregory F. Chapados	Class A-1	489,136 [8]	1.5	1.4	*
	Class B-1	—	—		
Tina M. Pidgeon	Class A-1	180,108	*	*	*
	Class B-1	—	—		
Black Rock, Inc. 55 East 52nd Street New York, New York 10055	Class A-1	3,810,767 [9]	11.6	10.6	6.0
	Class B-1	—	—		
Dimensional Fund Advisors LP Palisades West, Building One 6300 Bee Cave Road Austin, Texas 78746	Class A-1	2,070,302 [10]	6.3	5.8	3.3
	Class B-1	—	—		
GCI 401(k) Plan 2550 Denali St., Ste. 1000 Anchorage, Alaska 99503	Class A-1	1,620,331	4.9	4.6	2.9
	Class B-1	22,471	*		
Gary Magness c/o Raymond L. Sutton, Jr. 303 East 17th Ave., Ste 1100 Denver, Colorado 80203-1264	Class A-1	—	*	*	5.3
	Class B-1	334,704	11		
Searchlight ALX, L.P. 745 5th Avenue - 27th Floor New York, New York 10151	Class A-1	1,735,161	5.3	4.8	2.7
	Class B-1	—			
John W. Stanton and Theresa E. Gillespie 155 108th Avenue., N.E., Suite 450 Bellevue, Washington 98004	Class A-1	1,244,497	3.8	7.5	24.6
	Class B-1	1,436,469	47.1		
The Vanguard Group, Inc. 100 Vanguard Blvd Malvern, Pennsylvania 19355	Class A-1	2,042,425 [11]	6.2	5.7	3.2
	Class B-1	—	—		
All Directors and Executive Officers As a Group (17 Persons)	Class A-1	4,320,841 [12]	12.6	14.8	25.1
	Class B-1	1,177,613 [12]	38.6		

* Represents beneficial ownership of less than 1% of the corresponding class or series of stock.

[1] Beneficial ownership is determined in accordance with Rule 13d-3 of the Exchange Act. Shares of our stock that a person has the right to acquire within 60 days of December 31, 2017 are deemed to be beneficially owned by such person and are included in the computation of the ownership and voting percentages only of such person. Each person has sole voting and investment power with respect to the shares indicated, except as otherwise stated in the footnotes to the table. Addresses are provided only for persons other than management who own beneficially more than 5% of the outstanding shares of Class A-1 or B-1 common stock. The Class A-1 shares do not include the number of Class B-1 shares owned although the Class B-1 shares are convertible on a share-per-share basis into Class A-1 shares.

[2] "Title of Class" includes our Class A-1 common stock and Class B-1 common stock. "Amount and Nature of Beneficial Ownership" and "% of Class" are given for each class of stock. "% of Total Shares Outstanding" and "% Combined Voting Power" are given for the combination of outstanding Class A-1 common stock and Class B-1 common stock, and the voting power for Class B-1 common stock (10 votes per share) is factored into the calculation of that combined voting power.

[3] Includes the following: (a) 1,904 shares of Class A-1 common stock allocated to Mr. Duncan under the Issuer's GCI 401(k) Plan, formerly known as the Stock Purchase Plan; (b) 1,062,082 shares of Class A-1 common stock and 1,174,918 shares of Class B-1 common stock to which Mr. Duncan has a pecuniary interest (and for which 968,618 shares of Class A-1 common stock and 1,116,917 shares of Class B-1 common stock are pledged as security); (c) 20,000 shares of Class A-1 common stock held by Missy, LLC, which is 25% owned by Mr. Duncan, 25% owned by Dani Bowman, Mr. Duncan's wife, and 50% owned by a trust of which Amanda Miller, Mr. Duncan's daughter, is the 50% beneficiary and for which Mr. Duncan is the General Manager and has voting and dispositive power; (d) 15,000 shares of Class A-1 common stock owned by the Neoma Lowndes Trust which Ms. Miller is a 50% beneficiary and for which Mr. Duncan is the trustee with sole voting and dispositive power. Does not include the following: (i) 18,560 shares of Class A-1 common stock or 8,242 shares of Class B-1 common stock held by Ms. Miller, with respect to which Mr. Duncan disclaims beneficial ownership; (ii) 37,000 shares of Class A-1 common stock held by the Amanda Miller Trust, with respect to which Mr. Duncan disclaims beneficial ownership; (iii) 63,186 shares of Class A-1 common stock or 27,020 shares of Class B-1 common stock held by Dani Bowman of which Mr. Duncan disclaims beneficial ownership.

[4] Includes 5,000 shares of Class A-1 common stock pledged as security.

[5] Includes 54,250 shares of Class A-1 common stock pledged as security.

[6] Includes 525,200 shares of Class A-1 common stock owned by Fisher Capital Partners, Ltd. of which Mr. Fisher is a partner.

[7] Does not include 158 shares of Class A-1 common stock owned by a daughter of Mr. Glasgow. Mr. Glasgow disclaims any beneficial ownership of the shares held by his daughter.

[8] Includes 11,708 shares of Class A-1 common stock allocated to Mr. Chapados under the GCI 401(k) Plan, as of December 31, 2017. Includes 307,085 shares of Class A-1 common stock pledged as security.

[9] As disclosed in Schedule 13G filed with the SEC on January 19, 2018, Black Rock, Inc. has sole voting power for 3,752,553 shares of Class A-1 common stock and sole dispositive power for 3,810,767 shares of Class A-1 common stock.

[10] As disclosed in Schedule 13G filed with the SEC on February 9, 2018, Dimensional Fund Advisors LP has sole voting power for 1,974,747 shares of Class A-1 common stock and sole dispositive power for 2,070,302 shares of Class A-1 common stock.

[11] As disclosed in Schedule 13G filed with the SEC on February 9, 2018, The Vanguard Group, Inc. has sole voting power of 50,725 shares of Class A-1 common stock, shared voting power for 2,100 shares of Class A-1 common stock, shared dispositive power for 50,625 shares of Class A-1 common stock and sole dispositive power for 1,991,800 shares of Class A-1 common stock.

[12] Includes 113,127 shares of Class A-1 common stock allocated to such persons under the GCI 401(k) Plan.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Certain Transactions

Transactions with Related Persons –

Stanton Shareholdings, Registration Rights Agreement. As of December 31, 2017, John W. Stanton and Theresa E. Gillespie, husband and wife (collectively, "Stantons"), continued to be significant shareholders of our Class B-1 common stock. As of that date, neither the Stantons nor the Stantons' affiliates were our directors, officers, nominees for election as directors, or members of the immediate family of such directors, officers, or nominees.

We are a party to a registration rights agreement ("Stanton Registration Rights Agreement") with the Stantons regarding all unregistered shares the Stantons hold in our Class B-1 common stock and any shares of our Class A-1 common stock resulting from conversion of that Class B-1 common stock to Class A-1 common stock. The basic terms of the Stanton Registration Rights Agreement are as follows. If we propose to register any of our securities under the Securities Act of 1933, as amended ("Securities Act") for our own account or for the account of one or more of our shareholders, we must notify the Stantons of that intent. In addition, we must allow the Stantons an opportunity to include the holder's shares ("Stanton Registerable Shares") in that registration.

Under the Stanton Registration Rights Agreement, the Stantons also have the right, under certain circumstances, to require us to register all or any portion of the Stanton Registerable Shares under the Securities Act. The agreement is subject to certain limitations and restrictions, including our right to limit the number of Stanton Registerable Shares included in the registration. Generally, we are required to pay all registration expenses in connection with each registration of Stanton Registerable Shares pursuant to this agreement.

The Stanton Registration Rights Agreement specifically states we are not required to effect any registration on behalf of the Stantons regarding Stanton Registerable Shares if the request for registration covers an aggregate number of Stanton Registerable Shares having a market value of less than $1.5 million. The agreement further states we are not required to effect such a registration for the Stantons where we have at that point previously filed two registration statements with the SEC, or where the registration would require us to undergo an interim audit or prepare and file with the SEC sooner than otherwise required financial statements relating to the proposed transaction. Finally, the agreement states we are not required to effect such a registration when in the opinion of our legal counsel a registration is not required in order to permit resale under Rule 144 as adopted by the SEC pursuant to the Exchange Act.

The Stanton Registration Rights Agreement provides that the first demand for registration by the Stantons must be for no less than 15% of the total number of Stanton Registerable Shares. However, the Stantons may take the opportunity to require us to include the Stanton Registerable Shares as incidental to a registered offering proposed by us.

Duncan Leases. We entered into a long-term capital lease agreement in 1991 with the wife of GCI's CEO for property occupied by us. The leased asset was capitalized in 1991 at the owner's cost of $900,000 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. The property consists of a building presently occupied by us. As of December 31, 2017, the payments on the lease were $27,132 per month. They continue at that rate through September 2018 at which time they will increase to $28,732 per month.

In January 2001 we entered into an aircraft operating lease agreement with a company owned by GCI's 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.

Searchlight Note and Derivative Financial Instrument. On February 2, 2015 as part of the Wireless Acquisition, we sold the Searchlight Note. We may not prepay the Searchlight Note prior to February 2, 2019. On July 13, 2015, we amended the Searchlight transaction documents to permit Searchlight to pledge the Searchlight Note and related stock appreciation rights, subject to our right to redeem the Searchlight Note for 50% of its then current outstanding balance in the event a lender attempts to enforce its rights with respect to such pledged collateral.

In conjunction with the Searchlight Note, we entered into a stock appreciation rights agreement pursuant to which we issued to Searchlight three million stock appreciation rights which entitles Searchlight to receive, upon exercise, an amount payable at our election in either cash or shares of GCI's Class A common stock equal in value to the excess of the fair market value of a share of GCI Class A common stock on the date of exercise over the price of $13.00.

Searchlight became a related party as of February 2, 2015, see Notes 7(c), 9, and 13 included in "Part II - Item 8 - Consolidated Financial Statements and Supplementary Data" for additional information.

Review Procedure for Transactions with Related Persons –

The following describes our policies and procedures for the review, approval or ratification of transactions in which we are to be a participant and where the amount involved in each instance exceeds $120,000 and in which any related person had or is to have a direct or indirect material interest ("Related Transactions"). Here, we use the term "related person" to mean any person who is one of our directors, a nominee for director, an immediate family member of one of our directors or executive officers, any person who is a holder of five percent or more of a class of our common stock, or any immediate family member of such a holder.

A related person who is one of our officers, directors or employees ("Employee") is subject to our Ethics Code. The Ethics Code requires the Employee to act in the best interest of the Company and to avoid situations which may conflict with this obligation. The code specifically provides that a conflict of interest occurs when an Employee's private interest interferes in any way with our interest. In the event an Employee suspects such a conflict, or even an appearance of conflict, he or she is urged by the Ethics Code to report the matter to an appropriate authority. The Ethics Code, Nominating and Corporate Governance Committee Charter and the Audit Committee Charter define that authority as being our Chief Financial Officer, the Nominating and Corporate Governance Committee, the Audit Committee (in the context of suspected illegal or unethical behavior-related violations pertaining to accounting, or internal controls on accounting or audit matters), or the Employee's supervisor within the Company, as the case may be.

The Ethics Code further provides that an Employee is prohibited from taking a personal interest in a business opportunity discovered through use of corporate position, information or property that properly belongs to us. The Ethics Code also provides that an Employee must not compete with, and in particular, must not use corporate position, information, or property for personal gain or to compete with, us.

The Ethics Code provides that any waiver of its provisions for our executive officers and directors may be made only by our board and must be promptly disclosed to our shareholders. This disclosure must include an identification of the person who received the waiver, the date of the grant of the waiver by our board, and a brief description of the circumstances and reasons under which it was given.

The Ethics Code is silent as to the treatment of immediate family members of our Employees, holders of five percent or more of a class of our stock, or the immediate family members of them. We consider such Related Transactions with such persons on a case-by-case basis, if at all, by analogy to existing procedures as above described pertaining to our Employees.

The leases described previously were entered into prior to the establishment of the Ethics Code.

Director Independence

The term Independent Director as used by us is an individual, other than one of our executive officers or employees, and other than any other individual having a relationship which in the opinion of our board would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. See "Part III – Item 10 – Audit Committee, Audit Committee Financial Expert."

Mr. Brett, our Chairman of the Board, while in that capacity an officer under our Bylaws and responsible for the conduct of our board meetings and shareholder meetings when present, is considered by our board to have no greater influence on our affairs or authority to act on behalf of us than any of the non-executive directors on our board.

Our board believes each of its members satisfies the definition of an Independent Director, with the exception of Mr. Duncan who is an officer and employee of the Company. That is, in the case of all other board members, our board believes each of them is an individual having a relationship which does not interfere with the exercise of independent judgment in carrying out the member's director responsibilities to us.

Item 14. Principal Accountant Fees and Services

Pre-Approval Policies and Procedures

We have established as policy, through the adoption of the Audit Committee Charter that, before our External Accountant is engaged by us to render audit services, the engagement must be approved by the Audit Committee.

Our Audit Committee Charter provides that our Audit Committee is directly responsible for appointment, compensation, retention, oversight, qualifications and independence of our External Accountant. Also under our Audit Committee Charter, all audit services provided by our External Accountant must be pre-approved by the Audit Committee.

Our pre-approval policies and procedures with respect to Non-Audit Services include as a part of the Audit Committee Charter that the Audit Committee may choose any of the following options for approving such services:

- ***Full Audit Committee –*** The full Audit Committee can consider each Non-Audit Service.
- ***Designee –*** The Audit Committee can designate one of its members to approve a Non-Audit Service, with that member reporting approvals to the full committee.
- ***Pre-Approval of Categories –*** The Audit Committee can pre-approve categories of Non-Audit Services. Should this option be chosen, the categories must be specific enough to ensure both of the following –
    - The Audit Committee knows exactly what it is approving and can determine the effect of such approval on auditor independence.
    - Management will not find it necessary to decide whether a specific service falls within a category of pre-approved Non-Audit Service.

The Audit Committee's pre-approval of Non-Audit Services may be waived under specific provisions of the Audit Committee Charter. The prerequisites for waiver are as follows: (1) the aggregate amount of all Non-Audit Services constitutes not more than 5% of the total amount of revenue paid by us to our External Accountant during the fiscal year in which those services are provided; (2) the service is originally thought to be a part of an audit by our External Accountant; (3) the service turns out to be a Non-Audit Service; and (4) the service is promptly brought to the attention of the Audit Committee and approved prior to completion of the audit by the committee or by one or more members of the committee who are members of our board to whom authority to grant such approvals has been delegated by the committee.

During 2017, there were no waivers of our Audit Committee pre-approval policy.

Fees and Services

The aggregate fees billed to us by our External Accountant in each of these categories for each of 2017 and 2016 are set forth as follows:

External Accountant Auditor Fees

Type of Fees	2017	2016
Audit Fees[1]	$ 1,435,101	1,406,817
Audit-Related Fees[2]	134,750	28,875
Tax Fees[3]	124,693	148,397
All Other Fees[4]	—	—
Total	$ 1,694,544	1,584,089

1 Consists of fees for our annual financial statement audit, quarterly financial statement reviews, reviews of other filings by us with the SEC, audit of our internal control over financial reporting and for services that are normally provided by an auditor in connection with statutory and regulatory filings or engagements.

2 Consists of fees for Form S-4 filings and the audit of the GCI 401(k) Plan and review of the related annual report on Form 11-K filed with the SEC.

3 Consists of fees for review of our state and federal income tax returns and consultation on various tax advice and tax planning matters.

4 Consists of fees for any services not included in the first three types of fees identified in the table.

All of the services described above were approved in conformity with the Audit Committee's pre-approval policy.

Part IV

Item 15. Exhibits, Consolidated Financial Statement Schedules

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
GCI Liberty, Inc.

Opinion on the financial statements
We have audited the accompanying consolidated balance sheets of GCI Liberty, Inc. (an Alaska corporation) and subsidiaries (the “Company”) as of December 31, 2017 and 2016, and the related consolidated statements of operations, stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2017, based on criteria established in the 2013 *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Tredway Commission (“COSO”), and our report dated February 28, 2018 expressed an unqualified opinion.

Basis for opinion
These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We have served as the Company’s auditor since 2009.

Seattle, Washington
February 28, 2018

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
GCI Liberty, Inc.

Opinion on internal control over financial reporting
We have audited the internal control over financial reporting of GCI Liberty, Inc. (an Alaska corporation) and subsidiaries (the "Company") as of December 31, 2017, based on criteria established in the 2013 *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in the 2013 *Internal Control-Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company as of and for the year ended December 31, 2017, and our report dated February 28, 2018 expressed an unqualified opinion on those financial statements.

Basis for opinion
The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and limitations of 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 generally accepted accounting principles. 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 generally accepted accounting principles, 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.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ GRANT THORNTON LLP

Seattle, Washington
February 28, 2018

GCI LIBERTY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)	December 31,	
ASSETS	2017	2016
Current assets:		
Cash and cash equivalents	$ 15,622	19,297
Receivables	188,580	184,296
Less allowance for doubtful receivables	3,992	4,407
Net receivables	184,588	179,889
Prepaid expenses	21,206	18,599
Inventories	12,996	11,945
Other current assets	71	167
Total current assets	234,483	229,897
Property and equipment	2,754,667	2,614,875
Less accumulated depreciation	1,599,956	1,452,957
Net property and equipment	1,154,711	1,161,918
Goodwill	242,264	239,263
Cable certificates	191,635	191,635
Wireless licenses	93,753	92,347
Other intangible assets, net of amortization	75,697	74,444
Other assets	100,957	76,435
Total other assets	704,306	674,124
Total assets	$ 2,093,500	2,065,939

See accompanying notes to consolidated financial statements.

Continued

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

(Amounts in thousands)	December 31,	
LIABILITIES AND STOCKHOLDERS' EQUITY	2017	2016
Current liabilities:		
Current maturities of obligations under long-term debt, capital leases, and tower obligations	$ 13,972	13,229
Accounts payable	54,073	72,937
Deferred revenue	38,047	37,618
Accrued payroll and payroll related obligations	32,044	30,305
Accrued liabilities	14,147	14,729
Accrued interest (including $5,132 to a related party at December 31, 2017 and 2016)	13,975	13,926
Subscriber deposits	1,271	917
Total current liabilities	167,529	183,661
Long-term debt, net (including $58,731 and $56,640 due to a related party at December 31, 2017 and 2016, respectively)	1,379,059	1,333,446
Obligations under capital leases, excluding current maturities (including $1,702 and $1,769 due to a related party at December 31, 2017 and 2016, respectively)	40,288	50,316
Long-term deferred revenue	138,022	135,877
Tower obligations	93,606	87,653
Deferred income taxes	90,571	137,982
Derivative stock appreciation rights with related party	78,330	29,700
Other liabilities	60,093	54,056
Total liabilities	2,047,498	2,012,691
Commitments and contingencies		
Stockholders' equity:		
Common stock (no par):		
Class A-1. Authorized 100,000 shares; issued 32,924 and 32,668 shares at December 31, 2017 and 2016, respectively; outstanding 32,898 and 32,642 shares at December 31, 2017 and 2016, respectively	—	—
Class B-1. Authorized 10,000 shares; issued and outstanding 3,052 and 3,153 shares at December 31, 2017 and 2016, respectively; convertible on a share-per-share basis into Class A-1 common stock	2,578	2,663
Less cost of 26 Class A-1 common shares held in treasury at December 31, 2017 and 2016	(249)	(249)
Paid-in capital	19,133	3,237
Retained earnings (deficit)	(12,296)	17,068
Total GCI Liberty, Inc. stockholders' equity	9,166	22,719
Non-controlling interests	36,836	30,529
Total stockholders' equity	46,002	53,248
Total liabilities and stockholders' equity	$ 2,093,500	2,065,939

See accompanying notes to consolidated financial statements.

GCI LIBERTY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2017, 2016, AND 2015

(Amounts in thousands, except per share amounts)	2017	2016	2015
Revenues:			
Non-related party	$ 919,204	933,812	973,251
Related party	—	—	5,283
Total revenues	919,204	933,812	978,534
Cost of goods sold (exclusive of depreciation and amortization shown separately below):			
Non-related party	280,200	302,578	321,457
Related party	—	—	881
Total cost of goods sold	280,200	302,578	322,338
Selling, general and administrative expenses			
Non-related party	370,639	358,356	337,839
Related party	—	—	540
Total selling, general and administrative expenses	370,639	358,356	338,379
Depreciation and amortization expense	197,115	193,775	181,767
Software impairment charge	—	—	29,839
Operating income	71,250	79,103	106,211
Other income (expense):			
Interest expense (including amortization of deferred loan fees)	(83,341)	(78,628)	(78,786)
Related party interest expense	(7,716)	(7,455)	(6,602)
Derivative instrument unrealized income (loss) with related party	(48,630)	3,120	(11,160)
Loss on extinguishment of debt	(649)	(640)	(27,700)
Impairment of equity method investment	—	—	(12,593)
Other	2,938	5,569	2,917
Other expense, net	(137,398)	(78,034)	(133,924)
Income (loss) before income taxes	(66,148)	1,069	(27,713)
Income tax (expense) benefit	41,426	(5,205)	1,847
Net loss	(24,722)	(4,136)	(25,866)
Net income (loss) attributable to non-controlling interests	(476)	(469)	159
Net loss attributable to GCI Liberty, Inc.	$ (24,246)	(3,667)	(26,025)
Basic net loss attributable to GCI Liberty, Inc. common stockholders per Class A-1 common share	$ (0.70)	(0.10)	(0.69)
Basic net loss attributable to GCI Liberty, Inc. common stockholders per Class B-1 common share	$ (0.70)	(0.10)	(0.69)
Diluted net loss attributable to GCI Liberty, Inc. common stockholders per Class A-1 common share	$ (0.70)	(0.15)	(0.69)
Diluted net loss attributable to GCI Liberty, Inc. common stockholders per Class B-1 common share	$ (0.70)	(0.15)	(0.69)

See accompanying notes to consolidated financial statements.

GCI LIBERTY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

(Amounts in thousands)	Shares of Class A-1 and B-1 Common Stock	Class A-1 Common Stock	Class B-1 Common Stock	Class A-1 and B-1 Shares Held in Treasury	Paid-in Capital	Retained Earnings (Deficit)	Non-controlling Interests	Total Stockholders' Equity
Balances at January 1, 2015	41,157	$ 13,617	2,668	(249)	26,773	124,547	299,866	467,222
Net income (loss)	—	—	—	—	—	(26,025)	159	(25,866)
Common stock repurchases and retirements	(3,317)	(34,469)	—	—	—	(19,305)	—	(53,774)
Shares issued under stock option plan	219	474	—	—	—	—	—	474
Issuance of restricted stock awards	688	20,374	—	—	(20,374)	—	—	—
Share-based compensation expense	—	—	—	—	10,744	—	—	10,744
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	—	4	(4)	—	(230)	—	50	(180)
Balances at December 31, 2015	38,747	—	2,664	(249)	6,631	79,217	30,998	119,261
Net loss	—	—	—	—	—	(3,667)	(469)	(4,136)
Common stock repurchases and retirements	(3,733)	(196)	—	—	—	(58,483)	—	(58,679)
Issuance of restricted stock awards	790	—	—	—	—	—	—	—
Share-based compensation expense	—	—	—	—	11,051	—	—	11,051
Non-controlling interest acquisition	—	—	—	—	(14,445)	—	—	(14,445)
Other	17	196	(1)	—	—	1	—	196
Balances at December 31, 2016	35,821	—	2,663	(249)	3,237	17,068	30,529	53,248
Cumulative effect of ASU 2016-09 adoption	—	—	—	—	18	7,077	—	7,095
Net loss	—	—	—	—	—	(24,246)	(476)	(24,722)
Common stock repurchases and retirements	(456)	(13)	—	—	—	(12,280)	—	(12,293)
Issuance of restricted stock awards	609	—	—	—	—	—	—	—
Share-based compensation expense	—	—	—	—	16,939	—	—	16,939
Conversion of Class B-1 to Class A-1 shares	—	—	(85)	—	—	85	—	—
Investment by non-controlling interest	—	—	—	—	—	—	6,783	6,783
Non-controlling interest acquisition	—	—	—	—	(1,138)	—	—	(1,138)
Other	2	13	—	—	77	—	—	90
Balances at December 31, 2017	35,976	$ —	2,578	(249)	19,133	(12,296)	36,836	46,002

See accompanying notes to consolidated financial statements.

GCI LIBERTY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

(Amounts in thousands)	2017	2016	2015
Cash flows from operating activities:			
Net loss	$ (24,722)	(4,136)	(25,866)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization expense	197,115	193,775	181,767
Unrealized (gain) loss on derivative instrument with related party	48,630	(3,120)	11,160
Deferred income tax expense (benefit)	(41,426)	5,205	(1,847)
Share-based compensation expense	17,453	11,043	10,902
Loss on extinguishment of debt	649	640	27,700
Software impairment charge	—	—	29,839
Impairment of equity method investment	—	—	12,593
Other noncash income and expense items	13,112	11,696	16,142
Change in operating assets and liabilities	(24,270)	(14,827)	(8,435)
Net cash provided by operating activities	186,541	200,276	253,955
Cash flows from investing activities:			
Purchases of property and equipment	(189,366)	(194,478)	(176,235)
Restricted cash, net	(14,532)	175	65
Purchases of other assets and intangible assets	(12,952)	(17,486)	(13,955)
Grant proceeds	2,188	1,527	14,007
Proceeds from the sale of investment	591	—	7,551
Purchase of businesses, net of cash received	(6,802)	—	(12,736)
Purchase of KKCC assets	—	(19,700)	—
Purchase of investments	—	(1,800)	—
Note receivable issued to an equity method investee	—	—	(3,000)
Other	—	4,599	(4,760)
Net cash used for investing activities	(220,873)	(227,163)	(189,063)
Cash flows from financing activities:			
Borrowing on Senior Credit Facility	127,000	125,000	295,000
Repayment of debt, capital lease, and tower obligations	(95,122)	(132,205)	(494,982)
Purchase of treasury stock to be retired	(12,293)	(58,679)	(53,774)
Proceeds from Tower Transactions	6,839	90,795	—
Investment by non-controlling interest	6,783	—	—
Payment of debt issuance costs	(2,563)	(5,451)	(13,979)
Issuance of 2025 Notes	—	—	445,973
Purchase of non-controlling interests	—	—	(282,505)
Issuance of Searchlight note payable and derivative stock appreciation rights with related party	—	—	75,000
Payment of bond call premium	—	—	(20,244)
Distribution to non-controlling interest	—	—	(4,932)
Other	13	196	677
Net cash provided by (used for) financing activities	30,657	19,656	(53,766)
Net increase (decrease) in cash and cash equivalents	(3,675)	(7,231)	11,126
Cash and cash equivalents at beginning of period	19,297	26,528	15,402
Cash and cash equivalents at end of period	$ 15,622	19,297	26,528

See accompanying notes to consolidated financial statements.

(1) Business and Summary of Significant Accounting Principles

In the following discussion, GCI Liberty, Inc. (“GCI”) and its direct and indirect subsidiaries are referred to as “we,” “us” and “our.” Prior to February 20, 2018, we were known as General Communication, Inc. On February 20, 2018, the Commissioner of the Department of Commerce, Community and Economic Development of the State of Alaska accepted for filing the amended and restated Articles of Incorporation that were approved by our shareholders at a special meeting held on February 2, 2018. The name change is a result of the Transactions described in Note 15 of this Form 10-K. Additionally, as of February 20, 2018, our Class A common stock and Class B common stock were reclassified into Class A-1 common stock and Class B-1 common stock, respectively.

(a) Business

GCI, an Alaska corporation, was incorporated in 1979. 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 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 seven variable interest entities (“VIEs”) for which we are the primary beneficiary after providing certain loans and guarantees. These VIEs are as follows:

- Terra GCI Investment Fund, LLC (“TIF”)
- Terra GCI 2 Investment Fund, LLC (“TIF 2”)
- Terra GCI 2-USB Investment Fund, LLC (“TIF 2-USB”)
- Terra GCI 3 Investment Fund, LLC (“TIF 3”)
- Twain Investment Fund 210, LLC ("TIF 4")
- Terra GCI 5 Investment Fund 1, LLC ("TIF 5-1")
- Terra GCI 5 Investment Fund 2, LLC ("TIF 5-2")

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 included 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 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 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 was recognized as additional paid-in capital in our Consolidated Statement of Stockholders' 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		8,445
Additional paid-in capital		27,022
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.

<u>Other Acquisitions</u>
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. In December 2016, the FASB issued ASU 2016-20 which 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. In September 2017, the FASB issued ASU 2017-13 which allows certain public business entities to use the non-public business entities effective dates to adopt ASU 2014-09. In November 2017, the FASB issued ASU 2017-14 which supersedes ASC 605-10-S25-1 (Staff Accounting Bulletin ("SAB") Topic 13) as a result of SEC SAB No. 116 and adding ASC 606-10-S25-1 as a result of SEC Release No. 33-10403.

The standard permits the use of either the retrospective or cumulative effect transition method. We will use the modified retrospective method to adopt this standard. We have completed our assessment of revenues earned with the exception of our roaming contracts. We are still completing our quantitative assessment of costs to obtain contracts. Upon adoption, we may recognize a cumulative increase to retained earnings of up to $33.3 million as of January 1, 2018 to adjust revenue for roaming contracts and costs to obtain contracts. We will have additional revenue recognition disclosures upon adoption of the 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. In January 2018, the FASB issued ASU 2018-01 which amends Topic 842 to include a practical expedient for transitioning land easements that were not previously accounted for as leases to Topic 842. 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 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. The adoption of this guidance is not expected to have a material effect on our statement of cash flows.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. This update provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-08 is effective for annual and interim preporting periods beginning after December 15, 2017, and interim periods within those fiscal years. Upon adoption of this standard, we will include restricted cash with total cash in our Consolidated Statements of Cash Flows.

In January 2017, the FASB issued ASU No. 2017-04, Simplifying the Test for Goodwill Impairment. The update eliminates step 2 of the goodwill impairment test. Instead, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, with the maximum impairment being the total value of goodwill allocated to the reporting unit. ASU 2017-04 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The adoption of this guidance is not expected to have a material effect on our financial position or results of operations.

In May 2017, the FASB issued ASU 2017-09, Compensation—Stock Compensation (Topic 718) — Scope of Modification Accounting. ASU 2017-09 applies to entities that change the terms or conditions of a share-based payment award. The FASB adopted ASU 2017-09 to provide clarity and reduce diversity in practice as well as cost and complexity when applying the guidance in Topic 718, Compensation—Stock Compensation, to the modification of the terms and conditions of a share-based payment award. The amendments provide guidance on determining which changes to the terms and conditions of share-based payment awards require an entity to apply modification accounting under Topic 718. Effective for all entities for annual periods, including interim periods within those annual periods, beginning after December 15, 2017. The adoption of this guidance is not expected to have a material effect on our financial position or results of operations.

(f) Recently Adopted Accounting Pronouncements

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 requires all excess tax benefits to be recorded in income even if they have not yet been realized. ASU 2016-09 also provides an election to account for forfeitures as they occur as opposed to estimating the amount of forfeitures. We adopted ASU 2016-09 as of January 1, 2017 on a modified retrospective basis. We have elected to account for forfeitures as they occur. As a result of adoption of this standard, we have recorded a $7.1 million adjustment to Retained Earnings (Deficit) as of January 1, 2017.

(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 compute net loss attributable to GCI per share of Class A-1 and Class B-1 common stock using the "two class" method. Therefore, basic net loss per share is computed by dividing net loss applicable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted net loss per share is computed by dividing net loss by the weighted average number of common and dilutive common equivalent shares outstanding during the period. The computation of the dilutive net loss per share of Class A-1 common stock assumes the conversion of Class B-1 common stock to Class A-1 common stock, while the dilutive net loss per share of Class B-1 common stock does not assume the conversion of those shares. The computation of the dilutive net loss per share of Class A-1 common stock also assumes the conversion of our derivative financial instrument that may be settled in cash or shares (as described in Note 11 of this Form 10-K), shares associated with unexercised stock options and deferred compensation that may be settled in cash or shares if the effect of conversion is dilutive. Additionally, in applying the “two-class” method, undistributed earnings are allocated to both common shares and participating securities. Our restricted stock grants are entitled to dividends and meet the criteria of a participating security.

We allocate undistributed earnings in periods of net income based on the contractual participation rights of Class A-1 common shares, Class B-1 common shares, and participating securities as if the earnings for the period had been distributed. We do not allocate undistributed earnings to participating securities in periods in which we have a net loss. In accordance with our Articles of Incorporation, if and when dividends are declared on our common stock in accordance with Alaska corporate law, equivalent dividends shall be paid with respect to the shares of Class A-1 and Class B-1 common stock, including participating securities. Both classes of common stock have identical dividend rights and would therefore share equally in our net assets in the event of liquidation. As such, we have allocated undistributed earnings on a proportionate basis.

(i) Common Stock
We have a common stock buyback program to repurchase GCI's common stock. The cost of the repurchased common stock reduces Retained Earnings (Deficit) in our Consolidated Balance Sheets and is constructively retired when purchased.

(j) Redeemable Preferred Stock
We have 1,000,000 shares of preferred stock authorized with no shares issued and outstanding at years ended December 31, 2017, 2016 and 2015.

(k) Treasury Stock
We account for treasury stock purchased for general corporate purposes under the cost method and include treasury stock as a component of Stockholders’ Equity.

(l) 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.

(m) 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. Customers with a credit profile which carries a higher risk are required to make a down payment for equipment financed through Upgrade Now.

(n) 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.

(o) Property and Equipment

Property and equipment is stated at cost. Construction costs of facilities are capitalized. Equipment financed under a capital lease 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, 2017, that management intends to place in service during 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.

(p) 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.

(q) 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, 2017 and 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. 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, 2017 and 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 as a result of our Step One impairment test in 2015. These estimates and assumptions have a significant impact on our analysis. If it is determined that a goodwill impairment is more likely than not, we use the quantitative two-step process.

We completed our annual goodwill and intangibles review and no impairment charge was recorded for the years ended December 31, 2017, 2016 and 2015.

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 16 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, 2017 and 2016.

(r) 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.

(s) 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, Universal Service Fund ("USF") high cost receivables, and other long-term non-trade accounts receivable.

(t) 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 14 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, 2017 and 2016.

(u) 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, 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
Liability incurred		4,655
Revisions in estimated cash flows		(85)
Accretion expense		1,772
Liability settled		(163)
Balance at December 31, 2017	$	47,334

During the years ended December 31, 2017 and 2016, we recorded additional capitalized costs of $4.7 million and $4.9 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.

(v) Derivative Financial Instrument

We account for our derivative instrument in accordance with ASC 815-10, Derivatives and Hedging. ASC 815-10 establishes accounting and reporting standards requiring that derivative instruments, including derivative instruments embedded in other contracts, be recorded on the balance sheet as either an asset or liability measured at its fair value. ASC 815-10 also requires that changes in the fair value of derivative instruments be recognized currently in results of operations unless specific hedge accounting criteria are met. We have not entered into any hedging activities to date. We recognize all derivative instruments as either assets or liabilities in our Consolidated Balance Sheets at their respective fair values. Our derivative instrument (as described in Note 9 of this Form 10-K) includes stock appreciation rights, which have been recorded as a liability at fair value, and will be revalued at each reporting date, with changes in the fair value of the instrument included in our Consolidated Statements of Operations as Derivative Instrument Unrealized Income (Loss) with Related Party.

(w) 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(m) 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(ag) 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 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 a 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 are 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 applied 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 mandated that as of January 1, 2017, Urban high cost support for 2017 and 2018 would 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 applied 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 2019 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 $62.9 million, $64.1 million and $66.2 million for the years ended December 31, 2017, 2016 and 2015, respectively. At December 31, 2017, we have $41.0 million in high cost accounts receivable.

Rural Health Care (“RHC”) Program
For the funding year that ran from July 1, 2016 through June 30, 2017, USAC received requests for funds that exceeded the funding available for the RHC Program. USAC allocated the funding on a pro-rata basis to rural health care providers who submitted their funding requests during a certain period. We provide services to rural health care providers who were impacted by the pro-rata allocation and as a result certain of our customers did not receive the full subsidy that was expected under the program. Under the program rules, we are forbidden from lowering our rates for services previously provided, however, the Federal Communications Commission ("FCC") published an order on June 30, 2017 to assist eligible remote Alaska rural health care providers by allowing Alaska service providers, such as us, to retroactively lower their rates, or effectively giving a credit against amounts owed, for services provided. Based on these specific circumstances, we decided to retroactively lower our rates to these customers pursuant to the FCC waiver, and as a result we reduced revenue by $5.5 million during the year ended December 31, 2017, to aid our rural health care provider customers who were impacted by the pro-rata allocation.

(x) Advertising Expense
We expense advertising costs in the period during which the first advertisement appears. Advertising expenses were $5.5 million, $7.0 million and $5.7 million for the years ended December 31, 2017, 2016 and 2015, respectively.

(y) 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.

(z) 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 $5.7 million, $3.7 million and $3.0 million during the years ended December 31, 2017, 2016 and 2015, respectively.

(aa) Income Taxes
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.

(ab) Comprehensive Loss
Total comprehensive loss was equal to net loss during the years ended December 31, 2017, 2016 and 2015.

(ac) 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. 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. Share-based compensation expense 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 an operating cash flow.

(ad) 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, the valuation of the derivative stock appreciation rights, impairment and useful lives of intangible assets, and the valuation allowance for net operating loss deferred tax assets.

(ae) 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, 2017, and 2016, 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.

(af) Software Capitalization Policy

Internally used software, whether developed or purchased and installed as is, 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.

We have Software as a Service ("SaaS") arrangements which are accounted for as service agreements, and are not capitalized. Internal and other third party costs for SaaS arrangements are expensed as incurred. Data migration costs for such arrangements are expensed consistent with the same type of costs for internally developed and modified software. Additionally, configuration costs paid to the vendor are recorded as a prepaid expense and expensed over the term of the SaaS arrangement.

(ag) 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 seven VIEs. We have guaranteed the delivery of $65.8 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 14 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.

(ah) 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,		
	2017	2016	2015
Surcharges reported gross	$ 3,226	3,849	5,058

(ai) 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, March 2017, and July 2017, we sold to Vertical Bridge Towers II, LLC (“Vertical Bridge”) tower sites in exchange for net proceeds of $90.8 million, $3.7 million, and $3.1 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 reduced our asset retirement obligation related to the Tower Sites by $3.4 million as of December 31, 2016.

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 long-term financial obligations (“Tower Obligations”) in the amount of the net proceeds received and recognize interest on the Tower Obligations at a rate of 7.1% using the effective interest method. The Tower Obligations are 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, 2017	December 31, 2016
Property and equipment, net [1]	$ 19,094	$ 18,792
Tower obligations[2]	$ 93,606	$ 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 Obligations, including expected renewals and excluding deferred transaction costs, are summarized below (amounts in thousands):

Years ending December 31,	Total
2018	$ 7,465
2019	7,615
2020	7,767
2021	7,922
2022	8,081
2023 and thereafter	149,300
Total minimum payments	188,150
Less amount representing interest	91,978
Tower obligations	$ 96,172

(3) Consolidated Statements of Cash Flows Supplemental Disclosures
Changes in operating assets and liabilities consist of (amounts in thousands):

Year ended December 31,	2017	2016	2015
(Increase) decrease in accounts receivable, net	$ (4,277)	27,453	(4,230)
Increase in prepaid expenses	(2,590)	(6,180)	(632)
(Increase) decrease in inventories	(1,051)	(623)	5,710
(Increase) decrease in other current assets	109	(38)	24
Increase in other assets	(10,419)	(47,105)	(11,491)
Decrease in accounts payable	(1,735)	(135)	(5,579)
Increase in deferred revenues	429	2,446	1,743
Increase (decrease) in accrued payroll and payroll related obligations	1,579	(979)	(1,469)
Increase (decrease) in accrued liabilities	(583)	(8,031)	8,192
Increase in accrued interest	49	271	7,001
Increase (decrease) in subscriber deposits	354	(325)	(448)
Increase (decrease) in long-term deferred revenue	(5,355)	18,649	(8,561)
Increase (decrease) in components of other long-term liabilities	(780)	(230)	1,305
Total change in operating assets and liabilities	$ (24,270)	(14,827)	(8,435)

The following items are for the years ended December 31, 2017, 2016 and 2015 (amounts in thousands):

Net cash paid or received:	2017	2016	2015
Interest paid, net of amounts capitalized	$ 90,998	84,546	76,796

The following items are non-cash investing and financing activities for the years ended December 31, 2017, 2016 and 2015 (amounts in thousands):

	2017	2016	2015
Non-cash additions for purchases of property and equipment	$ 20,630	36,854	26,799
Asset retirement obligation additions to property and equipment	$ 4,655	4,948	2,048
Non-cash consideration for KKCC assets	$ —	13,993	—
Non-cash consideration for Wireless Acquisition	$ —	—	23,326

(4) Receivables and Allowance for Doubtful Receivables

Receivables consist of the following at December 31, 2017 and 2016 (amounts in thousands):

	2017	2016
Trade	$ 187,000	182,993
Other	1,580	1,303
Total receivables	$ 188,580	184,296

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 26%, 24%, and 19% of our revenue for the years ended December 31, 2017, 2016 and 2015, respectively. We had USF net receivables of $131.8 million and $100.5 million at December 31, 2017 and 2016, respectively.

Changes in the allowance for doubtful receivables during the years ended December 31, 2017, 2016 and 2015 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, 2017	$ 4,407	5,800	—	6,215	3,992
December 31, 2016	$ 3,630	8,516	—	7,739	4,407
December 31, 2015	$ 4,542	6,359	—	7,271	3,630

(5) Net Property and Equipment

Net property and equipment consists of the following at December 31, 2017 and 2016 (amounts in thousands):

	2017	2016
Land and buildings	$ 119,553	114,966
Telephony transmission equipment and distribution facilities	1,402,610	1,271,425
Cable transmission equipment and distribution facilities	285,665	231,539
Studio equipment	14,825	15,456
Support equipment and systems	299,511	290,209
Transportation equipment	23,468	23,674
Customer premise equipment	152,731	158,513
Fiber optic cable systems	353,291	351,460
Construction in progress	103,013	157,633
	2,754,667	2,614,875
Less accumulated depreciation	1,541,264	1,385,620
Less accumulated amortization on property and equipment under capital leases	58,692	67,337
Net property and equipment	$ 1,154,711	1,161,918
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 $14.1 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, 2017, 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, 2017. The remaining useful lives of our cable certificates, wireless licenses, broadcast licenses and goodwill were evaluated as of October 31, 2017, 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, 2017.

Other Intangible Assets subject to amortization include the following at December 31, 2017 and 2016 (amounts in thousands):

	2017	2016
Software license fees	$ 87,989	80,839
Rights to use	45,114	45,114
Customer relationships	4,221	1,530
Right-of-way	784	784
Trade name	252	—
	138,360	128,267
Less accumulated amortization	62,663	53,823
Net other intangible assets	$ 75,697	74,444

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

	Goodwill	Other Intangible Assets
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
Additions from acquisitions	3,001	2,943
Asset additions	—	11,546
Amortization expense	—	(13,164)
Asset deletions	—	(72)
Balance at December 31, 2017	$ 242,264	75,697

Amortization expense for definite-life intangible assets for the years ended December 31, 2017, 2016 and 2015 follow (amounts in thousands):

	Years Ended December 31,		
	2017	2016	2015
Amortization expense	$ 13,164	12,447	10,442

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 12.8 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,	
2018	$ 12,695
2019	$ 10,234
2020	$ 8,188
2021	$ 5,855
2022	$ 3,829

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

	Issue Date	Interest Rate	Principal Payments	Maturity Date	December 31, 2017	December 31, 2016
Senior Credit Facility - Term Loan B	November 17, 2016	LIBOR plus 2.25%	0.25% of the original principal due quarterly	February 2, 2022[1]	$ 242,583	245,187
Senior Credit Facility - Term Loan A	November 17, 2016	LIBOR plus applicable margin[2]	Due at maturity	November 17, 2021[1]	215,000	215,000
Senior Credit Facility - Revolver	November 17, 2016	LIBOR plus applicable margin[2]	Due at maturity	November 17, 2021[1]	100,000	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
Searchlight note	February 2, 2015	7.5%	Due at maturity	February 2, 2023[5]	75,000	75,000
Wells Fargo note	June 30, 2014	LIBOR plus 2.25%	Monthly installments	July 15, 2029	8,048	8,596
Total Debt					1,415,631	1,373,783
Less unamortized discount					19,466	21,878
Less unamortized deferred loan fees					14,117	15,133
Less current portion of long-term debt					2,989	3,326
Long-term debt, net					$1,379,059	1,333,446

[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.

[5]We may repay the Searchlight note beginning February 2, 2019.

(a) Senior Credit Facility
During 2017, we amended our Senior Credit Facility. We paid loan fees and other expenses of $0.5 million that were expensed immediately in our Consolidated Statements of Operations for the year ended December 31, 2017 and $0.4 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, 2017 as part of this amendment.

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 $100.0 million outstanding balance and $21.0 million in letters of credit under the $200.0 million Senior Credit Facility Revolver at December 31, 2017, which leaves $79.0 million available for borrowing as of December 31, 2017.

(b) 2025 Notes and 2021 Notes
Interest on the notes is payable semi-annually in arrears.

In April 2017, we amended our 2025 Notes and 2021 Notes (the "Notes") due to the Reorganization Agreement that we entered into with Liberty (see Note 15). We paid $1.9 million in fees in connection with the amendment to the Notes that were deferred and are being amortized over the remaining life of the Notes.

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) Searchlight Note

In conjunction with the Searchlight Note, we entered into a stock appreciation rights agreement pursuant to which we issued to Searchlight three million stock appreciation rights which entitles Searchlight to receive, upon exercise, an amount payable at our election in either cash or shares of GCI's Class A-1 common stock equal in value to the excess of the fair market value of a share of GCI Class A-1 common stock on the date of exercise over the price of $13.00. We allocated the $75.0 million in total proceeds received to the stock appreciation rights based on the fair value of the stock appreciation rights on the day of issuance with the remainder allocated to the Searchlight Note. The allocation resulted in a $21.7 million discount for the Searchlight Note that is being amortized over the term of the note using the effective interest method. See Note 9 of this Form 10-K for additional information on the stock appreciation rights. Searchlight became a related party as of February 2, 2015, see Note 13 of this Form 10-K for additional information.

We have the option to pay the annual interest obligation on the Searchlight Note in cash or by capitalizing such interest and adding it to the outstanding principal amount of the note. If we elect to capitalize interest in a given year, we are also required to issue additional stock appreciation rights in the amount of four hundredths of a stock appreciation right for each dollar of interest being capitalized.

(d) 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 Notes' covenants restrict our wholly owned subsidiary, GCI, Inc. and certain of its 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 Notes' indentures.

We were in compliance with all covenants required by our notes and Senior Credit Facility as of December 31, 2017.

Maturities of long-term debt as of December 31, 2017 are as follows (amounts in thousands):

Years ending December 31,	
2018	$ 2,989
2019	3,010
2020	3,030
2021	643,053
2022	233,365
2023 and thereafter	530,184
Total debt	1,415,631
Less unamortized discount	19,466
Less unamortized deferred loan fees	14,117
Less current portion of long-term debt	2,989
Long-term debt, net	$ 1,379,059

(8) Income Taxes

Income tax (expense) benefit consists of the following (amounts in thousands):

	Years Ended December 31,		
	2017	2016	2015
Deferred tax (expense) benefit:			
Federal taxes	$ 41,531	(4,452)	1,360
State taxes	(105)	(753)	487
	$ 41,426	(5,205)	1,847

Income tax benefit for the year ending December 31, 2017 was recognized primarily as a result of the enactment of the Tax Cuts & Jobs Act ("Tax Reform") in December 2017. The primary provisions of Tax Reform affecting us are the reduction to the U.S. corporate income tax rate from 35% to 21% and temporary 100% bonus depreciation for certain assets. The change in the tax law required us to remeasure existing net deferred tax liabilities using the lower rate in the year of enactment resulting in an income tax benefit of $41.6 million to reflect these changes in the year ending December 31, 2017. There were no specific impacts of Tax Reform that could not be reasonably estimated which we accounted for under prior law.

Total income tax (expense) benefit 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, 2017	2016	2015
“Expected” statutory tax (expense) benefit	$ 23,152	(374)	9,699
Tax reform rate change	41,626	—	—
Nondeductible unrealized loss on derivative instrument with related party	(17,021)	1,092	(3,906)
Employee's excess tax benefit for stock based compensation	3,397	—	—
Nondeductible officer compensation	(3,074)	(1,424)	(1,906)
Nondeductible transaction costs	(2,760)	—	—
Nondeductible entertainment expenses	(1,141)	(1,029)	(1,059)
Nondeductible original issue discount	(850)	(773)	(660)
Nondeductible lobbying expenses	(345)	(1,192)	(442)
State income taxes, net of federal (expense) benefit	(105)	(753)	487
Impact of non-controlling interest attributable to non-tax paying entity	—	—	220
Other, net	(1,453)	(752)	(586)
	$ 41,426	(5,205)	1,847

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities at December 31, 2017 and 2016 are summarized below (amounts in thousands):

	2017	2016
Deferred tax assets:		
Net operating loss carryforwards	$ 104,617	111,236
Deferred revenue for financial reporting purposes	44,853	59,993
Asset retirement obligations in excess of amounts recognized for tax purposes	13,328	16,808
Compensated absences accrued for financial reporting purposes	2,825	3,505
Share-based compensation expense for financial reporting purposes in excess of amounts recognized for tax purposes	2,629	3,393
Accounts receivable, principally due to allowance for doubtful receivables	1,023	1,965
Workers compensation and self-insurance health reserves, principally due to accrual for financial reporting purposes	1,523	1,705
Alternative minimum tax credits	1,735	1,735
Deferred compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	1,370	1,687
Other	5,671	11,515
Total deferred tax assets	$ 179,574	213,542
Deferred tax liabilities:		
Plant and equipment, principally due to differences in depreciation	$ 192,413	245,118
Intangible assets	77,455	106,061
Other	277	345
Total deferred tax liabilities	270,145	351,524
Net deferred tax liabilities	$ 90,571	137,982

At December 31, 2017, we have tax net operating loss carryforwards of $371.2 million that will begin expiring in 2020 if not utilized. 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
2020	$ 1,530	1,505
2021	29,615	27,814
2022	14,081	13,850
2023	3,968	3,903
2024	722	710
2025	1,536	1,511
2026	663	652
2027	1,010	993
2028	39,879	39,226
2029	46,537	45,756
2031	104,101	102,639
2033	5,073	4,968
2034	38,561	37,312
2035	13,415	12,743
2036	282	268
2037	70,195	66,850
Total tax net operating loss carryforwards	$ 371,168	360,700

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 2013 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, 2017, 2016 and 2015, and accordingly, we did not recognize any interest expense. Additionally, we recorded no penalties during the years ended December 31, 2017, 2016 and 2015.

We adopted ASU 2016-09 as of January 1, 2017 on a modified retrospective basis. As a result of this adoption, we have recorded a $7.1 million adjustment to Retained Earnings (Deficit) as of January 1, 2017. We recorded an excess tax benefit generated from stock based compensation during the year ended December 31, 2017 of $3.4 million. We did not record any excess tax benefit generated from stock based compensation during the years ended December 31, 2016 and 2015, since we were in a net operating loss carryforward position and the income tax deduction would not yet reduce income taxes payable.

(9) Fair Value Measurements and Derivative Instrument

Recurring Fair Value Measurements

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2017 and 2016 are as follows (amounts in thousands):

December 31, 2017	Level 1 [1]	Level 2 [2]	Level 3 [3]	Total
Assets:				
Deferred compensation plan assets (mutual funds)	$ 1,323	—	—	1,323
Liabilities:				
Derivative stock appreciation rights	$ —	—	78,330	78,330

December 31, 2016	Level 1 [1]	Level 2 [2]	Level 3 [3]	Total
Assets:				
Deferred compensation plan assets (mutual funds)	$ 1,477	—	—	1,477
Liabilities:				
Derivative stock appreciation rights	$ —	—	29,700	29,700

[1] Quoted prices in active markets for identical assets or liabilities

[2] Observable inputs other than quoted prices in active markets for identical assets and liabilities

[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.

The fair value of our derivative stock appreciation rights was determined using a lattice-based valuation model (see the section "Derivative Financial Instrument" below for more information).

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, 2017 and 2016 are as follows (amounts in thousands):

	December 31, 2017		December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Current and long-term debt	$ 1,382,048	1,458,106	1,336,772	1,393,865

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 both issued by GCI, Inc. are based upon quoted market prices for the same or similar issues (Level 2).
- The fair value of our Searchlight Note is based on the current rates offered to us for similar remaining maturities plus an additional premium to reflect its subordination to our 2021 and 2025 Notes (Level 3).
- 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).

Derivative Financial Instrument

In connection with the $75.0 million unsecured promissory note issued to Searchlight on February 2, 2015, we entered into a stock appreciation rights agreement pursuant to which we issued to Searchlight three million stock appreciation rights. Each stock appreciation right entitles Searchlight to receive, upon exercise, an amount payable at our election in either cash or shares of GCI's Class A-1 common stock equal in value to the excess of the fair market value of a share of GCI Class A-1 common stock on the date of exercise over the price of $13.00. The instrument is exercisable on the fourth anniversary of the grant date and will expire eight years from the date of grant. We have determined that the stock appreciation rights are required to be separately accounted for as a derivative instrument and are subject to fair value liability accounting under ASC 815-10.

We use a lattice-based valuation model to value the stock appreciation rights liability at each reporting date. The model incorporates transaction details such as our stock price, instrument term and settlement provisions, as well as highly complex and subjective assumptions about volatility, risk-free interest rates, issuer behavior and holder behavior, and the impact of a change of control (please see Note 15 for additional information regarding a change of control contingency). The lattice model uses highly subjective assumptions and the use of other reasonable assumptions could provide different results. The following table shows our significant assumptions and inputs used in the lattice-based valuation model to value the stock appreciation right liability at December 31, 2017 and 2016:

	2017	2016
Contractual term (in years)	1.1 - 5.1	2.1 - 6.1
Volatility	25% to 37.5%	37.5%
Risk-free interest rate	1.3 to 2.2%	2.1%
Stock Price	$ 39.02	$ 19.45

We revalue our derivative liability at each reporting period and recognize gains or losses in our Consolidated Statements of Operations attributable to the change in the fair value of the instrument. The derivative liability is included within Other Liabilities in our Consolidated Balance Sheets and is classified as Level 3 within the fair value hierarchy.

The following table summarizes the changes in fair value of all financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended December 31, 2017, 2016, and 2015:

Fair Value Measurement Using Level 3 Inputs

	Derivative Stock Appreciation Rights
Balance at January 1, 2015	$ —
Issuance	21,660
Fair value adjustment at end of period, included in Other Income (Expense)	11,160
Balance at December 31, 2015	$ 32,820
Fair value adjustment at end of period, included in Other Income (Expense)	(3,120)
Balance at December 31, 2016	$ 29,700
Fair value adjustment at end of period, included in Other Income (Expense)	48,630
Balance at December 31, 2017	$ 78,330

(10) Stockholders' Equity

Common Stock

GCI's Class A-1 and Class B-1 common stock are identical in all respects, except that each share of Class A-1 common stock has one vote per share and each share of Class B-1 common stock has ten votes per share. Each share of Class B-1 common stock outstanding is convertible, at the option of the holder, into one share of Class A-1 common stock.

GCI's Board of Directors has authorized a common stock buyback program for the repurchase of GCI's Class A-1 and Class B-1 common stock in order to reduce the outstanding shares of Class A-1 and Class B-1 common stock. We have temporarily suspended the buyback program due to the Reorganization Agreement that we entered into with Liberty (see Note 15)

During the years ended December 31, 2017, 2016 and 2015 we repurchased 0.2 million, 3.5 million, and 3.0 million shares, respectively, of our Class A-1 common stock under the stock buyback program at a cost of $4.0

million, $55.2 million and $47.4 million, respectively. Under this program we are currently authorized to make up to $61.2 million of repurchases as of December 31, 2017.

Shared-Based Compensation

Our 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-1 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 are issued when restricted stock awards are granted. We have 1.2 million shares available for grant under the Stock Option Plan at December 31, 2017.

A summary of nonvested restricted stock award activity under the Stock Option Plan for the year ended December 31, 2017, follows (share amounts in thousands):

	Shares	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2016	1,465	$ 14.41
Granted	607	$ 23.24
Vested	(894)	$ 16.22
Forfeited	(5)	$ 18.48
Nonvested at December 31, 2016	1,173	$ 17.58

The weighted average grant date fair value of awards granted during the years ended December 31, 2017, 2016, and 2015 were $23.24, $17.87 and $15.06, respectively. The total fair value of awards vesting during the years ended December 31, 2017, 2016, and 2015 were $29.9 million, $13.5 million and $17.0 million, respectively. We have recorded share-based compensation expense of $17.5 million, $11.0 million, and $10.9 million for the years ended December 31, 2017, 2016, and 2015, 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 $11.3 million as of December 31, 2017. We expect to recognize share-based compensation expense over a weighted average period of 1.6 years for restricted stock awards.

GCI 401(k) Plan

In 1986, we 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-1 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, $11.0 million and $9.8 million for the years ended December 31, 2017, 2016 and 2015, respectively. We used cash to fund all of our employer-matching contributions during the years ended December 31, 2017, 2016 and 2015.

(11) Earnings (Loss) per Common Share

Earnings per common share ("EPS") and common shares used to calculate basic and diluted EPS consist of the following (amounts in thousands, except per share amounts):

	Year Ended December 31, 2017	
	Class A-1	Class B-1
Basic net loss per share:		
Numerator:		
Undistributed loss allocable to common stockholders	(22,074)	(2,172)
Denominator:		
Weighted average common shares outstanding	31,344	3,083
Basic net loss attributable to GCI common stockholders per common share	$ (0.70)	(0.70)
Diluted net loss per share:		
Numerator:		
Undistributed loss allocable to common stockholders for basic computation	$ (22,074)	(2,172)
Reallocation of undistributed loss as a result of conversion of Class B-1 to Class A-1 shares	(2,172)	—
Net loss adjusted for allocation of undistributed earnings and effect of contracts that may be settled in cash or shares	$ (24,246)	(2,172)
Denominator:		
Number of shares used in basic computation	31,344	3,083
Conversion of Class B-1 to Class A-1 common shares outstanding	3,083	—
Number of shares used in per share computation	34,427	3,083
Diluted net loss attributable to GCI common stockholders per common share	$ (0.70)	(0.70)

	Years Ended December 31,			
	2016		2015	
	Class A-1	Class B-1	Class A-1	Class B-1
Basic net loss per share:				
Numerator:				
Undistributed loss allocable to common stockholders	$ (3,343)	(324)	(23,858)	(2,167)
Denominator:				
Weighted average common shares outstanding	32,526	3,154	34,764	3,157
Basic net loss attributable to GCI common stockholders per common share	$ (0.10)	(0.10)	(0.69)	(0.69)
Diluted net loss per share:				
Numerator:				
Undistributed loss allocable to common stockholders for basic computation	$ (3,343)	(324)	(23,858)	(2,167)
Reallocation of undistributed loss as a result of conversion of Class B-1 to Class A-1 shares	(324)	—	(2,167)	—
Reallocation of undistributed loss as a result of conversion of dilutive securities	—	(154)	—	—
Effect of derivative instrument that may be settled in cash or shares	(1,837)	—	—	—
Effect of share based compensation that may be settled in cash or shares	(5)	—	—	—
Net loss adjusted for allocation of undistributed loss and effect of contracts that may be settled in cash or shares	$ (5,509)	(478)	(26,025)	(2,167)
Denominator:				
Number of shares used in basic computation	32,526	3,154	34,764	3,157
Conversion of Class B-1 to Class A-1 common shares outstanding	3,154	—	3,157	—
Effect of derivative instrument that may settled in cash or shares	612	—	—	—
Effect of share based compensation that may be settled in cash or shares	26	—	—	—
Number of shares used in per share computation	36,318	3,154	37,921	3,157
Diluted net loss attributable to GCI common stockholders per common share	$ (0.15)	(0.15)	(0.69)	(0.69)

Weighted average shares associated with outstanding securities for the years ended December 31, 2017, 2016 and 2015 which have been excluded from the computations of diluted EPS, because the effect of including these securities would have been anti-dilutive, consist of the following (shares, in thousands):

	Years Ended December 31,		
	2017	2016	2015
Derivative instrument that may be settled in cash or shares	1,870	—	724
Shares associated with unexercised stock options	1	3	108
Share-based compensation that may be settled in cash or shares	26	—	26
Total excluded	1,897	3	858

(12) Industry Segments Data

We operate our business under a single reportable segment. Effective in the first quarter of 2017, we reassessed and reorganized our management and internal reporting structures in order to make our operations more efficient, which triggered an analysis of our reportable segments. As a result of our assessment, we merged our former Wireless and Wireline segments into one operating segment. We realigned our external financial reporting to support this change. Our chief operating decision maker assesses our financial performance as follows:

- Capital expenditure decisions are based on the support they provide to all revenue streams
- Revenues are managed on the basis of specific customers and customer groups
- Costs are generally managed and assessed by function and generally support the organization across all customer groups or revenue streams
- Profitability is assessed at the consolidated level

Prior to 2017, we operated our business under two reportable segments - Wireline and Wireless. As a result of the reorganization of our reporting structure, assets, including goodwill, and liabilities were reassigned to a single reporting unit.

Revenues summarized by customer and service type for the years ended December 31, 2017, 2016, and 2015 follows (amounts in thousands):

	2017			2016			2015		
	Consumer	Business	Total	Consumer	Business	Total	Consumer	Business	Total
Revenues									
Wireless	167,733	104,614	272,347	177,801	105,355	283,156	199,862	151,710	351,572
Data	145,757	308,480	454,237	140,196	296,202	436,398	130,213	269,472	399,685
Video	99,609	18,039	117,648	107,305	20,102	127,407	115,074	18,819	133,893
Voice	23,783	51,189	74,972	26,734	60,117	86,851	30,110	63,274	93,384
Total	436,882	482,322	919,204	452,036	481,776	933,812	475,259	503,275	978,534

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.

We had no major customers for the years ended December 31, 2017 and 2016. We earned revenues from a major customer, net of discounts, of $130.8 million or 13% of total consolidated revenues for the year ended December 31, 2015.

(13) Related Party Transactions

On July 11, 2016, we repurchased 1,000,000 shares of our Class A-1 common stock for $16.1 million from John W. Stanton and Theresa E. Gillespie, husband and wife, who continue to be significant shareholders of our Class B-1 common stock.

As disclosed in Note 7 and Note 9 of this Form 10-K, we have an unsecured promissory note and stock appreciation rights with Searchlight. Searchlight received the right to nominate one person for appointment or election as a member of our Board of Directors pursuant to a Securityholder Agreement dated as of December

4, 2014. Searchlight became a related party on February 2, 2015 when we closed the Wireless Acquisition. Searchlight's nominee was appointed as a member of our Board of Directors on March 4, 2015.

We entered into a long-term capital lease agreement in 1991 with the wife of GCI's 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 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. We also have long-term capacity exchange agreements with ACS for which no money is exchanged.

(14) Variable Interest Entities

New Markets Tax Credit Entities

We have entered into several arrangements under the NMTC program with US Bancorp to help fund various projects that extended terrestrial broadband service for the first time to rural Northwestern Alaska communities via a high capacity hybrid fiber optic and microwave network. 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.

Each of the transactions has an investment fund, which is a special purpose entity created to effect the financing arrangement. In each of the transactions, we loaned money to the investment fund and US Bancorp invested money in the investment fund. The investment fund would then contribute the funds from our loan and US Bancorp's investment to a CDE. The CDE, in turn, would loan the funds to our wholly owned subsidiary, Unicom, Inc. ("Unicom") as partial financing for the projects.

US Bancorp 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 the projects. Restricted cash of $15.4 million and $0.9 million was held by Unicom at December 31, 2017, and 2016, respectively, and is included in our Consolidated Balance Sheets. We completed construction of the projects partially funded by these transactions.

These transactions include put/call provisions whereby we may be obligated or entitled to repurchase US Bancorp's interests in the investment funds. We believe that US Bancorp will exercise the put options at the end of the compliance periods for each of the transactions. 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, 2017. The value attributed to the put/calls is nominal.

We have determined that each of the investment funds are VIEs. The consolidated financial statements of each of the investment funds include the CDEs. 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 $165.9 million and $121.2 million, respectively, as of December 31, 2017, and $140.9 million and $104.2 million, respectively as of December 31, 2016.

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.

The following table summarizes the key terms of each of the NMTC transactions:

Financing Arrangement	Investment Funds	Transaction Date	Loan Amount	Interest Rate on Loan to Investment Fund	Maturity Date	US Bancorp Investment	Loan to Unicom	Interest Rate on Loan(s) to Unicom	Expected Put Option Exercise
NMTC #1	TIF	August 30, 2011	$58.3 million	1%	August 30, 2041	$22.4 million	$76.8 million	1% to 3.96%	August 2018
NMTC #2	TIF 2 & TIF 2-USB	October 3, 2012	$37.7 million	1%	October 2, 2042	$17.5 million	$55.2 million	0.71% to 0.77%	October 2019
NMTC #3	TIF 3	December 11, 2012	$8.2 million	1%	December 10, 2042	$3.8 million	$12.0 million	1.35%	December 2019
NMTC #4	TIF 4	March 21, 2017	$6.7 million	1%	March 21, 2040	$3.3 million	$9.8 million	0.73%	March 2024
NMTC #5	TIF 5-1 and TIF 5-2	December 22, 2017	$10.4 million	1%	December 22, 2047	$5.1 million	$14.7 million	0.67% to 1.24%	December 2024

<u>Equity Method Investment</u>
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. 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.

(15) <u>Commitments and Contingencies</u>
On April 4, 2017, General Communication, Inc., Liberty Interactive Corporation, a Delaware corporation ("Liberty") and Liberty Interactive LLC, a Delaware limited liability company and a direct wholly-owned subsidiary of Liberty ("Liberty LLC"), entered into an Agreement and Plan of Reorganization (as may be amended from time to time, the "Reorganization Agreement" and the transactions contemplated thereby, the "Transactions"). Pursuant to the Reorganization Agreement, General Communication, Inc. amended and restated its articles of incorporation resulting in General Communication, Inc. being renamed GCI Liberty, Inc. and a reclassification and auto conversion of its common stock. Following these events, Liberty will acquire

GCI through a reorganization in which certain interests, assets and liabilities of the Liberty Ventures Group (“Liberty Ventures”) will be contributed to GCI Liberty in exchange for a controlling interest in GCI Liberty. The assets to be contributed to GCI Liberty are expected to include Liberty’s equity interests in Liberty Broadband and Charter Communications, Inc. along with certain other equity interests, together with the operating business of Evite, Inc. and certain other assets and liabilities, in exchange for (a) the issuance to Liberty LLC of (i) a number of shares of GCI Liberty Class A Common Stock and a number of shares of GCI Liberty Class B Common Stock equal to the number of outstanding shares of Series A Liberty Ventures common stock and Series B Liberty Ventures common stock outstanding on the closing date of the contribution, respectively, and (ii) cash, and (b) the assumption by GCI Liberty of certain liabilities attributed to Liberty Ventures.

Following the contribution and acquisition of GCI Liberty, Liberty will then effect a tax-free separation of its controlling interest in GCI Liberty to the holders of Liberty Ventures common stock in full redemption of all outstanding shares of such stock. As a result of the Transactions, holders of GCI common stock (regardless of class) each will receive (i) 0.63 of a share of GCI Liberty Class A common stock and (ii) 0.20 of a share of new GCI Liberty Series A Cumulative Redeemable preferred stock in exchange for each share of their existing GCI stock. The exchange ratios were determined based on total consideration of $32.50 per share in respect of each share of existing GCI common stock, comprised of $27.50 per share in GCI Liberty Class A common stock and $5.00 per share in newly issued GCI Liberty Series A Cumulative Redeemable preferred stock, based upon a Liberty Ventures reference price of $43.65 (with no premium paid for shares of GCI Class B common stock) and an initial liquidation price of $25.00 per share of GCI Liberty Series A Cumulative Redeemable preferred stock. The GCI Liberty Series A Cumulative Redeemable preferred stock will accrue dividends at an initial rate of 5% per annum (which would increase to 7% in connection with a future reincorporation of GCI Liberty in Delaware) and will be redeemable upon the 21st anniversary of the closing. The closing of the Transactions are expected to be consummated on March 9, 2018, subject to the satisfaction of customary closing conditions.

On April 12, 2017, we announced that our wholly owned subsidiary, GCI, Inc., was soliciting consents from the holders of its outstanding Notes to effect certain amendments to the indentures governing the Notes (the “Indentures”) to facilitate the Transactions, upon the terms and subject to the conditions set forth in the Consent Solicitation Statement, dated April 12, 2017, and the related Letter of Consent. The consent solicitation expired on April 24, 2017 and we received consents from holders of: (a) $312,418,000 in aggregate principal amount of the 2021 Notes, representing 96.13% of the total principal amount outstanding of the 2021 Notes, and (b) $443,538,000 in aggregate principal amount of the 2025 Notes, representing 98.56% of the total principal amount outstanding of the 2025 Notes. The consent of holders of at least a majority in aggregate principal amount of a series of Notes then outstanding was required to approve the proposed amendment with respect to that series of Notes.

On April 26, 2017, we paid to the tabulation agent for the benefit of registered holders of Notes as of the record date for the Consent Solicitation that validly delivered (and did not validly revoke) a properly completed letter of consent (a “Consent”) on or prior to the expiration date (x) with respect to the proposed amendment relating to the 2021 Notes, an aggregate consent fee of $812,500 payable to the holders of 2021 Notes, on a pro rata basis, who validly delivered (and did not validly revoke) a properly completed Consent and (y) with respect to the proposed amendment relating to the 2025 Notes, an aggregate consent fee of $1,125,000 payable to the holders of 2025 Notes, on a pro rata basis, who validly delivered (and did not validly revoke) a properly completed Consent. The proposed amendments will be effected by supplemental indentures to the Indentures.

We believe the Transactions will result in a change of control for the Searchlight stock appreciation rights that will result in us settling that instrument in cash.

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 $58.8 million, $58.9 million and $51.5 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Capital Leases as Lessee
We entered into a long-term capital lease agreement in 1991 with the wife of GCI's President for property occupied by us as further described in Note 13 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
2018	$ 48,409	13,440
2019	38,293	13,450
2020	27,566	13,459
2021	19,806	12,044
2022	11,715	5,293
2023 and thereafter	28,298	2,411
Total minimum lease payments	$ 174,087	60,097
Less amount representing interest		9,781
Less current maturity of obligations under capital leases		10,028
Long-term obligations under capital leases, excluding current maturity		$ 40,288

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, 2017, we were self-insured for losses and liabilities related to health and welfare claims up to $750,000 per incident per year above which third party insurance applied. A reserve of $4.8 million and $4.0 million are recorded at December 31, 2017 and 2016, 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 $3.2 million and $2.9 million are recorded at December 31, 2017 and 2016, 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.

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 $16.8 million, $0 million and $13.8 million in 2017, 2016, and 2015, respectively, and expect to receive $10.8 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.

(16) Software Impairment

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. In early 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 in early 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.

In early 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 the year ended December 31, 2015 by recording an expense which is included in Software Impairment Charge in our Consolidated Statement of Operations.

In late 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 the year ended December 31, 2015 by recording an expense which is included in Software Impairment Charge in our Consolidated Statement of Operations.

(17) Selected Quarterly Financial Data (Unaudited)

The following is a summary of unaudited quarterly results of operations for the years ended December 31, 2017 and 2016 (amounts in thousands, except per share amounts):

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2017					
Total revenues	$	228,115	224,346	231,214	235,529
Operating income	$	15,346	11,031	24,174	20,699
Net income (loss)	$	(55,246)	(9,000)	(8,849)	48,373
Net income (loss) attributable to GCI	$	(55,129)	(8,882)	(8,731)	48,496
Basic net income (loss) attributable to GCI per common share	$	(1.60)	(0.26)	(0.25)	1.35
Diluted net income (loss) attributable to GCI per common share	$	(1.60)	(0.26)	(0.25)	1.19
2016					
Total revenues	$	231,098	233,766	236,655	232,293
Operating income	$	20,019	19,531	26,368	13,185
Net income (loss)	$	982	3,298	7,827	(16,243)
Net income (loss) attributable to GCI	$	1,099	3,415	7,943	(16,124)
Basic net income (loss) attributable to GCI per common share	$	0.03	0.09	0.21	(0.47)
Diluted net income (loss) attributable to GCI per common share	$	(0.04)	(0.01)	0.14	(0.47)

(18) Subsequent Events

On February 2, 2018, we held a special shareholder meeting where our shareholders approved the Transactions with Liberty. On February 20, 2018, the Commissioner of the Department of Commerce, Community and Economic Development of the State of Alaska accepted for filing the amended and restated Articles of Incorporation that were approved by our shareholders at the special meeting held on February 2, 2018.

On February 28, 2018, we amended our Senior Credit Facility to increase the revolving credit facility from $200.0 million to $300.0 million. Additionally, we increased the maximum secured leverage ratio permitted under the Senior Credit Facility from 3.00:1.00 to 3.50:1.00.

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
2.1	Agreement and Plan of Reorganization, dated as of April 4, 2017, by and among Liberty Interactive Corporation, Liberty Interactive LLC and General Communication, Inc.	Incorporated by reference to Exhibit 2.1 to Form 8-K/A filed by the Company on May 1, 2017
2.2	Amendment No. 1 dated as of July 19, 2017, to the Agreement and Plan of Reorganization by and among Liberty Interactive Corporation, Liberty Interactive LLC, and General Communication, Inc. as of April 4, 2017	Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2017 filed November 2, 2017.
2.3	Amendment No. 2 to Reorganization Agreement, dated as of November 8, 2017, by and among Liberty Interactive Corporation, Liberty Interactive LLC and General Communication, Inc.	Incorporated by reference to the Company's Report on Form 8-K for the period November 8, 2017 filed November 9, 2017.
3.1	Form of Amended and Restated Articles of Incorporation of GCI Liberty, Inc.	Incorporated by reference to Exhibit 3.1 to Amendment No. 3 to the Company's Registration Statement on Form S-4, filed on December 27, 2017 (File No. 333-219619).
3.2	Amended and Restated Bylaws of the Company dated August 21, 2017	Incorporated by reference to the Company's Report on Form 8-K for the period August 21, 2017 filed August 23, 2017.
4.1	General Communication, Inc. Amended and Restated 1986 Stock Option Plan	Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2014 filed March 5, 2015.
4.2	Amended and Restated Securityholder Agreement by and among General Communication, Inc., Searchlight ALX, L.P., and Searchlight ALX, LTD dated as of July 13, 2015	Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2015.
4.3	Unsecured Promissory Note Due 2023 entered into as of July 13, 2015 by and between General Communication, Inc. and Searchlight ALX, LTD	Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2015.
4.4	Amended and Restated Stock Appreciation Rights Agreement entered into as of July 13, 2015 by and between General Communication, Inc. and Searchlight ALX, LTD	Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2015.
4.5	Amendment to the Amended and Restated Securityholder Agreement entered into as of September 7, 2016 by and between General Communication, Inc. and Searchlight ALX, LTD	Incorporated by reference to the Company's Report on Form 8-K for the period September 7, 2016 filed September 8, 2016.
10.1	The GCI Special Non-Qualified Deferred Compensation Plan[1]	Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1995.
10.2	Lease Agreement dated September 30, 1991 between RDB Company and General Communication, Inc. *	

Exhibit No.	Description	Where Located
10.3	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.
10.4	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.
10.5	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.
10.6	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.
10.7	Registration Rights Agreement dated as of March 5, 2007 between General Communication, Inc. and John W. Stanton and Theresa E. Gillespie	Incorporated by reference to Exhibit 3 of the Schedule 13D dated March 5, 2007 filed on March 12, 2007.
10.8	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.
10.9	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.
10.10	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.
10.11	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.
10.12	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.
10.13	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.
10.14	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.
10.15	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.
10.16	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.

Exhibit No.	Description	Where Located
10.17	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.
10.18	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 25, 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.
10.19	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.
10.20	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.
10.21	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.
10.22	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.
10.23	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.
10.24	Indenture dated as of May 20, 2011 between GCI, Inc. and Union Bank, N.A., as trustee	Incorporated by reference to GCI, Inc.'s Report on Form 8-K for the period May 20, 2011 filed May 25, 2011.
10.25	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.
10.26	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.
10.27	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.
10.28	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.

Exhibit No.	Description	Where Located
10.29	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.
10.30	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.
10.31	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.
10.32	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.
10.33	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.
10.34	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.
10.35	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 8, 2014.
10.36	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.
10.37	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.
10.38	Twenty-First Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication Corp. dated February 26, 2015 #	Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2015 filed May 8, 2015.
10.39	Indenture dated as of April 1, 2015 between GCI, Inc. and MUFG Union Bank, N.A., as trustee	Incorporated by reference to GCI, Inc.'s Report on Form 8-K for the period April 1, 2015 filed April 6, 2015.
10.40	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.

Exhibit No.	Description	Where Located
10.41	First Amendment to the Fourth Amended and Restated Credit Agreement dated as of August 3, 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.
10.42	Twenty-Third Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication Corp. dated July 27, 2015 #	Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2015 filed November 5, 2015.
10.43	Twenty-Fourth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication Corp. dated September 2, 2015 #	Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2015 filed November 5, 2015.
10.44	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.
10.45	Second Amendment to the Fourth Amended and Restated Credit Agreement dated as of February 12, 2016	Incorporated by reference to the Company's Annual Report on Form 10-K for the year ending December 31, 2015 filed March 3, 2016.
10.46	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.
10.47	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.
10.48	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.
10.49	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.
10.50	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.
10.51	Twenty-Eighth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication Corp. dated October 31, 2016 #	Incorporated by reference to the Company's Annual Report on Form 10-K for the year ending December 31, 2016 filed March 2, 2017.
10.52	Voting Agreement, dated as of April 4, 2017, by and among Liberty Interactive Corporation, General Communication, Inc., and John C. Malone and Leslie Malone	Incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K/A filed May 1, 2017

Exhibit No.	Description	Where Located
10.53	Voting Agreement, dated as of April 4, 2017, by and among Liberty Interactive Corporation, General Communication, Inc., and John W. Stanton and Theresa E. Gillespie	Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K/A filed May 1, 2017
10.54	Voting Agreement, dated as of April 4, 2017, by and among Liberty Interactive Corporation, General Communication, Inc., and Ronald A. Duncan and Dani Bowman	Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K/A filed May 1, 2017
10.55	Supplemental Indenture, dated as of April 28, 2017, between GCI, Inc. and MUFG Union Bank, N.A., as Trustee (6.75% Senior Notes)	Incorporated by reference to Exhibit 4.1 to Form 8-K filed by the Company on May 2, 2017.
10.56	Supplemental Indenture, dated as of April 28, 2017, between GCI, Inc. and MUFG Union Bank, N.A., as Trustee (6.875% Senior Notes)	Incorporated by reference to Exhibit 4.2 to Form 8-K filed by the Company on May 2, 2017.
10.57	Fifth Amendment to the Fourth Amended and Restated Credit Agreement dated as of May 3, 2017	Incorporated by reference to the Company's Report on Form 8-K for the period May 3, 2017 filed May 9, 2017.
10.58	Twenty-Ninth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication, Corp. dated April 28, 2017 #	Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2017 filed August 3, 2017.
10.59	Sixth Amendment to the Fourth Amended and Restated Credit Agreement dated as of August 14, 2017	Incorporated by reference to the Company's Report on Form 8-K for the period August 14, 2017 filed August 18, 2017.
10.60	Thirtieth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication, Corp. dated June 15, 2017 #	Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2017 filed November 2, 2017.
10.61	Thirty-First Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication, Corp. dated June 30, 2017 #	Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2017 filed November 2, 2017.
10.62	Thirty-Second Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication, Corp. dated July 31, 2017 #	Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2017 filed November 2, 2017.
10.63	Thirty-Third Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication, Corp. dated October 4, 2017 # *	
10.64	Thirty-Fourth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication, Corp. dated December 29, 2017 # *	
10.65	Description of Incentive Compensation Plan for Named Executive Officers[1] *	"Executive Compensation" in Part III of this Annual Report on Form 10-K for the year ending December 31, 2017.
14.1	Code Of Business Conduct and Ethics *	
21.1	Subsidiaries of the Registrant *	
23.1	Consent of Grant Thornton LLP (Independent Public Accountant for Company) *	

Exhibit No.	Description	Where Located
31.1	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *	
31.2	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *	
32.1	Chief Executive Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *	
32.2	Chief Financial Officer Certification 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 Liberty, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2017, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2017 and 2016; (ii) Consolidated Statements of Operations for the years ended December 31, 2017, 2016 and 2015; (iii) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2017, 2016 and 2015; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2017, 2016 and 2015; 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.
[1]	Constitute management contracts or compensatory plans.

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 LIBERTY, INC.

By: /s/ Ronald A. Duncan
Ronald A. Duncan, Chief Executive Officer

Date: February 28, 2018

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/ Stephen M. Brett Stephen M. Brett	Chairman of Board and Director	February 28, 2018
/s/ Ronald A. Duncan Ronald A. Duncan	Chief Executive Officer and Director (Principal Executive Officer)	February 28, 2018
/s/ Bridget L. Baker Bridget L. Baker	Director	February 28, 2018
/s/ Jerry A. Edgerton Jerry A. Edgerton	Director	February 28, 2018
/s/ Scott M. Fisher Scott M. Fisher	Director	February 28, 2018
/s/ William P. Glasgow William P. Glasgow	Director	February 28, 2018
/s/ Mark W. Kroloff Mark W. Kroloff	Director	February 28, 2018
/s/ Stephen R. Mooney Stephen R. Mooney	Director	February 28, 2018
/s/ James M. Schneider James M. Schneider	Director	February 28, 2018
Eric L. Zinterhofer	Director	
/s/ Peter J. Pounds Peter J. Pounds	Senior Vice President, Chief Financial Officer, and Secretary (Principal Financial Officer)	February 28, 2018
/s/ Lynda L. Tarbath Lynda L. Tarbath	Vice President, Chief Accounting Officer (Principal Accounting Officer)	February 28, 2018

ADDITIONAL INFORMATION

As described in our Proxy Statement for our 2018 Annual Meeting of Stockholders, on March 9, 2018, GCI Liberty, Inc. (formerly General Communication, Inc.) completed the previously announced transactions with Liberty Interactive Corporation (now known as Qurate Retail, Inc.). As part of these transactions, Liberty Interactive Corporation and its subsidiary Liberty Interactive LLC contributed to GCI Liberty their entire equity interests in Liberty Broadband Corporation, Charter Communications, Inc., and LendingTree, Inc., the Evite, Inc. operating business and certain other assets and liabilities (collectively, ''HoldCo''). This contribution was treated as a reverse acquisition under the acquisition method of accounting in accordance with accounting principles generally accepted in the United States. For accounting purposes, HoldCo is considered to have acquired GCI Liberty in the contribution based upon the fact that in exchange for the contribution of certain assets and liabilities, Liberty Interactive Corporation received a controlling interest in the combined company of GCI Liberty. Accordingly, effective as of March 9, 2018, the historical financial statements of HoldCo became the historical financial statements of GCI Liberty.

We are providing our stockholders with the following audited combined financial statements of HoldCo in addition to our company's Annual Report on Form 10-K for the year ended December 31, 2017 because we believe they are helpful to our stockholders in understanding the historical financial statements as a result of the transactions described above, even though our Form 10-K includes the information relating to our company as it existed on December 31, 2017.

Further, in connection with the transactions described above, all of the members of GCI Liberty's board of directors, other than Ronald A. Duncan, and GCI Liberty's executive officers as of immediately prior to the completion of the transactions resigned and new individuals were appointed to the board of directors and as executive officers. Information regarding the new directors is contained under the heading ''Proposal 1–The Election of Directors Proposal'' in our Proxy Statement for our 2018 Annual Meeting of Stockholders and information regarding the new executive officers is contained under the heading ''Management and Governance Matters – Executive Officers'' in our Proxy Statement for our 2018 Annual Meeting of Stockholders. Also, in connection with the transaction described above, there was a change in the accountants of GCI Liberty, as described under the heading ''Proposal 2–The Auditors Ratification Proposal – Change in Independent Auditors'' in our Proxy Statement for our 2018 Annual Meeting of Stockholders.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Liberty Interactive Corporation:

Opinion on the Combined Financial Statements

We have audited the accompanying combined balance sheets of Liberty Interactive Corporation's and Liberty Interactive LLC's entire equity interests in Liberty Broadband Corporation, Charter Communications, Inc., and LendingTree, Inc., the Evite, Inc. operating business and certain other assets and liabilities (collectively "HoldCo") as of December 31, 2017 and 2016, the related combined statements of operations, comprehensive earnings (loss), cash flows, and equity for each of the years in the three-year period ended December 31, 2017, and the related notes (collectively, the combined financial statements). In our opinion, the combined financial statements present fairly, in all material respects, the financial position of HoldCo as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These combined financial statements are the responsibility of HoldCo's management. Our responsibility is to express an opinion on these combined financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to HoldCo in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the combined financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the combined financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as HoldCo's auditor since 2017.

Denver, Colorado
April 5, 2018

HoldCo

Combined Balance Sheets

December 31, 2017 and 2016

	2017	2016
	amounts in thousands	
Assets		
Current assets:		
Cash and cash equivalents	$ 573,210	487,163
Other current assets	8,068	39,866
Total current assets	581,278	527,029
Investments in available-for-sale securities and other cost investments (note 4)	1,803,064	1,546,615
Investments in affiliates, accounted for using the equity method (note 5)	114,655	31,493
Investment in Liberty Broadband measured at fair value (note 5)	3,634,786	3,161,444
Other assets	38,430	34,195
Total assets	$ 6,172,213	5,300,776
Liabilities and Equity		
Current liabilities	$ 10,465	4,530
Deferred income tax liabilities (note 6)	643,426	777,092
Taxes payable (note 6)	1,198,315	925,715
Other liabilities	95,971	757
Total liabilities	1,948,177	1,708,094
Equity		
Parent's investment	2,305,440	2,398,452
Retained earnings	1,914,963	1,190,568
Noncontrolling interests in equity of subsidiaries	3,633	3,662
Total equity	4,224,036	3,592,682
Commitments and contingencies (note 8)		
Total liabilities and equity	$ 6,172,213	5,300,776

See accompanying notes to combined financial statements.

HoldCo

Combined Statements of Operations

Years ended December 31, 2017, 2016 and 2015

	2017	2016	2015
		amounts in thousands, except per share amounts	
Total revenue, net	23,817	22,552	20,307
Operating costs and expenses:			
Operating expense	11,541	11,702	6,961
Selling, general and administrative, including stock-based compensation (note 2)	64,621	43,041	39,381
Depreciation and amortization	3,252	2,964	2,499
	79,414	57,707	48,841
Operating income (loss)	(55,597)	(35,155)	(28,534)
Other income (expense):			
Share of earnings (losses) of affiliates, net (note 5)	7,001	11,831	2,142
Realized and unrealized gains (losses) on financial instruments, net (note 3)	637,164	1,309,365	179,699
Gains (losses) on transactions, net	6	(1,100)	—
Other, net	2,461	31,873	18,385
	646,632	1,351,969	200,226
Earnings (loss) from continuing operations before income taxes	591,035	1,316,814	171,692
Income tax (expense) benefit (note 6)	133,522	(496,245)	(60,982)
Net earnings (loss)	724,557	820,569	110,710
Less net earnings (loss) attributable to the noncontrolling interests	(29)	(114)	(3)
Net earnings (loss) attributable to HoldCo shareholders	$ 724,586	820,683	110,713
Unaudited Pro Forma basic net earnings (loss) attributable to Series A and Series B HoldCo shareholders per common share (note 2):	8.41	9.53	1.29

See accompanying notes to combined financial statements.

HoldCo

Combined Statements of Comprehensive Earnings (Loss)

Years ended December 31, 2017, 2016 and 2015

	2017	2016	2015
		amounts in thousands	
Net earnings (loss)	$ 724,557	820,569	110,710
Other comprehensive earnings (loss), net of taxes	—	—	—
Comprehensive earnings (loss)	724,557	820,569	110,710
Less comprehensive earnings (loss) attributable to the noncontrolling interests	(29)	(114)	(3)
Comprehensive earnings (loss) attributable to HoldCo shareholders	$ 724,586	820,683	110,713

See accompanying notes to combined financial statements.

HoldCo

Combined Statements of Cash Flows

Years ended December 31, 2017, 2016 and 2015

	2017	2016	2015
		amounts in thousands	
Cash flows from operating activities:			
Net earnings (loss)	$ 724,557	820,569	110,710
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	3,252	2,964	2,499
Stock-based compensation	26,583	16,128	11,024
Cash payments for stock-based compensation	(32)	—	(60)
Share of (earnings) losses of affiliates, net	(7,001)	(11,831)	(2,142)
(Gain) loss on dilution of investment in affiliates	884	(19,235)	1,715
Realized and unrealized (gains) losses on financial instruments, net	(637,164)	(1,309,365)	(179,699)
(Gains) losses on transactions, net	(6)	1,100	—
Deferred income tax expense (benefit)	(133,522)	496,820	60,983
Intergroup tax (payments) receipts	287,763	294,708	159,901
Other noncash charges (credits), net	194	91	(16)
Changes in operating assets and liabilities			
Current and other assets	31,772	5,881	(1,261)
Payables and other liabilities	7,584	(5,605)	476
Net cash provided (used) by operating activities	304,864	292,225	164,130
Cash flows from investing activities:			
Cash proceeds from dispositions of investments	2,180	—	—
Investment in and loans to cost and equity investees	(76,815)	—	—
Capital expended for property and equipment	(3,488)	(2,642)	(3,337)
Purchases of short term investments and other marketable securities	—	(264,703)	(1,185,569)
Sales of short term investments and other marketable securities	—	1,161,596	1,165,846
Investment in Liberty Broadband	—	(2,400,000)	—
Other investing activities, net	26	14	—
Net cash provided (used) by investing activities	(78,097)	(1,505,735)	(23,060)
Cash flows from financing activities:			
Withholding taxes on net share settlements of stock-based compensation	(27,793)	(1,450)	(5,499)
Intergroup (payments) receipts, net	37,140	(30,602)	(4,322)
Contributions from (distributions to) parent, net	(146,680)	(272,195)	(176,177)
Equity transactions related to BCY Holdings	—	—	194,439
Other financing activities, net	(3,387)	3,439	5,859
Net cash provided (used) by financing activities	(140,720)	(300,808)	14,300
Net increase (decrease) in cash and cash equivalents	86,047	(1,514,318)	155,370
Cash and cash equivalents at beginning of period	487,163	2,001,481	1,846,111
Cash and cash equivalents at end of period	$ 573,210	487,163	2,001,481

Supplemental disclosure to the combined statements of cash flows:

	2017	2016	2015
		amounts in thousands	
Cash paid for interest	$ 6	—	114
Cash received for taxes	$ 287,763	$ 294,708	159,901

See accompanying notes to combined financial statements.

HoldCo

Combined Statements of Equity

Years ended December 31, 2017, 2016 and 2015

	Parent's investment	Retained Earnings	Noncontrolling interest in equity of Combined company	Total equity
		amounts in thousands		
Balance at January 1, 2015	$ 2,626,958	237,098	—	2,864,056
Net earnings	—	110,713	(3)	110,710
Stock-based compensation	11,009	—	—	11,009
Minimum withholding taxes on net share settlements of stock-based compensation	(5,499)	—	—	(5,499)
Option exercises	5,859	—	—	5,859
Equity transactions with parent related to sale on non-group company	223,956	—	3,776	227,732
Intergroup (payments) receipts	(4,322)	—	—	(4,322)
Contributions from (distributions to) parent, net	(176,177)	—	—	(176,177)
Other	3,066	—	3	3,069
Balance at December 31, 2015	$ 2,684,850	347,811	3,776	3,036,437
Net earnings	—	820,683	(114)	820,569
Cumulative effect of accounting change (note 2)	—	21,576	—	21,576
Stock-based compensation	14,906	—	—	14,906
Withholding taxes on net share settlements of stock-based compensation	(1,450)	—	—	(1,450)
Option exercises	3,439	—	—	3,439
Intergroup (payments) receipts	(30,602)	—	—	(30,602)
Contributions from (distributions to) parent, net	(272,195)	—	—	(272,195)
Other	(496)	498	—	2
Balance at December 31, 2016	$ 2,398,452	1,190,568	3,662	3,592,682
Net earnings	—	724,586	(29)	724,557
Stock-based compensation	26,243	—	—	26,243
Withholding taxes on net share settlements of stock-based compensation	(27,793)	—	—	(27,793)
Option exercises	613	—	—	613
Intergroup (payments) receipts	37,140	—	—	37,140
Contributions from (distributions to) parent, net	(146,680)	—	—	(146,680)
Other	17,465	(191)	—	17,274
Balance at December 31, 2017	$ 2,305,440	1,914,963	3,633	4,224,036

See accompanying notes to combined financial statements.

HoldCo

Notes to Combined Financial Statements

December 31, 2017, 2016 and 2015

(1) Basis of Presentation

On April 4, 2017, Liberty Interactive Corporation (**Liberty Interactive**) entered into an Agreement and Plan of Reorganization (as amended, the **reorganization agreement** and the transactions contemplated thereby, the **Transactions**) with General Communication, Inc. (**GCI**), an Alaska corporation, and Liberty Interactive LLC, a Delaware limited liability company and a direct wholly-owned subsidiary of Liberty Interactive (**LI LLC**). Pursuant to the reorganization agreement, GCI effected a restatement of its articles of incorporation (which resulted in GCI being renamed GCI Liberty, Inc. (**GCI Liberty**)) and a reclassification and auto conversion of its common stock. Following these events, Liberty Interactive acquired GCI Liberty on March 9, 2018 through a reorganization in which certain Liberty Interactive interests, assets and liabilities, were contributed to GCI Liberty in exchange for a controlling interest in GCI Liberty. Liberty Interactive and LI LLC contributed to GCI Liberty its entire equity interest in Liberty Broadband Corporation (**Liberty Broadband**), Charter Communications, Inc. (**Charter**), and LendingTree, Inc. (**LendingTree**), the Evite, Inc. (**Evite**) operating business and certain other assets and liabilities (collectively, **HoldCo**), in exchange for (a) the issuance to LI LLC of a number of shares of GCI Liberty Class A Common Stock and a number of shares of GCI Liberty Class B Common Stock equal to the number of outstanding shares of Series A Liberty Ventures common stock and Series B Liberty Ventures common stock on March 9, 2018, respectively, (b) cash and (c) the assumption of certain liabilities by GCI Liberty.

The contribution was treated as a reverse acquisition under the acquisition method of accounting in accordance with generally accepted accounting principles in the United States (**GAAP**). For accounting purposes, Liberty Interactive is considered to have acquired GCI Liberty in the contribution based, among other considerations, upon the fact that in exchange for the contribution of certain assets and liabilities of Liberty Interactive, including HoldCo, Liberty Interactive received a controlling interest in the combined company of GCI Liberty.

Following the contribution and acquisition of GCI Liberty, Liberty Interactive then effected a tax-free separation of its controlling interest in the combined company, GCI Liberty, to the holders of Liberty Ventures common stock in full redemption of all outstanding shares of such stock (the **HoldCo Split-Off**), in which each outstanding share of Series A Liberty Ventures common stock was redeemed for one share of GCI Liberty Class A common stock and each outstanding share of Series B Liberty Ventures common stock was redeemed for one share of GCI Liberty Class B common stock.

The accompanying combined financial statements have been prepared in accordance with GAAP and represent a combination of the historical financial information of, as of December 31, 2017, Liberty Interactive's non-controlling interests in Liberty Broadband, Charter and Lending Tree along with Liberty Interactive's controlling interest in Evite and certain other assets and liabilities. These financial statements refer to the combination of the aforementioned subsidiary and investments as the **Company**, **us**, **we** and **our** in these notes to the combined financial statements. The HoldCo Split-Off is expected to be accounted for at historical cost due to the pro rata nature of the distribution to holders of Liberty Ventures common stock. All significant intercompany accounts and transactions have been eliminated in the combined financial statements.

Split-off from Liberty Interactive

Following the HoldCo Split-Off, Liberty Interactive and GCI Liberty operate as separate, publicly traded companies, and neither have any stock ownership, beneficial or otherwise, in the other. In connection with the HoldCo Split-Off, Liberty Interactive, Liberty Media Corporation (**Liberty Media**) and GCI Liberty entered into certain agreements in order to govern certain of the ongoing relationships between the companies after the HoldCo Split-Off and to provide for an orderly transition. These agreements include an indemnification agreement, a services agreement, a facilities sharing agreement and a tax sharing agreement.

The reorganization agreement provides for, among other things, the principal corporate transactions (including the internal restructuring) required to effect the HoldCo Split-Off, certain conditions to the HoldCo Split-Off and provisions governing the relationship between GCI Liberty and Liberty Interactive with respect to and resulting from the HoldCo Split-Off. The tax sharing agreement provides for the allocation and indemnification of tax liabilities and benefits between Liberty Interactive and GCI Liberty and other agreements related to tax matters. Pursuant to the services agreement, Liberty Media will provide GCI Liberty with general and administrative services including legal, tax, accounting, treasury and investor relations support. Under the facilities sharing agreement, GCI Liberty will share office space with Liberty Interactive and Liberty Media and related amenities at their corporate headquarters. GCI Liberty will reimburse Liberty Media for direct, out-of-pocket expenses incurred by Liberty Media in providing these services and for costs that will be negotiated semi-annually.

Pursuant to the indemnification agreement, GCI Liberty has agreed to indemnify LI LLC against any payments made by LI LLC with respect to any of LI LLC’s 1.75% exchangeable debentures due 2046 (the **1.75% Exchangeable Debentures**) through October 5, 2023 for the amount by which (x) the exchange value exceeds (y) the sum of the adjusted principal amount of such 1.75% Exchangeable Debentures plus the amount of certain tax benefits attributable to such 1.75% Exchangeable Debentures so exchanged. Within six months of the HoldCo Split-Off, Liberty Interactive, LI LLC and GCI Liberty will cooperate with, and reasonably assist each other with respect to, the commencement and consummation of a purchase offer (the **Purchase Offer**) whereby LI LLC will offer to purchase, either pursuant to privately negotiated transactions or a tender offer, the 1.75% Exchangeable Debentures on terms and conditions (including maximum offer price) reasonably acceptable to GCI Liberty. GCI Liberty will indemnify LI LLC (using, in part, funds borrowed under the $1 billion margin loan agreement described below) for each 1.75% Exchangeable Debenture repurchased by LI LLC in the Purchase Offer in an amount equal to the difference between (x) the purchase price paid by LI LLC to acquire such 1.75% Exchangeable Debenture in the Purchase Offer and (y) the sum of the amount of cash reattributed with respect to such purchased 1.75% Exchangeable Debenture in the reattribution plus the amount of certain tax benefits attributable to such 1.75% Exchangeable Debenture so purchased. GCI Liberty’s indemnity obligation with respect to payments made upon a holder’s exercise of its exchange right will be eliminated as to any 1.75% Exchangeable Debentures purchased in the Purchase Offer. An indemnity obligation will be recorded upon completion of the HoldCo Split-Off.

In addition, Liberty Interactive and GCI Liberty have agreed to indemnify each other with respect to certain potential losses in respect of the HoldCo Split-Off.

On December 29, 2017, Broadband Holdco, LLC, a wholly owned subsidiary of Liberty Interactive, entered into a margin loan agreement with an availability of $1 billion with various lender parties. Approximately 42.7 million shares of Liberty Broadband Series C common stock held by Liberty Interactive with a value of $3.6 billion were pledged by Broadband Holdco, LLC as collateral for the loan as of December 31, 2017. This margin loan has a term of two years and bears interest at a rate of LIBOR plus 1.85% and contains an undrawn commitment fee of 0.75% per annum. As of December 31, 2017 there were no outstanding borrowings on the margin loan. Deferred loan costs incurred on the margin loan are reflected in Other assets in the combined balance sheet as of December 31, 2017.

(2) Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash equivalents consist of investments which are readily convertible into cash and have maturities of three months or less at the time of acquisition. Financial instruments, which potentially subject the Company to concentration of credit risk, consist primarily of cash and cash equivalents and corporate debt securities. The Company maintains some cash and cash equivalents balances with financial institutions that are in excess of Federal Deposit Insurance Corporation insurance limits.

Investments

All marketable equity and debt securities held by the Company are classified as available-for-sale (**AFS**) and are carried at fair value generally based on quoted market prices. GAAP permits entities to choose to measure many financial instruments, such as AFS securities, and certain other items at fair value and to recognize the changes in fair value of such instruments in the entity’s statements of operations (the **fair value option**). Liberty Interactive had previously entered into economic hedges for certain of its non-strategic AFS securities (although such instruments were not accounted for as fair value hedges by the

Company). Changes in the fair value of these economic hedges were reflected in the Company's statements of operations as unrealized gains (losses). Liberty Interactive originally elected the fair value option for those of its AFS securities which it considered to be non-strategic (**Fair Value Option Securities**), including Liberty Interactive's historical investment in Time Warner Cable Inc. (**TWC**). As described in note 5, Liberty Interactive's shares of TWC were exchanged for shares of Charter. The Company's accounting treatment for the investment in Charter is consistent with Liberty Interactive's accounting treatment. Changes in the fair value of Fair Value Option Securities, as determined by quoted market prices, are reported in realized and unrealized gains (losses) on financial instruments in the accompanying combined statements of operations. The total value of AFS securities for which the Company has elected the fair value option aggregated $1,800.2 million and $1,542.8 million as of December 31, 2017 and 2016, respectively.

Other investments in which the Company's ownership interest is less than 20%, unless the Company has the ability to exercise significant influence, and that are not considered marketable securities are carried at cost.

For those investments in affiliates in which the Company has the ability to exercise significant influence, the equity method of accounting is used, except in situations where the fair value option has been selected. Under the equity method of accounting, the investment, originally recorded at cost, is adjusted to recognize the Company's share of net earnings or losses of the affiliate as they occur rather than as dividends or other distributions are received. Losses are limited to the extent of the Company's investment in, advances to and commitments for the investee. In the event the Company is unable to obtain accurate financial information from an equity affiliate in a timely manner, the Company records its share of earnings or losses of such affiliate on a lag.

Changes in the Company's proportionate share of the underlying equity of an equity method investee, which result from the issuance of additional equity securities by such equity investee, are recognized in the statements of operations through the Other, net line item. To the extent there is a difference between our ownership percentage in the underlying equity of an equity method investee and our carrying value, such difference is accounted for as if the equity method investee were a consolidated subsidiary.

The Company continually reviews its equity investments and its AFS securities which are not Fair Value Option Securities to determine whether a decline in fair value below the carrying value is other than temporary. The primary factors the Company considers in its determination are the length of time that the fair value of the investment is below the Company's carrying value; the severity of the decline; and the financial condition, operating performance and near term prospects of the investee. In addition, the Company considers the reason for the decline in fair value, be it general market conditions, industry specific or investee specific; analysts' ratings and estimates of 12 month share price targets for the investee; changes in stock price or valuation subsequent to the balance sheet date; and the Company's intent and ability to hold the investment for a period of time sufficient to allow for a recovery in fair value. If the decline in fair value is deemed to be other than temporary, the carrying value of the security is written down to fair value. In situations where the fair value of an investment is not evident due to a lack of a public market price or other factors, the Company uses its best estimates and assumptions to arrive at the estimated fair value of such investment. The Company's assessment of the foregoing factors involves considerable management judgment and accordingly, actual results may differ materially from the Company's estimates and judgments. Writedowns for AFS securities which are not Fair Value Option Securities would be included in the combined statements of operations as other than temporary declines in fair values of investments. Writedowns for equity method investments would be included in share of earnings (losses) of affiliates.

In January 2016, the FASB issued new accounting guidance that is intended to improve the recognition and measurement of financial instruments. The new guidance requires equity investments with readily determinable fair values (except those accounted for under the equity method of accounting or those that result in consolidation) to be measured at fair value with changes in fair value recognized in net income and simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. The new standard is effective for the Company for fiscal years and interim periods beginning after December 15, 2017, with early adoption permitted under certain circumstances. The Company does not expect this new guidance will have a material impact to its combined financial statements or related disclosures.

Revenue Recognition

Service revenue is recognized when the applicable criteria are met: persuasive evidence of an arrangement exists, services have been rendered, the price is fixed and determinable and collectability is reasonably assured.

In May 2014, the FASB issued new accounting guidance on revenue from contracts with customers. The new guidance requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This new guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In March 2016, the

FASB issued additional guidance which clarifies principal versus agent considerations, and in April 2016, the FASB issued further guidance which clarifies the identification of performance obligations and the implementation guidance for licensing. The updated guidance will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or modified retrospective transition method. The Company will adopted this new guidance under the modified retrospective method effective as of January 1, 2018 and the adoption is not expected to have a material impact on its combined financial statements.

Advertising Costs

Advertising costs generally are expensed as incurred. Advertising expense aggregated $1.7 million, $2.0 million and $2.6 million for the years ended December 31, 2017, 2016 and 2015, respectively. Advertising costs are reflected in the selling, general and administrative, including stock-based compensation line item in our combined statements of operations.

Stock-Based Compensation

As more fully described in note 7, Liberty Interactive has granted to its directors, employees and employees of its subsidiaries options, restricted stock and stock appreciation rights relating to shares of Liberty Ventures common stock (**Awards**). Liberty Interactive measures the cost of employee services received in exchange for an Award of equity instruments (such as stock options and restricted stock) based on the grant-date fair value of the Award, and recognizes that cost over the period during which the employee is required to provide service (usually the vesting period of the Award). Liberty Interactive measures the cost of employee services received in exchange for an Award of liability instruments (such as stock appreciation rights that will be settled in cash) based on the current fair value of the Award, and remeasures the fair value of the Award at each reporting date.

Stock compensation expense was $26.6 million, $16.1 million and $11.0 million for the years ended December 31, 2017, 2016 and 2015, respectively, included in selling, general and administrative expense in the accompanying combined statements of operations.

In March 2016, the FASB issued new guidance which simplifies several aspects of the accounting for share-based payment award transactions, including the income tax consequences, forfeitures, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The new standard is effective for the Company for fiscal years and interim periods beginning after December 15, 2016, with early application permitted. The Company adopted this guidance in the third quarter of 2016. In accordance with the new guidance, excess tax benefits and tax deficiencies are recognized as income tax benefit or expense rather than as additional paid-in capital. The Company has elected to recognize forfeitures as they occur rather than continue to estimate expected forfeitures. In addition, pursuant to the new guidance, excess tax benefits are classified as an operating activity on the combined statements of cash flows. The recognition of excess tax benefits and deficiencies are applied prospectively from January 1, 2016. For tax benefits that were not previously recognized and for adjustments to compensation cost based on actual forfeitures, the Company recorded a cumulative-effect adjustment in retained earnings as of January 1, 2016.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying value amounts and income tax bases of assets and liabilities and the expected benefits of utilizing net operating loss and tax credit carryforwards. The deferred tax assets and liabilities are calculated using enacted tax rates in effect for each taxing jurisdiction in which the Company operates for the year in which those temporary differences are expected to be recovered or settled. Net deferred tax assets are then reduced by a valuation allowance if the Company believes it more likely than not such net deferred tax assets will not be realized. The effect on deferred tax assets and liabilities of an enacted change in tax rates is recognized in income in the period that includes the enactment date.

When the tax law requires interest to be paid on an underpayment of income taxes, the Company recognizes interest expense from the first period the interest would begin accruing according to the relevant tax law. Such interest expense is included in interest expense in the accompanying combined statements of operations. Any accrual of penalties related to underpayment of income taxes on uncertain tax positions is included in other income (expense) in the accompanying combined statements of operations.

In October 2016, the FASB issued new accounting guidance which requires an entity to recognize at the transaction date the income tax consequences of intercompany asset transfers. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. The Company does not expect this new guidance will have a material impact on its combined financial statements or related disclosures.

Pro Forma Earnings per Share (EPS)

Unaudited pro forma earnings (loss) per common share for all periods presented is computed by dividing net earnings (loss) for the respective period by 86,141,970 common shares, which is the total number of shares of Series A and Series B Liberty Ventures common stock outstanding at December 31, 2017, which is being used as a proxy for the outstanding shares of the Company as of December 31, 2017.

Estimates

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

The Company has investments that are accounted for using the equity method. The Company does not control the decision making process or business management practices of these affiliates. Accordingly, the Company relies on management of these affiliates to provide it with accurate financial information prepared in accordance with GAAP that the Company uses in the application of the equity method. In addition, the Company relies on audit reports that are provided by the affiliates' independent auditors on the financial statements of such affiliates. The Company is not aware, however, of any errors in or possible misstatements of the financial information provided by its equity affiliates that would have a material effect on the Company's combined financial statements.

New Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued new guidance which revises the accounting for leases. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases. The new guidance also simplifies the accounting for sale and leaseback transactions. The new standard, to be applied via a modified retrospective transition approach, is effective for the Company for fiscal years and interim periods beginning after December 15, 2018, with early adoption permitted. The Company is currently working with Evite to evaluate the impact of the adoption of this new guidance on our combined financial statements, including identifying the population of leases, evaluating technology solutions and collecting lease data.

(3) Assets and Liabilities Measured at Fair Value

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

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

	December 31, 2017			December 31, 2016		
Description	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
			amounts in thousands			
Cash equivalents	$ 570,526	570,526	—	475,812	475,812	—
Available-for-sale securities	$ 1,800,208	1,800,208	—	1,542,791	1,542,791	—
Investment in Liberty Broadband	$ 3,634,786	3,634,786	—	3,161,444	3,161,444	—
Variable Forward	$ 94,807	—	94,807	—	—	—

On June 6, 2017, Liberty Interactive purchased 450,000 LendingTree shares and executed a 2-year variable forward with respect to 642,850 LendingTree shares. The variable forward was executed at the LendingTree closing price on June 6, 2017 of $170.70 per share and has a floor price of $128.03 per share and a cap price of $211.67 per share. The liability associated with this instrument is included in the Other liabilities line item in the combined balance sheets.

The fair value of Level 2 derivative liabilities were derived from a Black-Scholes-Merton model using observable market data as the significant inputs.

Realized and Unrealized Gains (Losses) on Financial Instruments

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

	Years ended December 31,		
	2017	2016	2015
		amounts in thousands	
Fair Value Option Securities—AFS	$ 258,629	547,921	179,699
Fair Value Option Securities—Liberty Broadband	473,342	761,444	NA
Variable Forward	(94,807)	NA	NA
	$ 637,164	1,309,365	179,699

(4) Investments in Available-for-Sale Securities and Other Cost Investments

Investments in AFS securities, the majority of which are considered Fair Value Option Securities and other cost investments, are summarized as follows:

	December 31, 2017	December 31, 2016
	amounts in thousands	
Charter	$ 1,800,208	1,542,791
Other investments	2,856	3,824
	$ 1,803,064	1,546,615

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

The Company's investment in LendingTree is accounted for using the equity method. As of December 31, 2017, the Company's ownership interest in LendingTree was approximately 27%, which represents a market value of $1,097.6 million. The carrying value of the investment in LendingTree was $114.7 milion and $31.5 million as of December 31, 2017 and 2016, respectively. In connection with the variable forward transaction entered into on June 6, 2017, as described in note 3, the Company purchased 450,000 shares of LendingTree for $76.8 million. The Company's share of LendingTree's earnings was $7.0 million, $11.8 million and $2.1 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Investment in Liberty Broadband

On May 18, 2016, Liberty Interactive completed a $2.4 billion investment in Liberty Broadband Series C non-voting shares (for accounting purposes a related party of the Company) in connection with the merger of Charter and TWC. The proceeds of this investment were used by Liberty Broadband to fund, in part, its acquisition of $5 billion of stock in the new public parent company, Charter, of the combined enterprises. Liberty Interactive, along with third party investors, all of whom invested on the same terms as Liberty Interactive, purchased newly issued shares of Liberty Broadband Series C common stock at a per share price of $56.23, which was determined based upon the fair value of Liberty Broadband's net assets on a sum-of-the parts basis at the time the investment agreements were executed (May 2015). Liberty Interactive, as part of the merger described above, exchanged, in a tax-free transaction, its shares of TWC common stock for shares of Charter Class A common stock, on a one-for-one basis, and Liberty Interactive has granted to Liberty Broadband a proxy and a right of first refusal with respect to the shares of Charter Class A common stock held by Liberty Interactive following the exchange.

As of December 31, 2017, the Company has a 23.5% economic ownership interest in Liberty Broadband. Due to overlapping boards of directors and management, the Company has been deemed to have significant influence over Liberty Broadband for accounting purposes, even though the Company does not have any voting rights. The Company has elected to apply the fair value option for its investment in Liberty Broadband (Level 1) as it is believed that investors value this investment based on the trading price of Liberty Broadband. The Company recognizes changes in the fair value of its investment in Liberty Broadband in realized and unrealized gains (losses) on financial instruments, net in the combined statements of operations. Summarized financial information for Liberty Broadband is as follows:

	December 31, 2017	December 31, 2016
	amounts in thousands	
Current assets	$ 84,054	258,419
Investment in Charter, accounted for using the equity method	11,835,613	9,315,253
Other assets	12,122	17,288
Total assets	11,931,789	9,590,960
Long-term debt, including current portion	497,370	598,512
Deferred income tax liabilities	932,593	504,644
Other liabilities	14,925	14,712
Equity	10,486,901	8,473,092
Total liabilities and shareholders' equity	$ 11,931,789	9,590,960

	Years ended December 31, 2017	Years ended December 31, 2016
	amounts in thousands	
Revenue	$ 13,092	30,586
Operating expenses, net	(38,570)	(51,746)
Operating income (loss)	(25,478)	(21,160)
Share of earnings (losses) of affiliates	2,508,991	641,544
Gain (loss) on dilution of investment in affiliate	(17,872)	770,766
Realized and unrealized gains (losses) on financial instruments, net	3,098	94,122
Other income (expense), net	(18,139)	(9,600)
Income tax benefit (expense)	(416,933)	(558,369)
Net earnings (loss)	$ 2,033,667	917,303

(6) Income Taxes

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the **Tax Act**). The Tax Act makes broad and complex changes to the U.S. tax code, including, but not limited to, (1) reducing the U.S. federal corporate tax rate from 35 percent to 21 percent; (2) bonus depreciation that will allow for full expensing of qualified property; (3) creating a new limitation on deductible interest expense; (4) eliminating the corporate alternative minimum tax (**AMT**) and changing how existing AMT credits can be realized; (5) changing rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017; (6) limitations on the deductibility of certain executive compensation; and (7) requiring a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries that is payable over eight years. The SEC issued guidance on accounting for the tax effects of the Tax Act. The Company must reflect the income tax effects of those aspects of the Tax Act for which the accounting is known. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements and the Tax Act provides a measurement period that should not extend beyond one year from the Tax Act enactment date. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply the tax laws that were in effect immediately before the enactment of the Tax Act.

The corporate rate reduction was applied to our inventory of deferred tax assets and deferred tax liabilities which resulted in the net tax benefit in the period ending December 31, 2017. This net tax benefit is a provisional estimate.

The Company, as combined, was included in the federal combined income tax return of Liberty Interactive during the periods presented. The tax provision included in these financial statements has been prepared on a stand-alone basis, as if the Company was not part of the consolidated Liberty group. The taxes payable balance on the date of the HoldCo Split-Off will be eliminated through an equity contribution from Liberty Interactive to the Company.

Income tax benefit (expense) consists of:

	Years ended December 31,		
	2017	2016	2015
	amounts in thousands		
Current:			
Federal	—	—	—
State and local	—	575	1
	—	575	1
Deferred:			
Federal	$ 160,150	(436,260)	(53,479)
State and local	(26,628)	(60,560)	(7,504)
	133,522	(496,820)	(60,983)
Income tax benefit (expense)	$ 133,522	(496,245)	(60,982)

Income tax benefit (expense) differs from the amounts computed by applying the U.S. federal income tax rate of 35% as a result of the following:

	Years ended December 31,		
	2017	2016	2015
	amounts in thousands		
Computed expected tax benefit (expense)	$ (206,862)	(460,885)	(60,092)
State and local income taxes, net of federal income taxes	(17,001)	(38,991)	(4,877)
Dividends received deductions	—	1,969	4,019
Change in valuation allowance affecting tax expense	(384)	—	—
Change in tax rate due to Tax Act	347,979	—	—
Deductible stock compensation	14,116	1,700	—
Other, net	(4,326)	(38)	(32)
Income tax benefit (expense)	$ 133,522	(496,245)	(60,982)

For the year ended December 31, 2017, the most significant reconciling item is a net tax benefit for the effect of the change in the U.S. federal corporate tax rate from 35% to 21% on deferred taxes.

Income tax expense was higher than the U.S. statutory tax rate of 35% in 2016 due to state tax expense related to unrealized gains on the Company's investments. Income tax expense was slightly higher than the U.S. statutory tax rate of 35% in 2015 due to state taxes partially offset by the receipt of taxable dividends that are subject to a dividends received deduction.

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities are presented below:

	December 31,	
	2017	2016
	amounts in thousands	
Deferred tax assets:		
Net operating and capital loss carryforwards	$ 48,898	44,146
Accrued stock compensation	6,999	11,662
Other accrued liabilities	362	527
Other future deductible amounts	63	540
Deferred tax assets	56,322	56,875
Valuation allowance	(433)	(49)
Net deferred tax assets	55,889	56,826
Deferred tax liabilities:		
Investments	697,393	830,894
Intangible assets	1,892	3,024
Other	30	—
Deferred tax liabilities	699,315	833,918
Net deferred tax liabilities	$ 643,426	777,092

During the year ended December 31, 2017, there was a $384 thousand increase in the Company's valuation allowance that affected tax expense.

At December 31, 2017, HoldCo had net operating losses (on a tax effected basis) for income tax purposes aggregating approximately $48.9 million. $45.4 million of these net operating losses are allocable to Liberty Interactive and will be treated as an equity distribution to Liberty Interactive upon completion of the HoldCo Split-Off. Of the remaining $3.5 million of net operating losses, $3.2 million are limited under IRC Section 382 and will begin to expire in 2028 and beyond if not utilized to reduce domestic income tax liabilities in future periods. These net operating losses are expected to be utilized prior to expiration.

As of December 31, 2017, the Company had not recorded tax reserves related to unrecognized tax benefits for uncertain tax positions.

As of December 31, 2017, Liberty Interactive's tax years prior to 2014 are closed for federal income tax purposes, and the Internal Revenue Service (**IRS**) has completed its examination of Liberty Interactive's 2014 tax year. Liberty Interactive's 2015, 2016 and 2017 tax years are being examined currently as part of the IRS's Compliance Assurance Process program. Various states are currently examining Liberty Interactive's prior years' state income tax returns.

(7) Stock-Based Compensation

Liberty Interactive—Incentive Plans

Liberty Interactive has granted to certain directors, officers, employees and consultants of Liberty Interactive stock options to purchase shares of Liberty Ventures common stock pursuant to applicable incentive plans in place at Liberty Interactive. Each holder of an outstanding option to purchase shares of Liberty Ventures common stock on the date of the HoldCo Split-Off (an **original Ventures option award**) will receive a converted option to purchase an equivalent number of shares of the corresponding series of GCI Liberty common stock, at an exercise price equivalent to the original Ventures option award exercise price.

Liberty Interactive—Grants

	Liberty Ventures			
	Series A		Series B	
	Awards (000's)	Grant Date Fair Value	Awards (000's)	Grant Date Fair Value
December 31, 2017				
Granted options(1)(2)	188	$ 16.52	269	$ 15.41
December 31, 2016				
Granted options(1)(2)	114	$ 12.25	209	$ 12.48
December 31, 2015				
Granted options (1)(2)	683	$ 18.10	135	$ 16.94

(1) Options to purchase Series A Liberty Ventures common stock vest between three and five years for employees and in one year for directors.

(2) Options to purchase Series B Liberty Ventures common stock were awarded to the CEO, and cliff vested in their respective grant year for grants made in 2017 and 2016. The grant made in 2015 cliff vested in March 2016.

Liberty Interactive also granted 16 thousand and 13 thousand performance-based restricted stock units of Series B Liberty Ventures common stock during the years ended December 31, 2016 and December 31, 2015, respectively, to the CEO of Liberty Interactive in connection with our CEO's employment agreement. The restricted stock units had a fair value of $38.79 per share and $42.33 per share, respectively. The restricted stock units granted in 2016 cliff vested in one year, subject to the satisfaction of certain performance obligations. The restricted stock units granted in 2015 cliff vested in March 2016 based on an amount determined by the compensation committee.

In connection with the Option Exchange (see below), Liberty Interactive granted 946 thousand and 1.1 million options to purchase shares of Series A Liberty Ventures common stock and Series B Liberty Ventures common stock, respectively. Such options had an incremental weighted average GDFV of $8.53 and $6.94, respectively.

During the fourth quarter of 2017, Liberty Interactive entered into a series of transactions with certain of its officers, associated with certain outstanding stock options, in order to recognize tax deductions in the current year versus future years (the **Option Exchange**). On December 26, 2017 (the **Grant Date**), pursuant to the approval of the Compensation Committee of its Board of Directors, Liberty Interactive effected the acceleration of (i) each unvested in-the-money option to acquire shares of LVNTA and (ii) each unvested in-the-money option to acquire shares of LVNTB, in each case, held by certain of its officers (collectively, the **Eligible Optionholders**). Following this acceleration, also on the Grant Date, each Eligible Optionholder exercised, on a net settled basis, all of his outstanding in-the-money vested and unvested options to acquire LVNTA shares and LVNTB shares (the **Eligible Options**), and:

- with respect to each vested Eligible Option, Liberty Interactive granted the Eligible Optionholder a vested new option with substantially the same terms and conditions as the exercised vested Eligible Option, except that the exercise price for the new option is, in the case of options to acquire shares of LVNTA, the closing price on the Grant Date per LVNTA share, as applicable, and, in the case of options to acquire shares of LVNTB, the fair market value on the Grant Date of the LVNTB shares as determined pursuant to the incentive plan under which the awards were granted; and

- with respect to each unvested Eligible Option:

  - in satisfaction of the exercise, on a net settled basis, of the unvested Eligible Options, Liberty Interactive granted the Eligible Optionholder a number of restricted LVNTA or LVNTB shares (the **Restricted Shares**) with a vesting schedule identical to that of the unvested Eligible Options so exercised, and the Eligible Optionholder made an election under Section 83(b) of the Internal Revenue Code with respect to such Restricted Shares; and

  - Liberty Interactive granted the Eligible Optionholder a new option (the **Unvested New Option**) to acquire the same series of common stock and with substantially the same terms and conditions, including with respect to vesting and expiration, as the unvested Eligible Option exercised as set forth above, except that the number of LVNTA or LVNTB shares subject to such Unvested New Option is equal to the number of shares subject to the unvested Eligible Option minus the number of Restricted

Shares received upon exercise of such unvested Eligible Option. The exercise price of such new option is, in the case of a LVNTA option, the closing price on the Grant Date per share of LVNTA, or, in the case of a LVNTB option, the fair market value on the Grant Date of the LVNTB shares as determined pursuant to the incentive plan under which the Unvested New Options were granted.

The Option Exchange was considered a modification under ASC 718 — Stock Compensation, with the following impacts on compensation expense. The unamortized value of the unvested Eligible Options that were exercised, which was $13.5 million for LVNTA and LVNTB combined, will be expensed over the vesting period of the Restricted Shares attributable to the exercise of those options. The grant of new vested options resulted in incremental compensation expense in the fourth quarter of 2017 of $9.2 million for LVNTA and LVNTB combined. The grant of Unvested New Options resulted in incremental compensation expense totaling $6.4 million for LVNTA and LVNTB combined, which will be amortized over the vesting periods of those options.

Liberty Interactive has calculated the grant-date fair value for all of its equity classified awards using the Black-Scholes-Merton Model. Liberty Interactive estimates the expected term of the Awards based on historical exercise and forfeiture data. For grants made in 2017, 2016 and 2015, the range of expected terms was 2.0 to 6.7 years. The volatility used in the calculation for Awards is based on the historical volatility of Liberty Interactive's stocks and the implied volatility of publicly traded Liberty Interactive options. Liberty Interactive uses a zero dividend rate and the risk-free rate for Treasury Bonds with a term similar to that of the subject options.

The following table presents the range of volatilities used by Liberty Interactive in the Black-Scholes-Merton Model for the 2017, 2016 and 2015 Liberty Ventures grants.

	Volatility
2017 grants	
Liberty Ventures options	25.9% - 28.9%
2016 grants	
Liberty Ventures options	30.6% - 30.6%
2015 grants	
Liberty Ventures options	30.6% - 42.4%

Liberty Interactive—Outstanding Awards

The following table presents the number and weighted average exercise price (**WAEP**) of the Awards to purchase Liberty Ventures common stock granted to certain officers, employees and directors of Liberty Interactive, as well as the weighted average remaining life and aggregate intrinsic value of the Awards.

	Liberty Ventures							
	Series A				Series B			
	Awards (000's)	WAEP	Weighted average remaining life	Aggregate intrinsic value (in thousands)	Awards (000's)	WAEP	Weighted average remaining life	Aggregate intrinsic value (in thousands)
Outstanding at January 1, 2017	1,974	$ 22.18			987	$ 35.02		
Granted	188	$ 55.42			269	$ 52.39		
Exercised	(451)	$ 16.69			—	$ —		
Forfeited/Cancelled	(12)	$ 38.50			—	$ —		
Option Exchange, Exercised	(975)	$ 20.99			(1,256)	$ 38.74		
Option Exchange, Granted	946	$ 55.96			1,080	$ 56.38		
Outstanding at December 31, 2017	1,670	$ 47.12	2.6 years	$ 13,808	1,080	$ 56.38	4.7 years	$ —
Exercisable at December 31, 2017	1,273	$ 47.45	2.0 years	$ 10,268	443	$ 56.38	2.0 years	$ —

As of December 31, 2017, the total unrecognized compensation cost related to unvested Liberty Interactive Awards was approximately $24.2 million. Such amount will be recognized in the combined statements of operations over a weighted average period of approximately 1.6 years.

Liberty Interactive—Exercises

The aggregate intrinsic value of all options exercised during the years ended December 31, 2017, 2016 and 2015 was $15.6 million, $6.6 million and $25.5 million, respectively.

Liberty Interactive—Restricted Stock

Liberty Interactive had approximately 252 thousand unvested restricted shares of Liberty Ventures common stock held by certain directors, officers and employees of Liberty Interactive as of December 31, 2017. These Series A and Series B unvested restricted shares of Liberty Ventures had a weighted average grant-date fair value of $50.46 per share.

The aggregate fair value of all restricted shares of Liberty Interactive common stock that vested during the years ended December 31, 2017, 2016 and 2015 was $2.3 million, $1.3 million and $3.5 million, respectively.

(8) Commitments and Contingencies

Operating Leases

Liberty Interactive leases business offices and uses certain equipment under lease arrangements. Rental expense under such arrangements amounted to $1.7 million, $1.1 million and $1.7 million for the years ended December 31, 2017, 2016 and 2015, respectively. A summary of future minimum lease payments under noncancelable operating leases as of December 31, 2017 follows (amounts in thousands):

Years ending December 31:		
2018	$	951
2019	$	953
2020	$	922
2021	$	793
2022	$	352
Thereafter	$	—

It is expected that in the normal course of business, leases that expire generally will be renewed or replaced by leases on other properties; thus, it is anticipated that future lease commitments will not be less than the amount shown for 2017.

Litigation

Liberty Interactive has contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. Although it is reasonably possible Liberty Interactive may incur losses upon conclusion of such matters, an estimate of any loss or range of loss cannot be made. In the opinion of management, it is expected that amounts, if any, which may be required to satisfy such contingencies will not be material in relation to the accompanying combined financial statements.

(9) Information About the Company's Operating Segments

The Company, through its interests in subsidiaries and other companies, is primarily engaged in the on-line commerce and broadband communications services industries. The Company identifies its reportable segments as (A) those combined companies that represent 10% or more of its combined annual revenue, annual Adjusted OIBDA or total assets and (B) those equity method affiliates whose share of earnings represent 10% or more of the Company's annual pre-tax earnings. The segment presentation for prior periods has been conformed to the current period segment presentation.

The Company evaluates performance and makes decisions about allocating resources to its operating segments based on financial measures such as revenue, Adjusted OIBDA, gross margin, average sales price per unit, number of units shipped and revenue or sales per customer equivalent. In addition, the Company reviews nonfinancial measures such as unique website visitors, conversion rates and active customers, as appropriate.

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

For the year ended December 31, 2017, the Company has identified the following subsidiary as its reportable segment:

- Evite—a wholly owned subsidiary, that provides an online invitation and social event planning service on the Web. Evite offers a free private sharing feed in every invitation that allows users to share photos and conversations before, during and after an event. Evite also provides free thank you notes, instant gifting, one-click donations and video content.

For presentation purposes the Company is providing financial information for Liberty Broadband. While the Company's equity method investment in Liberty Broadband does not meet the reportable segment threshold defined above, the Company believes that the inclusion of such information is relevant to users of these financial statements.

- Liberty Broadband—an equity method affiliate of the Company, accounted for at fair value, that has a non-controlling interest in Charter, and a wholly-owned subsidiary, Skyhook Wireless, Inc. (**Skyhook**). Charter is the second largest cable operator in the United States and a leading broadband communications services company providing video, Internet and voice services. Skyhook provides a Wi-Fi based location platform focused on providing positioning technology and contextual location intelligence solutions.

Liberty Interactive's operating segments are strategic business units that offer different products and services. They are managed separately because each segment requires different technologies, distribution channels and marketing strategies. The accounting policies of the segments that are also combined subsidiaries are the same as those described in the Company's summary of significant accounting policies.

Performance Measures

	Years ended December 31,					
	2017		2016		2015	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
	amounts in thousands					
Evite	$ 23,817	1,187	22,552	1,548	20,307	784
Liberty Broadband	13,092	(16,416)	30,586	(11,442)	NA	NA
Corporate and other	—	(26,949)	—	(17,611)	—	(15,795)
	36,909	(42,178)	53,138	(27,505)	20,307	(15,011)
Eliminate equity method affiliate	(13,092)	16,416	(30,586)	11,442	NA	NA
	$ 23,817	(25,762)	22,552	(16,063)	20,307	(15,011)

Other Information

	December 31, 2017			December 31, 2016		
	Total assets	Investments in affiliates	Capital expenditures	Total assets	Investments in affiliates	Capital expenditures
	amounts in thousands					
Evite	$ 42,982	—	3,488	44,409	—	2,642
Liberty Broadband	11,931,789	11,835,613	70	9,590,960	9,315,253	267
Corporate and other	6,129,231	114,655	—	5,256,367	31,493	—
	18,104,002	11,950,268	3,558	14,891,736	9,346,746	2,909
Eliminate equity method affiliate	(11,931,789)	(11,835,613)	(70)	(9,590,960)	(9,315,253)	(267)
	$ 6,172,213	114,655	3,488	5,300,776	31,493	2,642

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

	Years ended December 31,		
	2017	2016	2015
	amounts in thousands		
Combined segment Adjusted OIBDA	$ (25,762)	(16,063)	(15,011)
Stock-based compensation	(26,583)	(16,128)	(11,024)
Depreciation and amortization	(3,252)	(2,964)	(2,499)
Operating income	(55,597)	(35,155)	(28,534)
Share of earnings (loss) of affiliates, net	7,001	11,831	2,142
Realized and unrealized gains (losses) on financial instruments, net	637,164	1,309,365	179,699
Gains (losses) on transactions, net	6	(1,100)	—
Other, net	2,461	31,873	18,385
Earnings (loss) from continuing operations before income taxes	$ 591,035	1,316,814	171,692

GCI Liberty

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OUR ENVIRONMENT

GCI Liberty believes in working to keep our environment cleaner and healthier. We are proud to have our headquarters overlooking the Colorado Rockies. Every day, GCI Liberty takes steps to preserve the natural beauty of the surroundings that we are privileged to enjoy.

▸ Combined with your adoption of electronic delivery of proxy materials, we can ideally reduce the impact on the environment by:

Using approximately 56 fewer tons of wood, or 357 fewer trees

Using approximately 490 million fewer BTUs, or the equivalent of the amount of energy used by 6 homes for one full year

CO_2

Using approximately 84,513 fewer pounds of greenhouse gases, including carbon dioxide, or the equivalent of 8 automobiles running for one year

Saving approximately 341,479 gallons of water, or the equivalent of approximately 13 swimming pools

Saving approximately 29,296 pounds of solid waste

Reducing hazardous air pollutants by approximately 42 pounds

Environmental impact estimates calculated using the Environmental Paper Network Paper Calculator. For more information visit www.papercalculator.org.

2018 ANNUAL MEETING OF STOCKHOLDERS

Monday, June 25, 2018

8:00 a.m. Local time

Corporate Offices of GCI Liberty, Inc.
12300 Liberty Boulevard
Englewood, Colorado 80112