GCI, LLC AND SUBSIDIARIES

Consolidated Financial Statements
as of and for the years ended
December 31, 2021 and 2020

GCI, LLC AND SUBSIDARIES
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Management's Discussion and Analysis and Results of Operations

The following discussion and analysis provides information concerning our results of operations and financial condition. This discussion should be read in conjunction with our accompanying consolidated financial statements and the notes thereto.

Overview

GCI, LLC (the "Company") is currently comprised of one operating entity, GCI Holdings, LLC ("GCI Holdings"), as well as other assets and liabilities. It was previously comprised of another operating entity, Evite, Inc. ("Evite") (until Evite was sold on September 14, 2020), as well as equity interests in Liberty Broadband Corporation ("Liberty Broadband") (until Liberty Broadband was distributed to parent on December 21, 2020), Charter Communications, Inc. ("Charter") (until Charter was distributed to parent on February 16, 2021), and LendingTree, Inc. ("LendingTree") (until LendingTree was distributed to parent on November 16, 2020).

GCI, LLC is an indirect wholly-owned subsidiary of Liberty Broadband as of December 31, 2021 as a result of the merger between GCI, LLC's former parent, GCI Liberty, Inc. ("GCI Liberty"), and Liberty Broadband that was completed on December 18, 2020. Pursuant to the Agreement and Plan of Merger, dated as of August 6, 2020, entered into by GCI Liberty, Liberty Broadband, Grizzly Merger Sub 1, LLC, a wholly owned subsidiary of Liberty Broadband ("Merger LLC"), and Grizzly Merger Sub 2, Inc., a wholly owned subsidiary of Merger LLC ("Merger Sub"), Merger Sub merged with and into GCI Liberty (the "First Merger"), with GCI Liberty surviving the First Merger as an indirect wholly owned subsidiary of Liberty Broadband (the "Surviving Corporation"), and immediately following the First Merger, GCI Liberty (as the Surviving Corporation in the First Merger) merged with and into Merger LLC (the "Upstream Merger", and together with the First Merger, the "Combination"), with Merger LLC surviving the Upstream Merger as a wholly owned subsidiary of Liberty Broadband. GCI, LLC's sole member is Grizzly Merger Sub 1, LLC.

Subsequent to December 31, 2020, GCI, LLC has elected to apply pushdown accounting in these consolidated financial statements. Accordingly, these consolidated financial statements have been recast retrospectively and prepared to account for the acquisition of its former parent company by Liberty Broadband as of the date of the Combination. In order to delineate between the "predecessor" and "successor" periods, we have included a black-line between such periods throughout management's discussion and analysis and results of operations. Because of the application of pushdown accounting, the Company's consolidated statements of operations and cash flows are not comparable between the predecessor and successor periods.

Update on Economic Conditions

GCI Holdings offers wireless and wireline telecommunication services, data services, video services, and managed services to customers primarily throughout Alaska. Because of this geographic concentration, growth of GCI Holdings' business and operations depends upon economic conditions in Alaska. In December 2019, Chinese officials reported a novel coronavirus outbreak ("COVID-19"). COVID-19 has since spread through China and internationally. On March 11, 2020, the World Health Organization assessed COVID-19 as a global pandemic, causing many countries throughout the world to take aggressive actions, including imposing travel restrictions and stay-at-home orders, closing public attractions and restaurants, and mandating social distancing practices, which has caused a significant disruption to most sectors of the economy.

Although the COVID-19 pandemic has significantly impacted Alaska, GCI Holdings has continued to deliver services uninterrupted by the pandemic and expects to be able to continue to respond to the increase in network activity. As a major provider of Internet services in Alaska, GCI Holdings believes it plays an instrumental role in enabling social distancing through telecommuting and e-learning across the state and remains focused on its service to customers, as well as the health and safety of its employees and customers.

The majority of GCI Holdings' workforce has transitioned to working at home full time and it expects to keep those employees working from home through at least May 2022.

GCI Holdings cannot predict the ultimate impact of COVID-19 on its business, including the depth and duration of the economic impact to its customers' ability to pay for products and services including the impact of extended unemployment benefits and other stimulus packages and what assistance may be provided to its customers. There is a risk that GCI Holdings' accounts receivable and bad debt expense will increase substantially due to the economic impact of the COVID-19 pandemic. In addition, there is uncertainty regarding the impact of government emergency declarations, the ability of suppliers and vendors to provide products and services to GCI Holdings and the risk of limitations on the deployment and maintenance of its services.

The Alaska economy is dependent upon the oil industry, state and federal spending, investment earnings and tourism. A decline in oil prices would put significant pressure on the Alaska state government budget. Although the Alaska state government has significant reserves that GCI Holdings believes will help fund the state government for the next couple of years, major structural budgetary reforms will be required in order to offset the impact of the COVID-19 pandemic and a decline in oil prices. Although GCI Holdings cannot predict the long-term impact COVID-19 will have on these sectors of the Alaska economy, adverse circumstances in these industries may have an adverse impact on the demand for its products and services and on its results of operations and financial condition.

The Alaska economy is in a recession that started in late 2015 and has continued as a result of the COVID-19 pandemic. While it is difficult for GCI Holdings to predict the future impact of a renewed or continuing recession on its business, these conditions have had an adverse impact on its business and could adversely affect the affordability of and demand for some of its products and services and cause customers to shift to lower priced products and services or to delay or forgo purchases of its products and services. Additionally, GCI Holdings' customers may not be able to obtain adequate access to credit, which could affect their ability to make timely payments to GCI Holdings. If that were to occur, GCI Holdings could be required to increase its allowance for credit losses, and the number of days outstanding for its accounts receivable could increase. If the recession continues, it could negatively affect GCI Holdings' business including its financial position, results of operations, or liquidity, as well as its ability to service debt and pay other obligations.

Rural Health Care ("RHC") Program

GCI Holdings receives support from various Universal Service Fund ("USF") programs including the RHC Program. The USF programs are subject to change by regulatory actions taken by the Federal Communications Commission ("FCC"), interpretations of or compliance with USF program rules, or legislative actions. Changes to any of the USF programs that GCI Holdings participates in could result in a material decrease in revenue and accounts receivable, which could have an adverse effect on GCI Holdings' business and the Company's financial position, results of operations or liquidity. The following paragraphs describe certain separate matters related to the RHC Program that impact or could impact the revenue earned and receivables recognized by the Company. As of December 31, 2021, the Company had net accounts receivable from the RHC Program in the amount of approximately $120 million, which is included within Trade and other receivables in the consolidated balance sheets.

<u>FCC Rate Reduction.</u> In November 2017, the Universal Service Administrative Company ("USAC") requested further information in support of the rural rates charged to a number of GCI Holdings' RHC customers in connection with the funding requests for the year that runs July 1, 2017 through June 30, 2018. On October 10, 2018, GCI Holdings received a letter from the FCC's Wireline Competition Bureau ("Bureau") notifying it of the Bureau's decision to reduce the rural rates charged to RHC customers for the funding year that ended on June 30, 2018 by approximately 26% resulting in a reduction of total support payments of $28 million. The FCC also informed GCI Holdings that the same cost methodology used for the funding year that ended on June 30, 2018 would be applied to rates charged to RHC customers in subsequent funding years. In response to the Bureau's letter, GCI Holdings filed an Application for Review with the FCC.

On October 20, 2020, the Bureau issued two separate letters approving the cost-based rural rates GCI Holdings historically applied when recognizing revenue for services provided to its RHC customers for the funding years that ended on June 30, 2019 and June 30, 2020. GCI Holdings collected approximately $175 million in accounts receivable relating to these two funding years during the year ended December 31, 2021. GCI Holdings also filed an Application for Review of these determinations. Subsequently, GCI identified rates for similar services provided by a competitor that would justify higher rates for certain GCI satellite services in the funding years that ended on June 30, 2018, June 30, 2019, and June 30, 2020. GCI submitted that information to the Bureau on September 7, 2021. The Applications for Review remain pending.

On June 25, 2020, GCI Holdings submitted cost studies with respect to a number of its rates for services provided to its RHC customers for the funding year ended June 30, 2021, which require approval by the Bureau. GCI Holdings further updated those studies on November 12, 2020, to reflect the completion of the bidding season for that funding year. On May 24, 2021, the FCC approved the cost studies submitted by GCI Holdings for the funding year ended June 30, 2021. Subsequently, on August 16, 2021, GCI submitted a request for approval of rates for 17 additional sites, which remains pending.

RHC Program Funding Cap. The RHC program has a funding cap for each individual funding year that is annually adjusted for inflation, and which the FCC can increase by carrying forward unused funds from prior funding years. In recent years, including the current year, this funding cap has not limited the amount of funding received by participants; however, management continues to monitor the funding cap and its potential impact on funding in future years.

Enforcement Bureau and Related Inquiries. On March 23, 2018, GCI Holdings received a letter of inquiry and request for information from the Enforcement Bureau of the FCC relating to the period beginning January 1, 2015 and including all future periods, to which it is in the process of responding. This includes inquiry into the rates charged by GCI Holdings, and presently it is unable to assess the ultimate outcome of this rate inquiry. Other aspects related to the Enforcement Bureau's review of GCI Holdings' compliance with program rules are discussed separately below. The ongoing uncertainty in program funding, as well as the uncertainty associated with the rate review, could have an adverse effect on its business, financial position, results of operations or liquidity.

In the fourth quarter of 2019, GCI Holdings became aware of potential RHC Program compliance issues related to certain of GCI Holdings' currently active and expired contracts with certain of its RHC customers. The Company and its external experts performed significant and extensive procedures to determine whether GCI Holdings' currently active and expired contracts with its RHC customers would be deemed to be in compliance with the RHC Program rules. GCI Holdings notified the FCC of the potential compliance issues in the fourth quarter of 2019.

On May 28, 2020, GCI Holdings received a second letter of inquiry from the Enforcement Bureau in the same matter noted above. This second letter, which was in response to a voluntary disclosure made by GCI Holdings to the FCC, extended the scope of the original inquiry to also include various questions regarding compliance with the records retention requirements related to the (i) original inquiry and (ii) RHC Program.

On December 17, 2020, GCI Holdings received a Subpoena Duces Tecum from the FCC's Office of the Inspector General requiring production of documents from January 1, 2009 to the present related to a single RHC customer and related contracts, information regarding GCI Holdings' determination of rural rates for a single customer, and to provide information regarding persons with knowledge of pricing practices generally.

On April 21, 2021, representatives of the Department of Justice ("DOJ") informed GCI Holdings that a qui tam action has been filed in the Western District of Washington arising from the subject matter under review by the Enforcement Bureau. The DOJ is investigating whether GCI Holdings submitted false claims and/or statements in connection with GCI's participation in the FCC's RHC Program. On July 14, 2021, the DOJ issued a Civil Investigative Demand with regard to the qui tam action.

GCI Holdings continues to work with the FCC and the DOJ to resolve all enforcement inquiries discussed above. With respect to the ongoing inquiries from the FCC's Enforcement Bureau and the FCC's Office of the Inspector General, GCI Holdings recognized a liability of approximately $12 million in 2019 for contracts that were deemed probable of not complying with the RHC Program rules. GCI Holdings also identified certain contracts where additional loss was reasonably possible and such loss could range from zero to $44 million. An accrual was not made for the amount of the reasonably possible loss in accordance with the applicable accounting guidance. GCI Holdings could also be assessed fines and penalties but such amounts could not be reasonably estimated. With respect to the ongoing inquiries from the DOJ regarding the qui tam action, the Company is unable to assess the ultimate outcome of this action given the confidentiality of the qui tam process and is unable to determine whether any type of fine or penalty would ultimately be assessed as is permitted under the applicable law.

Revision of Support Calculations. On August 20, 2019, the FCC released an order changing the manner in which support issued under the RHC Program will be calculated and approved. Some of these changes will become effective beginning with the funding year ended June 30, 2021, while others will apply beginning with the funding year ending June 30, 2022. On October 21, 2019, GCI Holdings appealed the order to the United States Court of Appeals for the District of Columbia Circuit. On December 6, 2019, that appeal was held in abeyance for nine months due to pending Petitions for Reconsideration filed by other parties at the FCC and on September 25, 2020, the period of abeyance was extended through March 8, 2021. At the direction of the FCC, USAC has released a database that purports to determine a median rate which will cap the amount of support available for each service sold under the program, starting in the funding year ending June 30, 2022. GCI Holdings has sought FCC review of various aspects of the database implementation. On September 30, 2020, USAC released a refreshed version of the database incorporating limited changes submitted by interested parties. On January 19, 2021, the Bureau issued an Order that waives the requirement to use the database for health care providers in Alaska for the two funding years ending June 30, 2022 and June 30, 2023. The Order requires GCI Holdings to determine its rural rates based on previously approved rates or under reinstitution of the rules currently in effect through the funding year ended on June 30, 2021. On April 8, 2021, the Bureau issued an Order further extending the January 19, 2021 waiver to carriers nationwide and eliminating the ability or requirement to use the database to establish the healthcare provider payments for services subsidized by the RHC Telecom Program.

Results of Operations - Consolidated

General. We provide information regarding our consolidated operating results and other income and expenses, as well as information regarding the contribution to those items from our operating segments in the tables below. The "Corporate and other" category consists of those assets or businesses which do not qualify as a significant operating segment. For a more detailed discussion and analysis of the financial results of GCI Holdings, see "Results of Operations-GCI Holdings" below. For comparative purposes, we are calculating our variances by comparing the year ended December 31, 2021 (successor) to the aggregated year ended December 31, 2020, which is the sum of the period from January 1, 2020 to December 18, 2020 (predecessor) and the period from December 19, 2020 to December 31, 2020 (successor). This is for comparative purposes only and does not purport to represent what the results of GCI, LLC would have been if it were a wholly owned subsidiary of Liberty Broadband for the periods presented or to project the results of operations for GCI, LLC for any future periods.

Operating Results

	Successor		Predecessor
	Year ended December 31, 2021	December 19. 2020 to December 31, 2020	January 1, 2020 to December 18, 2020
		amounts in millions	
Revenue			
GCI Holdings	$ 970	34	915
Corporate and other	—	—	9
Consolidated	$ 970	34	924
Operating Income (Loss)			
GCI Holdings	$ 72	(5)	83
Corporate and other	(7)	(1)	(47)
Consolidated	$ 65	(6)	36
Adjusted OIBDA			
GCI Holdings	$ 354	10	333
Corporate and other	—	(1)	(39)
Consolidated	$ 354	9	294

Revenue. Consolidated revenue increased $12 million for the year ended December 31, 2021, as compared to the corresponding prior year period. The increase is primarily due to an increase of $21 million at GCI Holdings in 2021, as compared to the prior periods. See "Results of Operations-GCI Holdings, LLC" below for a more complete discussion of the results of operations of GCI Holdings. Corporate and other revenue decreased $9 million for the year ended

December 31, 2021, as compared to the corresponding prior year period. The decrease was due to the sale of Evite in September 2020.

Operating Income (Loss). Consolidated operating income increased $35 million for the year ended December 31, 2021, as compared to the corresponding prior year period. The decrease in operating losses for corporate and other improved $41 million for the year ended December 31, 2021, as compared to the corresponding prior year period. The decreases in operating loss was due to the sale of Evite in September 2020, which had operating losses in 2020.

Operating income was also impacted by a $6 million decrease in operating income for GCI Holdings in 2021. See "Results of Operations-GCI Holdings, LLC" below for a more complete discussion of the results of operations of GCI Holdings.

Stock-based compensation. Prior to the Combination, stock based compensation included compensation related to restricted shares of GCI Liberty's common stock and preferred stock, restricted stock units with respect to GCI Liberty's common stock, and options to purchase shares of GCI Liberty's common stock granted to certain directors, employees, and employees of its subsidiaries. In connection with the Combination at the close of business on December 18, 2020, all outstanding GCI Liberty Awards were converted to Liberty Broadband Awards. The conversion of such awards was considered a modification under ASC 805 – *Business Combinations*. A portion of the fair value of the converted award was attributed to the consideration paid in the acquisition. The remaining portion of the fair value will be recognized in the consolidated financial statements over the remaining vesting period of each individual award. We recorded $22 million, $1 million and $16 million of stock compensation expense for the year ended December 31, 2021 (successor), the period from December 19, 2020 through December 31, 2020 (successor) and the period from January 1, 2020 through December 18, 2020 (predecessor), respectively. The increase in stock compensation expense for the year ended December 31, 2021 is the result of incremental compensation recorded related to purchase price accounting. See "Results of Operations-GCI Holdings, LLC" below for a more complete discussion of the results of operations of GCI Holdings. As of December 31, 2021, the total unrecognized compensation cost related to unvested options and restricted stock was approximately $12 million and $8 million, respectively. Such amounts will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 1.7 years and 1.3 years, respectively.

Adjusted OIBDA. To provide investors with additional information regarding our financial results, the Company also discloses Adjusted OIBDA, which is a non-GAAP financial measure. The Company defines Adjusted OIBDA as operating income (loss) plus depreciation and amortization, stock-based compensation, transaction costs, separately reported litigation settlements, insurance proceeds, restructuring and impairment charges. The Company's chief operating decision maker and management team use this measure of performance in conjunction with other measures to evaluate our businesses and make decisions about allocating resources among our businesses. The Company believes this is an important indicator of the operational strength and performance of its businesses by identifying those items that are not directly a reflection of each business' performance or indicative of ongoing business trends. In addition, this measure allows management to view operating results, perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. 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 U.S. generally accepted accounting principles. The following table provides a reconciliation of operating income (loss) to Adjusted OIBDA:

	Successor		Predecessor
	Year ended December 31, 2021	December 19. 2020 to December 31, 2020	January 1, 2020 to December 18, 2020
		amounts in millions	
Operating income (loss)	$ 65	(6)	36
Depreciation and amortization	267	14	242
Stock-based compensation	22	1	16
Adjusted OIBDA	$ 354	9	294

Consolidated Adjusted OIBDA increased $51 million during the year ended December 31, 2021, as compared to the corresponding prior year period, due to the items discussed above. See “Results of Operations-GCI Holdings, LLC” below for a more complete discussion of the results of operations of GCI Holdings.

Other Income and Expense

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

	Successor		Predecessor
	Year ended December 31, 2021	December 19. 2020 to December 31, 2020	January 1, 2020 to December 18, 2020
		amounts in millions	
Other income (expense):			
Interest expense	$ (44)	(2)	(112)
Share of earnings (losses) of affiliates	—	—	(15)
Realized and unrealized gains (losses) on financial instruments, net	(258)	51	902
Gain (loss) on early extinguishment of debt	—	—	(25)
Other, net	15	1	(1)
	$ (287)	50	749

Interest Expense. Consolidated interest expense decreased $70 million during the year ended December 31, 2021, as compared to the corresponding prior year period. The decrease in 2021 was primarily due to lower debt balances, including the full repayment of the Margin Loan Facility as a result of the Combination and lower amounts outstanding on the Senior Credit Facility (as defined in note 9 of the accompanying consolidated financial statements). See Schedule I for a reconciliation of the net assets and net earnings of GCI, LLC excluding the Liberty Subsidiaries under and as defined in the Senior Credit Facility and Indenture for the 4.750% Senior Notes Due 2028.

Share of earnings (losses) of affiliates, net. Share of earnings (losses) of affiliates, net decreased $15 million during the year ended December 31, 2021, as compared to the corresponding prior year period. The losses in 2020 related primarily to our losses from LendingTree, which was distributed to parent on November 16, 2020.

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

	Successor		Predecessor
	Year ended December 31, 2021	December 19. 2020 to December 31, 2020	January 1, 2020 to December 18, 2020
		amounts in millions	
Equity securities	$ (258)	51	895
Derivative instruments	—	—	7
	$ (258)	51	902

The changes in these accounts are primarily due to market factors and changes in the fair value of the underlying stocks or financial instruments to which they are related. The increase in unrealized loss during 2021, as compared to the corresponding prior year period, was primarily driven by the distribution of the Company’s stake in LendingTree to parent on November 16, 2020, which included the gain on the forward sale contract included in the realized and unrealized gains (losses) on financial instruments, net during 2020. The increase in the unrealized loss also related to changes in the fair value of our investment in Charter, which was last marked to fair value on February 16, 2021, the date of the distribution of the Charter investment to parent through a restructuring.

Income taxes. Earnings (losses) before income taxes and income tax (expense) benefit are as follows:

	Successor		Predecessor
	Year ended December 31, 2021	December 19. 2020 to December 31, 2020	January 1, 2020 to December 18, 2020
	amounts in millions		
Earnings (loss) before income taxes	$ (222)	44	785
Income tax (expense) benefit	36	(9)	(226)
Effective income tax rate	16%	21%	29%

For the year ended December 31, 2021 (successor), the income tax benefit was lower than the expected federal tax expense primarily due to state income taxes and non-deductible executive compensation, partially offset by tax deductible equity compensation.

For the period from December 19, 2020 to December 31, 2020 (succesor) the income tax expense was effectively the same as the U.S. federal income tax rate.

For the period from January 1, 2020 to December 18, 2020 (predecessor), the income tax expense in excess of expected federal tax expense was primarily due to state income taxes.

Earnings (loss) from discontinued operations, net of taxes. The Company's investment in Liberty Broadband was distributed to parent on December 21, 2020. Accordingly, the consolidated financial statements of GCI, LLC have been prepared to reflect the investment in Liberty Broadband as discontinued operations. The impact to earnings (loss) from discontinued operations, net of taxes relates to the unrealized gains (losses) recorded on the Company's investment in Liberty Broadband, net of the impacts of income taxes during the predecessor period from January 1, 2020 to December 18, 2020. See note 5 to the accompanying consolidated financial statements for more information.

Net earnings (loss). The Company had net losses of $186 million and net earnings of $35 million and $1,560 million for the year ended December 31, 2021 (successor), the period from December 19, 2020 through December 31, 2020 (successor) and the period from January 1, 2020 through December 18, 2020 (predecessor), respectively. The change in net earnings (losses) was the result of the above-described fluctuations in our revenue, expenses, and other income and expenses.

Results of Operations - GCI Holdings, LLC

As described in notes 1 and 4 to the accompanying consolidated financial statements, Liberty Broadband acquired GCI Holdings in the Combination on December 18, 2020. For comparison and discussion purposes the Company is presenting (a) the results of GCI Holdings for the year ended December 31, 2021 as included in the consolidated financial statements of the Company and (b) the actual historical results of GCI Holdings for the year ended December 31, 2020. The most significant effect of acquisition accounting is an increase to depreciation and amortization as compared to prior periods as a result of an increase in fair values of depreciable and amortizable assets. The financial information below is presented voluntarily and does not purport to represent what the results of operations of GCI Holdings would have been if it were a wholly owned subsidiary of Liberty Broadband for the periods presented or to project the results of operations of GCI Holdings for any future periods.

GCI Holdings provides a full range of wireless, data, video, voice, and managed services to residential, businesses, governmental entities, and educational and medical institutions primarily in Alaska. The following table highlights selected key performance indicators used in evaluating GCI Holdings.

	December 31,	
	2021	2020
Consumer		
Wireless:		
Revenue generating wireless lines in service[1]	185,200	176,900
Non-revenue generating wireless lines in service[2]	1,000	2,200
Wireless lines in service	186,200	179,100
Data:		
Cable modem subscribers[3]	151,900	140,600
Video:		
Basic subscribers[4]	54,300	74,300
Voice:		
Total local access lines in service[5]	33,000	36,600

[1] A revenue generating wireless line in service is defined as a wireless device with a monthly fee for services.

[2] A non-revenue generating wireless line in service is defined as a data-only line with no monthly fee for services.

[3] 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.

[4] A basic subscriber is defined by the purchase of basic video service.

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

GCI Holdings' operating results for the years ended December 31, 2021 and 2020 are as follows:

	Years ended December 31,	
	2021	2020
	amounts in millions	
Revenue	$ 970	949
Operating expenses (excluding stock-based compensation included below):		
Operating expense	(272)	(271)
Selling, general and administrative expenses	(344)	(333)
Adjusted OIBDA	354	345
Stock-based compensation	(16)	(10)
Depreciation and amortization	(266)	(248)
Operating income (loss)	$ 72	87

Revenue

The components of revenue are as follows:

	Years ended December 31,	
	2021	2020
	amounts in millions	
Consumer		
Wireless	$ 184	171
Data	214	188
Video	71	91
Voice	15	15
Business		
Wireless	74	89
Data	368	339
Video	3	12
Voice	41	44
Total revenue	$ 970	949

Consumer wireless revenue increased $13 million for the year ended December 31, 2021, as compared to the corresponding prior year period. The increase in 2021 was primarily due to increased plan service fee revenue of $9 million driven by an increase in the number of subscribers and subscribers' selection of plans with higher recurring monthly charges that offer higher usage limits. Additionally, equipment and accessories sales revenue increased $5 million, driven by an increase in the number of handsets sold in 2021.

Consumer data revenue increased $26 million for the year ended December 31, 2021, as compared to the corresponding prior year period. The increase in 2021 was driven by increases in the number of subscribers and the subscribers' selection of plans with higher recurring monthly charges that offer higher speeds and higher usage limits.

Consumer video revenue decreased $20 million for the year ended December 31, 2021, as compared to the corresponding prior year period. The decrease in 2021 was due to a $15 million decrease in plan service fee revenue driven by a decrease in the number of subscribers. Additionally, there was a decrease of $6 million in advertising revenue driven by a reduction in advertising sales due to the absence of a major political election in 2021 compared to 2020.

Consumer voice revenue remained flat for the year ended December 31, 2021, as compared to the corresponding prior year period.

Business wireless revenue decreased $15 million for the year ended December 31, 2021, as compared to the corresponding prior year period. The decrease in 2021 was primarily due to a decrease in grant and roaming revenue.

Business data revenue increased $29 million for the year ended December 31, 2021, as compared to the corresponding prior year period. The increase in 2021 was due to a $50 million increase in data and transport, driven by increased sales to education and medical customers for service upgrades. The increase was partially offset by a decrease of $12 million in professional services revenue driven by a reduction in time and materials project work. Additionally, the increase was partially offset by the absence of $9 million in revenue recorded in the first quarter of 2020 for a RHC customer whose funding was initially denied but subsequently approved in the first quarter of 2020.

Business video revenue decreased $9 million for the year ended December 31, 2021, as compared to the corresponding prior year period. The decrease in 2021 was primarily due to the sale of the Company's broadcast television station in the third quarter of 2020.

Business voice revenue decreased $3 million for the year ended December 31, 2021, as compared to the corresponding prior year period. The decrease in 2021 was driven by a reduction in conference calling, long distance minutes, and local service lines.

Operating expenses increased $1 million for the year ended December 31, 2021, as compared to the corresponding prior year period. The increase in 2021 was primarily due to a $20 million increase in costs to operate our network driven by the increase in demand from education and medical customers, as well as a $3 million increase in wireless handset costs. These increases were partially offset by a decrease of $10 million in professional services costs driven by a reduction in time and materials project work and a decrease of $13 million in video costs driven by the sale of the Company's broadcast television station in the third quarter of 2020, as well as a decrease in costs paid to content producers driven by a decrease in video subscribers.

Selling, general and administrative expenses increased $11 million for the year ended December 31, 2021, as compared to the corresponding prior year period. The increase in 2021 was primarily due to a $16 million increase in labor related costs driven by increases in healthcare costs as employees have returned to normal healthcare interactions and increase in contract labor. Additionally, the period was impacted by a $2 million increase in software costs driven by an increase in software as service arrangements and a $2 million increase in travel and training costs driven by a return to more normal activity levels. The increase is partially offset by a $2 million decrease in bad debt expense, $3 million decrease in legal and compliance cost and $3 million decrease in lease and facility costs.

Stock based compensation increased $6 million for the year ended December 31, 2021, as compared to the corresponding prior year period. The increase in 2021 was due to the fair value assigned to converted awards as part of the modification as a result of the Combination. Additionally, stock-based compensation expense for the prior period included the reversal of expense for performance-based awards that did not vest.

Depreciation and amortization increased $18 million for the year ended December 31, 2021, as compared to the corresponding prior year period. The increase in 2021 was primarily due to an increase in assets placed in service since January 1, 2020 and higher amortization expense because of an accelerated recognition pattern for amortizing intangibles as a result of the Combination.

Controls and Procedures

The Company carried out an evaluation, under the supervision and with the participation of management, including its chief executive officer and its principal accounting and financial officer (the “Executives”), of the effectiveness of its disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Executives concluded that the Company's disclosure controls and procedures were effective as of December 31, 2021 to provide reasonable assurance that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms.

Management’s Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over the Company’s financial reporting. The Company’s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Because of 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 and procedures may deteriorate.

The Company’s management assessed the effectiveness of internal control over financial reporting as of December 31, 2021, using the criteria in *Internal Control-Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that, as of December 31, 2021, the Company’s internal control over financial reporting is effective.

The consolidated financial statements of GCI, LLC do not include an audit report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's assessment of internal control over financial reporting was not subject to audit by the Company's independent registered public accounting firm.

Changes in Internal Control Over Financial Reporting

Except for continued enhancements related to the material weakness remediation activities, there has been no change in the Company’s internal control over financial reporting that occurred during the year ended December 31, 2021 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

Remediation of Material Weakness in Internal Control Over Financial Reporting

In response to the material weakness identified in 2020, the Company developed a plan to remediate the material weakness at GCI Holdings. Remediation activities included:

- Continue to hire, train and retain individuals with appropriate skills and experience related to designing, operating and documenting internal control over financial reporting.
- Enhance the comprehensive and continuous risk assessment process to identify and assess financial statement risks and ensure that the financial reporting process and related internal controls are in place to respond to those risks.

- Enhance the design of and implement additional process-level control activities and ensure they are properly evidenced and operating effectively.
- Communicate expectations, monitor for compliance with expectations, and hold individuals accountable for their roles related to internal control over financial reporting.

For the year ended December 31, 2021, the Company completed the testing and evaluation of the operating effectiveness of the controls, and based on the results of the testing, the controls were determined to be designed and operating effectively as of December 31, 2021. Accordingly, the Company concluded the previously reported material weakness was remediated as of December 31, 2021.

KPMG LLP
Suite 800
1225 17th Street
Denver, CO 80202-5598

Independent Auditors' Report

The Member of GCI, LLC:
GCI, LLC

Opinion

We have audited the consolidated financial statements of GCI, LLC and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2021 and December 31, 2020, and the related consolidated statements of operations, cash flows, and equity for the year ended December 31, 2021 and for the period from December 19, 2020 through December 31, 2020 (Successor period) and the period from January 1, 2020 through December 18, 2020 (Predecessor period), and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and December 31, 2020, and the results of its operations and its cash flows for the year ended December 31, 2021 and for the period from December 19, 2020 through December 31, 2020 (Successor period) and the period from January 1, 2020 through December 18, 2020 (Predecessor period) in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 4 to the consolidated financial statements, the Company has elected to change its method of accounting by retroactively applying pushdown accounting as a result of the acquisition of the Company's former parent, GCI Liberty, Inc. by Liberty Broadband Corporation, on December 18, 2020. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Information Other Than the Consolidated Financial Statements and Auditors' Report Thereon

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report, including the Reconciliation of GCI, LLC and its Subsidiaries Net Assets and Net Earnings Loss to GCI, LLC, Excluding the Liberty Subsidiaries schedule, but does not include the financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

KPMG LLP

Denver, Colorado
March 21, 2022

GCI, LLC AND SUBSIDIARIES

Consolidated Balance Sheets

	December 31, 2021	December 31, 2020
	amounts in millions	
Assets		
Current assets:		
Cash and cash equivalents	$ 34	45
Trade and other receivables, net	204	348
Other current assets	59	55
Total current assets	297	448
Investments in equity securities (note 7)	—	3,550
Property and equipment, net	1,030	1,102
Intangible assets not subject to amortization		
Goodwill (note 8)	746	758
Cable certificates	550	550
Other	37	37
	1,333	1,345
Intangible assets subject to amortization, net (note 8)	573	639
Other assets, net	210	145
Total assets	$ 3,443	7,229

See accompanying notes to consolidated financial statements.

GCI, LLC AND SUBSIDIARIES

Consolidated Balance Sheets (Continued)

	December 31, 2021	December 31, 2020
	amounts in millions	
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 93	93
Deferred revenue	20	20
Current portion of debt (note 9)	3	5
Other current liabilities	70	58
Total current liabilities	186	176
Long-term debt, net (note 9)	1,032	1,341
Obligations under finance leases and tower obligations, excluding current portion	89	93
Long-term deferred revenue	34	39
Deferred income tax liabilities	320	1,028
Other liabilities	187	145
Total liabilities	1,848	2,822
Equity		
Member's equity:		
Member's investment	1,734	4,360
Retained earnings (deficit)	(151)	35
Total member's equity	1,583	4,395
Non-controlling interests	12	12
Total equity	1,595	4,407
Commitments and contingencies (note 14)		
Total liabilities and equity	$ 3,443	7,229

See accompanying notes to consolidated financial statements.

GCI, LLC AND SUBSIDIARIES

Consolidated Statements of Operations

	Successor		Predecessor
	Year ended December 31, 2021	December 19. 2020 to December 31, 2020	January 1, 2020 to December 18, 2020
	amounts in millions		
Revenue	$ 970	34	924
Operating costs and expenses:			
Operating expense (exclusive of depreciation and amortization shown separately below)	272	10	272
Selling, general and administrative, including stock-based compensation	366	16	374
Depreciation and amortization expense	267	14	242
	905	40	888
Operating income (loss)	65	(6)	36
Other income (expense):			
Interest expense (including amortization of deferred loan fees)	(44)	(2)	(112)
Share of earnings (losses) of affiliates, net	—	—	(15)
Realized and unrealized gains (losses) on financial instruments, net (note 6)	(258)	51	902
Gain (loss) on early extinguishment of debt	—	—	(25)
Other, net	15	1	(1)
	(287)	50	749
Earnings (loss) from continuing operations before income taxes	(222)	44	785
Income tax (expense) benefit	36	(9)	(226)
Earnings (loss) from continuing operations	(186)	35	559
Earnings (loss) from discontinued operations, net of taxes (note 5)	—	—	1,001
Net earnings (loss)	(186)	35	1,560
Less net earnings (loss) attributable to the non-controlling interests	—	—	—
Net earnings (loss) attributable to member	$ (186)	35	1,560

See accompanying notes to consolidated financial statements.

GCI, LLC AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Successor		Predecessor
	Year ended December 31, 2021	December 19. 2020 to December 31, 2020	January 1, 2020 to December 18, 2020
		amounts in millions	
Cash flows from operating activities:			
Net earnings (loss)	$ (186)	35	1,560
Adjustments to reconcile net earnings (loss) to net cash from operating activities:			
(Earnings) loss from discontinued operations	—	—	(1,001)
Depreciation and amortization	267	14	242
Stock-based compensation expense	22	1	16
Share of (earnings) losses of affiliates, net	—	—	15
Realized and unrealized (gains) losses on financial instruments, net	258	(51)	(902)
(Gain) loss on extinguishment of debt	—	—	25
Deferred income tax expense (benefit)	(36)	9	226
Other, net	(16)	—	7
Change in operating assets and liabilities:			
Current and other assets	182	(10)	(73)
Payables and other liabilities	(56)	(11)	(38)
Net cash provided (used) by operating activities	435	(13)	77
Cash flows from investing activities:			
Capital expended for property and equipment	(134)	(2)	(136)
Other investing activities, net	17	—	30
Net cash provided (used) by investing activities	(117)	(2)	(106)
Cash flows from financing activities:			
Borrowings of debt	400	—	794
Borrowings from member	—	—	30
Repayment of debt, finance leases and tower obligations	(709)	(1,301)	(821)
Contributions from (distributions to) member	(11)	1,304	25
Other financing activities, net	(10)	—	(20)
Net cash provided (used) by financing activities	(330)	3	8
Net increase (decrease) in cash, cash equivalents and restricted cash	(12)	(12)	(21)
Cash, cash equivalents and restricted cash at beginning of period	61	73	94
Cash, cash equivalents and restricted cash at end of period	$ 49	61	73

See accompanying notes to consolidated financial statements.

GCI, LLC AND SUBSIDIARIES

Consolidated Statements of Equity

Predecessor:

	Member's investment	Retained earnings (deficit)	Non-controlling interest in equity of subsidiaries	Total equity
		amounts in millions		
Balances at January 1, 2020	$ 3,311	3,186	9	6,506
Net earnings (loss)	—	1,560	—	1,560
Stock-based compensation	16	—	—	16
Contributions from (distributions to) member, net	(79)	—	—	(79)
Other	(5)	(3)	4	(4)
Balances at December 18, 2020	$ 3,243	4,743	13	7,999

Successor:

	Member's investment	Retained earnings (deficit)	Non-controlling interest in equity of subsidiaries	Total equity
		amounts in millions		
Balances at December 18, 2020	$ 9,659	—	12	9,671
Net earnings (loss)	—	35	—	35
Stock-based compensation	1	—	—	1
Contributions from (distributions to) member, net	(5,300)	—	—	(5,300)
Balances at December 31, 2020	4,360	35	12	4,407
Net earnings (loss)	—	(186)	—	(186)
Stock-based compensation	21	—	—	21
Contributions from (distributions to) member, net	(12)	—	—	(12)
Distribution of Charter to member	(2,617)	—	—	(2,617)
Other	(18)	—	—	(18)
Balances at December 31, 2021	$ 1,734	(151)	12	1,595

See accompanying notes to consolidated financial statements.

(1) Basis of Presentation

GCI, LLC is currently comprised of one operating entity, GCI Holdings, LLC ("GCI Holdings"), as well as other assets and liabilities. It was previously comprised of another operating entity, Evite, Inc. ("Evite") (until Evite was sold on September 14, 2020), as well as equity interests in Liberty Broadband Corporation ("Liberty Broadband") (until Liberty Broadband was distributed to parent on December 21, 2020), Charter Communications, Inc. ("Charter") (until Charter was distributed to parent on February 16, 2021), and LendingTree, Inc. ("LendingTree") (until LendingTree was distributed to parent on November 16, 2020) and other assets and liabilities.

GCI, LLC is an indirect wholly-owned subsidiary of Liberty Broadband as of December 31, 2021 as a result of the merger between GCI, LLC's former parent, GCI Liberty, Inc. ("GCI Liberty"), and Liberty Broadband that was completed on December 18, 2020. Pursuant to the Agreement and Plan of Merger, dated as of August 6, 2020, entered into by GCI Liberty, Liberty Broadband, Grizzly Merger Sub 1, LLC, a wholly owned subsidiary of Liberty Broadband ("Merger LLC"), and Grizzly Merger Sub 2, Inc., a wholly owned subsidiary of Merger LLC ("Merger Sub"), Merger Sub merged with and into GCI Liberty (the "First Merger"), with GCI Liberty surviving the First Merger as an indirect wholly owned subsidiary of Liberty Broadband (the "Surviving Corporation"), and immediately following the First Merger, GCI Liberty (as the Surviving Corporation in the First Merger) merged with and into Merger LLC (the "Upstream Merger", and together with the First Merger, the "Combination"), with Merger LLC surviving the Upstream Merger as a wholly owned subsidiary of Liberty Broadband. GCI, LLC's sole member is Grizzly Merger Sub 1, LLC.

Subsequent to December 31, 2020, GCI, LLC has elected to apply pushdown accounting in these consolidated financial statements. Accordingly, these consolidated financial statements have been recast retrospectively and prepared to account for the acquisition of its former parent company by Liberty Broadband as of the date of the Combination. In order to delineate between the "predecessor" and "successor" periods, we have included a black-line between such periods throughout these consolidated financial statements. Because of the application of pushdown accounting, the Company's consolidated statements of operations and cash flows are not comparable between the predecessor and successor periods.

In December 2019, Chinese officials reported a novel coronavirus outbreak ("COVID-19"). COVID-19 has since spread through China and internationally. On March 11, 2020, the World Health Organization assessed COVID-19 as a global pandemic, causing many countries throughout the world to take aggressive actions, including imposing travel restrictions and stay-at-home orders, closing public attractions and restaurants, and mandating social distancing practices, which has caused a significant disruption to most sectors of the economy.

We are not presently aware of any events or circumstances arising from the COVID-19 pandemic that would require us to update our estimates or judgments or revise the carrying value of our assets or liabilities. Our estimates may change, however, as new events occur and additional information is obtained, and any such changes will be recognized in the consolidated financial statements. Actual results could differ from estimates, and any such differences may be material to our financial statements.

The accompanying consolidated financial statements refer to the combination of GCI Holdings, an indirect wholly-owned subsidiary of GCI, LLC, non-controlling interests in Liberty Broadband (until Liberty Broadband was distributed to parent on December 21, 2020), Charter (until Charter was distributed to parent on February 16, 2021) and LendingTree (until its stake in LendingTree was distributed to parent on November 16, 2020), a controlling interest in Evite (until Evite was sold on September 14, 2020), and certain other assets and liabilities as the "Company", "us", "we" and "our." Upon the distribution of Liberty Broadband to parent on December 21, 2020, the Company recorded $6.7 billion as a distribution to parent and a reduction in member's investment on the consolidated balance sheet and statement of equity during the period from December 18, 2020 to December 31, 2020. Upon the distribution of Charter to parent on February 16, 2021, the Company recorded $2.6 billion as a distribution to parent and a reduction in member's investment on the consolidated balance sheet and statement of equity during the year ended December 31, 2021. The sale of Evite did not have a material impact to the Company's financial results. As discussed in note 5, the consolidated financial statements of GCI, LLC have been prepared to reflect the investment in Liberty Broadband as discontinued operations. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

The Company, through its ownership of interests in subsidiaries and other companies, is primarily engaged in providing 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.

Loans from GCI Liberty

Broadband Holdco, LLC ("Broadband Holdco"), a wholly-owned subsidiary of GCI, LLC, entered into a Master Revolving Subordinated Promissory Note with GCI Liberty (following the Combination, Grizzly Merger Sub 1, LLC, as successor to GCI Liberty) where it can borrow up to $500 million on a revolving basis (the "Subordinated Revolving Note"). The outstanding balance of $134 million was forgiven on December 18, 2020 as a result of the Combination, although the note was not cancelled and there remains $500 million undrawn as of December 31, 2021. The interest rate on the Subordinated Revolving Note was the applicable interest rate on the Margin Loan (as defined in note 9) until the Margin Loan was repaid and terminated as a result of the Combination. The interest rate converted to 4% per annum at that time. The Subordinated Revolving Note had an outstanding balance of zero as of December 31, 2021 and December 31, 2020.

Evite had entered into a master promissory note with GCI Liberty where it could borrow up to $18 million on a revolving basis. The outstanding balance of $18 million was forgiven when Evite was sold. The master promissory note had a fixed interest rate of 3.0%.

Agreements

In connection with a prior period split-off (the “Transactions”), Qurate Retail, Inc. (“Qurate Retail”), Liberty Media Corporation ("Liberty Media") (or its subsidiary) and GCI Liberty entered into certain agreements in order to govern certain of the ongoing relationships among the companies to provide for an orderly transition. These agreements included an indemnification agreement, a reorganization agreement, a services agreement, a facilities sharing agreement and a tax sharing agreement and were in effect until the Combination was completed on December 18, 2020.

The reorganization agreement provided for, among other things, the principal corporate transactions (including the internal restructuring) required to effect the Transactions and certain conditions to and provisions governing the relationship between GCI Liberty and Qurate Retail (for accounting purposes a related party of GCI, LLC) with respect to and resulting from the Transactions. The tax sharing agreement provided for the allocation and indemnification of tax liabilities and benefits between Qurate Retail and GCI Liberty and other agreements related to tax matters. Pursuant to the tax sharing agreement, GCI Liberty had agreed to indemnify Qurate Retail for taxes and tax-related losses resulting from a prior period split-off to the extent such taxes or tax-related losses (i) result primarily from, individually or in the aggregate, the breach of certain restrictive covenants made by GCI Liberty (applicable to actions or failures to act by GCI Liberty and its subsidiaries following the completion of the split-off), or (ii) result from Section 355(e) of the Internal Revenue 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, directly or indirectly, a 50-percent or greater interest (measured by vote or value) in the stock of GCI Liberty (or any successor corporation). Pursuant to the services agreement, Liberty Media provided GCI Liberty with general and administrative services including legal, tax, accounting, treasury and investor relations support. See below for a description of an amendment to the services agreement entered into in December 2019.

Under the facilities sharing agreement, GCI Liberty shared office space with Liberty Media and related amenities at its corporate headquarters. GCI Liberty reimbursed Liberty Media for direct, out-of-pocket expenses incurred by Liberty Media in providing these services and for costs negotiated semi-annually.

Liberty Media was a related party of GCI Liberty for accounting purposes as a result of the services agreement. Under these agreements, amounts reimbursable to Liberty Media were approximately $7 million for the year ended December 31, 2020.

In December 2019, GCI Liberty entered into an amendment to the services agreement with Liberty Media in connection with Liberty Media’s entry into a new employment arrangement with Gregory B. Maffei, GCI Liberty’s President and Chief Executive Officer. Under the amended services agreement, components of his compensation will either be paid directly to him by each of GCI Liberty, Liberty TripAdvisor Holdings, Inc., Liberty Broadband, and Qurate

Retail (collectively, the "Service Companies") or reimbursed to Liberty Media, in each case, based on allocations among Liberty Media and the Service Companies set forth in the amended services agreement, originally set at 14% for GCI Liberty but subject to adjustment on an annual basis upon the occurrence of certain events. The amended services agreement between Liberty Media and Mr. Maffei provides for a five year employment term which began on January 1, 2020 and ends December 31, 2024, with an aggregate annual base salary of $3 million (with no contracted increase), an aggregate one-time cash commitment bonus of $5 million (paid in December 2019), an aggregate annual target cash performance bonus of $17 million, aggregate annual equity awards of approximately $18 million and aggregate equity awards granted in connection with his entry into his new agreement of $90 million (the "upfront awards"). A portion of the grants made to Mr. Maffei in the year ended December 31, 2020 related to our company's allocable portion of these upfront awards.

Following the Combination, GCI Liberty's services agreement with Liberty Media was terminated.

Subsequent Events

The Company has evaluated subsequent events through March 20, 2022, and to the extent deemed necessary, has discussed the relevant subsequent events within the applicable notes to the consolidated financial statements.

(2) Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash consists of cash deposits held in global financial institutions. Cash equivalents consist of highly liquid investments with original maturities of three months or less at the time of acquisition. Cash that has restrictions upon its usage has been excluded from cash and cash equivalents. 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.

Accounts Receivable and Allowance for Credit Losses

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for credit losses is the Company's best estimate of the amount of expected credit losses in its existing accounts receivable. The Company bases its estimates on the aging of its accounts receivable balances, financial health of specific customers, regional economic data, changes in its collections process, regulatory requirements and its customers' compliance with the Federal Communications Commission ("FCC") rules. The Company reviews its allowance for credit losses methodology at least annually.

Depending upon the type of account receivable the Company's 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. Write-offs of accounts receivable balances occur when the Company deems the receivables are uncollectible. The Company does not have any off-balance-sheet credit exposure related to its customers.

Changes in the allowance for credit losses during 2021 are summarized below (amounts in millions):

			Additions		Deductions	
Predecessor:		**Balance at beginning of period**	**Charged to costs and expenses**	**Effect of Accounting Change**	**Write-offs net of recoveries**	**Balance at end of period**
January 1, 2020 - December 18, 2020	$	13	2	4	(2)	17
Successor:						
December 18, 2020 - December 31, 2020	$	—	—	—	—	—
January 1, 2021 - December 31, 2021	$	—	4	—	—	4

As of December 31, 2021, $4 million of the allowance for credit losses is recorded in Trade and other receivables, net in the consolidated balance sheets.

Investments

All marketable equity and debt securities held by the Company are carried at fair value, generally based on quoted market prices and changes in the fair value of such securities are reported in realized and unrealized gain (losses) on financial instruments in the accompanying consolidated statements of operations. The Company elected the measurement alternative (defined as the cost of the security, adjusted for changes in fair value when there are observable prices, less impairments) for its equity securities without readily determinable fair values.

The Company performs a qualitative assessment each reporting period for its equity securities without readily determinable fair values to identify whether an equity security could be impaired. When the Company’s qualitative assessment indicates that an impairment could exist, it estimates the fair value of the investment and to the extent the fair value is less than the carrying value, it records the difference as an impairment in the consolidated statements of operations.

For those investments in affiliates in which the Company has the ability to exercise significant influence, the equity method of accounting is used. Under this method, 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 equity method investee. The Company determines the difference between the purchase price of the equity method investee and the underlying equity which results in an excess basis in the investment. This excess basis is allocated to the underlying assets and liabilities of the Company’s equity method investee through a purchase accounting exercise and is allocated within memo accounts used for equity method accounting purposes. Depending on the applicable underlying assets, these amounts are either amortized over the applicable useful lives or determined to be indefinite lived. 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 method investee, are recognized in the statement of operations through the gain (loss) on dilution of investment in affiliate line item. We periodically evaluate our equity method investment to determine if decreases in fair value below our cost basis are other than temporary. If a decline in fair value is determined to be other than temporary, we are required to reflect such decline in our consolidated statements of operations. Other than temporary declines in fair value of our equity method investment would be included in share of earnings (losses) of affiliates in our consolidated statements of operations.

The primary factors we consider in our determination of whether declines in fair value are other than temporary are the length of time that the fair value of the investment is below our carrying value; the severity of the decline; and the financial condition, operating performance and near term prospects of the equity method investee. In addition, we consider the reason for the decline in fair value, be it general market conditions, industry specific or equity method investee specific; analysts' ratings and estimates of 12 month share price targets for the equity method investee; changes in stock price or valuation subsequent to the balance sheet date; and our intent and ability to hold the investment for a period of time sufficient to allow for a recovery in fair value.

As the Company does not control the decision making process or business management practices of our affiliates accounted for using the equity method, the Company relies on management of its 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 its consolidated financial statements.

Derivative Instruments and Hedging Activities

All of the Company's derivatives, whether designated in hedging relationships or not, are recorded on the balance sheet at fair value. None of the Company's derivatives are currently designated as hedges, as a result, changes in the fair value of the derivative are recognized in earnings.

The fair value of certain of the Company's derivative instruments are estimated using the Black-Scholes-Merton option-pricing model ("Black-Scholes model"). The Black-Scholes model incorporates a number of variables in determining such fair values, including expected volatility of the underlying security and an appropriate discount rate. The Company obtained volatility rates from pricing services based on the expected volatility of the underlying security over the remaining term of the derivative instrument. A discount rate was obtained at the inception of the derivative instrument and updated each reporting period, based on the Company's estimate of the discount rate at which it could currently settle the derivative instrument. The Company considered its own credit risk as well as the credit risk of its counterparties in estimating the discount rate. Management judgment was required in estimating the Black-Scholes model variables. The Company had no outstanding derivative instruments at December 31, 2021 or December 31, 2020.

Property and Equipment

Property and equipment is stated at depreciated cost less impairments, if any. Construction costs of facilities are capitalized. Construction in progress represents transmission equipment and support equipment and systems not placed in service on December 31, 2021 or December 30, 2020, that management intends to place in service when the assets are ready for their intended use. 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.

Net property and equipment consists of the following:

	December 31,	
	2021	**2020**
	amounts in millions	
Land	$ 16	16
Buildings (25 years)	98	95
Telephony transmission equipment and distribution facilities (5-20 years)	705	668
Cable transmission equipment and distribution facilities (5-30 years)	94	84
Support equipment and systems (3-20 years)	96	85
Fiber optic cable systems (15-25 years)	69	69
Other (2-20 years)	39	33
Construction in progress	108	61
	1,225	1,111
Less accumulated depreciation	(195)	(9)
Property and equipment, net	$ 1,030	1,102

Depreciation of property and equipment under finance leases is included in depreciation and amortization expense in the consolidated statements of operations. Depreciation expense of $192 million, $9 million and $188 million was recorded for the year ended December 31, 2021 (successor), the period from December 19, 2020 through December 31, 2020 (successor) and the period from January 1, 2020 through December 18, 2020 (predecessor), respectively.

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.

Material interest costs incurred during the construction period of non-software capital projects 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. Capitalized interest costs were $2 million for the year ended December 31, 2021. For the period from December 19, 2020 through December 31, 2020 (successor), capitalized interest costs were not material, and for the period from January 1, 2020 through December 18, 2020 (predecessor), capitalized interest costs were $2 million.

Impairment of Long-lived Assets

The Company periodically reviews the carrying amounts of its property and equipment and its intangible assets (other than goodwill and indefinite-lived intangible assets) to determine whether current events or circumstances indicate that such carrying amounts may not be recoverable. If the carrying amount of the asset group is greater than the expected undiscounted cash flows to be generated by such asset group, including its ultimate disposition, an impairment adjustment is to be recognized. Such adjustment is measured by the amount that the carrying value of such asset groups exceeds its fair value. The Company generally measures fair value by considering sale prices for similar asset groups or by discounting estimated future cash flows using an appropriate discount rate. Considerable management judgment is necessary to estimate the fair value of asset groups. Accordingly, actual results could vary significantly from such estimates. Asset groups to be disposed of are carried at the lower of their financial statement carrying amount or fair value less costs to sell.

Asset Retirement Obligations

The Company records the fair value of a liability for an asset retirement obligation in the period in which it is incurred in Other liabilities in the consolidated balance sheets. When the liability is initially recorded, the Company capitalizes 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, the Company either settles the obligation for its recorded amount or incurs a gain or loss upon settlement.

The majority of the Company's asset retirement obligations are the estimated cost to remove telephony transmission equipment and support equipment from leased property. The asset retirement obligation is in Other liabilities in the consolidated balance sheets. Following is a reconciliation of the beginning and ending aggregate carrying amounts of the liability for asset retirement obligations (amounts in millions):

Predecessor:		
Balance at January 1, 2020	$	42
Liability incurred		1
Accretion expense		2
Liability settled		—
Balance at December 18, 2020		45
Successor:		
Balance at December 18, 2020	$	76
Balance at December 31, 2020		76
Liability incurred		1
Accretion expense		3
Liability settled		(1)
Balance at December 31, 2021	$	79

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

Intangible Assets

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. The Company capitalizes certain costs associated with internally developed software such as payroll costs of employees devoting time to the projects, external direct costs for materials and services, and interest costs incurred. 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.

The Company has 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 capitalized or expensed in accordance with the internal use software guidance as discussed in the preceding paragraph.

Intangible assets with estimable useful lives are amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment upon certain triggering events. Intangible assets with estimable useful lives are being amortized over 3 to 16 year periods with a weighted-average life of 13 years.

Goodwill, cable certificates (certificates of convenience and public necessity) and other intangible assets with indefinite useful lives are not amortized, but instead are tested for impairment at least annually. Cable certificates represent certain perpetual operating rights to provide cable services. Goodwill represents the excess of cost over fair value of net assets acquired in connection with a business acquisition. The Company’s annual impairment assessment of its indefinite-lived intangible assets is performed during the fourth quarter of each year.

The accounting guidance allows entities the option to perform a qualitative impairment test for goodwill. The entity may resume performing the quantitative assessment in any subsequent period. In evaluating goodwill on a qualitative basis, the Company reviews the business performance of each reporting unit and evaluates other relevant factors as identified in the relevant accounting guidance to determine whether it was more likely than not that an indicated impairment exists for any of its reporting units. The Company considers whether there are any negative macroeconomic conditions, industry specific conditions, market changes, increased competition, increased costs in doing business, management challenges, the legal environments and how these factors might impact company specific performance in future periods. As part of the analysis the Company also considers fair value determinations for certain reporting units that have been made at various points throughout the current year and prior year for other purposes. If based on the qualitative analysis it is more likely than not that an impairment exists, the Company performs the quantitative impairment test.

The quantitative goodwill impairment test compares the estimated fair value of a reporting unit to its carrying value and to the extent the carrying value is greater than the fair value, the difference is recorded as an impairment in the consolidated statements of operations. Developing estimates of fair value requires significant judgments, including making assumptions about appropriate discount rates, perpetual growth rates, relevant comparable market multiples, public trading prices and the amount and timing of expected future cash flows. The cash flows employed in the Company’s valuation analyses are based on management’s best estimates considering current marketplace factors and risks as well as assumptions of growth rates in future years. There is no assurance that actual results in the future will approximate these forecasts.

The accounting guidance also permits entities to first perform a qualitative assessment to determine whether it is more likely than not that an indefinite-lived intangible asset, other than goodwill, is impaired. The accounting guidance also allows entities the option to bypass the qualitative assessment for any indefinite-lived intangible asset in any period and proceed directly to the quantitative impairment test. The entity may resume performing the qualitative assessment in any subsequent period. If the qualitative assessment supports that it is more likely than not that the carrying value of the Company’s indefinite-lived intangible assets, other than goodwill, exceeds its fair value, then a quantitative assessment is performed. If the carrying value of an indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

Revenue Recognition

Revenue is measured based on consideration specified in a contract with a customer and excludes any sales incentives and amounts collected on behalf of third parties. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a product or service to a customer. Substantially all of the Company's revenue is earned from services transferred over time. If at contract inception, the Company determines the time period between when it transfers a promised good or service to a customer and when the customer pays for that good or service is one year or less, the Company does not adjust the promised amount of consideration for the effects of a significant financing component.

Certain of the Company's customers have guaranteed levels of service. If an interruption in service occurs, the Company does 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.

Taxes assessed by a governmental authority that are both imposed on, and concurrent with, a specific revenue-producing transaction that are collected by the Company from a customer, are excluded from revenue from contracts with customers.

Nature of Services and Products

Wireless

Wireless revenue is generated by providing access to, and usage of the Company's network by consumer, business, and wholesale carrier customers. Additionally, the Company generates revenue by selling wireless equipment such as handsets and tablets. In general, access revenue is billed in advance, recorded as deferred revenue on the balance sheet, and recognized as the associated services are provided to the customer. Equipment sales revenue associated with the sale of wireless devices and accessories is generally recognized when the products are delivered to and control transfers to the customer. Consideration received from the customer is allocated to the service and products based on stand-alone selling prices when purchased together.

New and existing wireless customers have 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 36 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 wireless equipment installment plan is exchanged for the used handset. The Company accounts for this upgrade option as a right of return with a reduction of Revenue and Operating expense for handsets expected to be upgraded based on historical data.

Data

Data revenue is generated by providing data network access, high-speed internet services, and product sales. Monthly service revenue for data network access and high-speed internet services is billed in advance, recorded as deferred revenue on the balance sheet, and recognized as the associated services are provided to the customer. Internet service excess usage revenue is recognized when the services are provided. The Company recognizes revenue for product sales when a customer takes possession of the equipment. The Company provides telecommunications engineering services on a time and materials basis. Revenue is recognized for these services as-invoiced.

Video

Video revenue is generated primarily from residential and business customers that subscribe to the Company's cable video plans. Video revenue is billed in advance, recorded as deferred revenue on the balance sheet, and recognized as the associated services are provided to the customer.

Voice

Voice revenue is for fixed monthly fees for voice plans as well as usage based fees for long-distance service usage. Voice plan fees are billed in advance, recorded as deferred revenue on the balance sheet, and recognized as the associated services are provided to the customer. Usage based fees are recognized as services are provided.

Arrangements with Multiple Performance Obligations

Contracts with customers may include multiple performance obligations as customers purchase multiple services and products within those contracts. For such arrangements, revenue is allocated to each performance obligation based on the relative standalone selling price for each service or product within the contract. Standalone selling prices are generally determined based on the prices charged to customers.

Significant Judgments

Some contracts with customers include variable consideration, and may require significant judgment to determine the total transaction price, which impacts the amount and timing of revenue recognized. The Company uses historical customer data to estimate the amount of variable consideration included in the total transaction price and reassess its estimate at each reporting period. Any change in the total transaction price due to a change in the estimated variable consideration is allocated to the performance obligations on the same basis as at contract inception. Any portion of a change in transaction price that is allocated to a satisfied or partially satisfied performance obligation is recognized as revenue (or a reduction in revenue) in the period of the transaction price change. Variable consideration has been constrained to reduce the likelihood of a significant revenue reversal.

Often contracts with customers include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment.

Judgment is required to determine the standalone selling price for each distinct performance obligation. Services and products are generally sold separately, and help establish standalone selling price for services and products the Company provides.

Remaining Performance Obligations

The Company expects to recognize revenue in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of December 31, 2021 of $244 million in 2022, $122 million in 2023, $71 million in 2024, $43 million in 2025 and $44 million in 2026 and thereafter.

The Company applies certain practical expedients as permitted and does not disclose information about remaining performance obligations that have original expected durations of one year or less, information about revenue remaining from usage based performance obligations that are recognized over time as-invoiced, or variable consideration allocated to wholly unsatisfied performance obligations.

Contract Balances

The Company had receivables of $216 million and $350 million at December 31, 2021 and 2020, respectively, the long-term portion of which are included in Other assets, net. The Company had deferred revenue of $26 million and $28 million at December 31, 2021 and 2020, respectively, the long-term portion of which are included in Other liabilities. The receivables and deferred revenue are only from contracts with customers. The Company’s customers generally pay for services in advance of the performance obligation and therefore these prepayments are recorded as deferred revenue. The deferred revenue is recognized as revenue in the accompanying consolidated statements of operations as the services are provided. Changes in the contract liability balance for the Company during 2021 was not materially impacted by other factors.

Assets Recognized from the Costs to Obtain a Contract with a Customer

Management expects that incremental commission fees paid to intermediaries as a result of obtaining customer contracts are recoverable and therefore the Company capitalizes them as contract costs.

Capitalized commission fees are amortized based on the transfer of goods or services to which the assets relate which typically range from two to five years, and are included in Selling, general, and administrative expenses.

The Company recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that otherwise would have recognized is one year or less. These costs are included in Selling, general, and administrative expenses.

Revenue from contracts with customers, classified by customer type and significant service offerings follows:

	Successor		Predecessor
	Year ended December 31, 2021	December 19. 2020 to December 31, 2020	January 1, 2020 to December 18, 2020
		amounts in millions	
GCI Holdings			
Consumer Revenue			
Wireless	$ 134	5	116
Data	214	7	181
Video	71	3	77
Voice	15	—	15
Business Revenue			
Wireless	68	3	78
Data	364	12	324
Video	3	—	23
Voice	24	1	25
Evite	—	—	9
Lease, grant, and revenue from subsidies	77	3	76
Total	970	34	924
Corporate and other	—	—	—
Total	$ 970	34	924

Advertising Costs

Advertising costs generally are expensed as incurred. Advertising expense aggregated $5 million for the year ended December 31, 2021 (successor). For the period from December 19, 2020 through December 31, 2020 (successor), advertising expense was not material, and for the period from January 1, 2020 through December 18, 2020 (predecessor), advertising expense was $4 million. Advertising costs are reflected in the selling, general and administrative, including stock-based compensation line item in our consolidated statements of operations.

Stock-Based Compensation

As more fully described in note 12 and prior to the Combination, GCI Liberty had granted to its directors, employees and employees of certain of its subsidiaries, restricted shares ("RSAs"), restricted stock units ("RSUs") and options to purchase shares of parent company common stock (collectively, "Awards"). The Company measures the cost of employee services received in exchange for an equity classified Award (such as stock options, RSAs and RSUs) based on the grant-date fair value of the Award, and recognizes that cost over the period during which the employee is required to provide service (usually the vesting period of the Award). The Company measures the cost of employee services received in exchange for a liability classified Award based on the current fair value of the Award, and remeasures the fair value of the Award at each reporting date. The Company recognizes forfeitures as they occur.

For more information regarding the impact of the Combination on stock-based compensation, refer to note 12.

Stock compensation expense was $22 million, $1 million and $16 million for the year ended December 31, 2021 (successor), the period from December 19, 2020 through December 31, 2020 (successor) and the period from January 1, 2020 through December 18, 2020 (predecessor), respectively, and was included in selling, general and administrative expense in the accompanying consolidated statements of operations.

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 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 that such net deferred tax assets will not be realized. We consider all relevant factors when assessing the likelihood of future realization of our deferred tax assets, including our recent earnings experience by jurisdiction, expectations of future taxable income, and the carryforward periods available to us for tax reporting purposes, as well as assessing available tax planning strategies. The effect on deferred tax assets and liabilities of an enacted change in tax rates is recognized in the consolidated statements of operations in the period that includes the enactment date. Due to inherent complexities arising from the nature of our businesses, future changes in income tax law, tax sharing agreements or variances between our actual and anticipated operating results, we make certain judgments and estimates. Therefore, actual income taxes could materially vary from these estimates.

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 consolidated 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 consolidated statements of operations.

We recognize in our consolidated financial statements the impact of a tax position, if that position is more likely than not to be sustained upon an examination, based on the technical merits of the position.

Certain Risks and Concentrations

GCI Holdings offers wireless and wireline telecommunication services, data services, video services, and managed services to customers primarily throughout Alaska. Because of this geographic concentration, growth of GCI Holdings' business and operations depends upon economic conditions in Alaska.

GCI Holdings receives support from each of the various Universal Service Fund ("USF") programs: rural health care, schools and libraries, high-cost, and lifeline. The programs are subject to change by regulatory actions taken by the FCC or legislative actions, therefore, changes to the programs could result in a material decrease in revenue that the Company has recorded. Historical revenue recognized from the programs was 32% and 29% of GCI Holdings' revenue for the year ended December 31, 2021 and 2020, respectively. The Company had USF net receivables of $148 million at December 31, 2021. See note 14 for more information regarding the rural health care receivables.

Contingent Liabilities

Periodically, we review the status of all significant outstanding matters to assess any potential financial exposure. When (i) it is probable that a loss has been incurred and (ii) the amount of the loss can be reasonably estimated, we record the estimated loss in our consolidated statements of operations. We provide disclosure in the notes to the consolidated financial statements for loss contingencies that do not meet both these conditions if there is a reasonable possibility that a loss may have been incurred that would be material to the financial statements. Significant judgment is required to determine the probability that a liability has been incurred and whether such liability is reasonably estimable. We base accruals made on the best information available at the time which can be highly subjective. The final outcome of these matters could vary significantly from the amounts included in the accompanying consolidated financial statements.

Reclassifications

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

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) non-recurring fair value measurements of non-financial instruments and (ii) accounting for income taxes to be its most significant estimates.

Recently Announced Accounting Pronouncements

In November 2021, the Financial Accounting Standards Board issued new accounting guidance which will require annual disclosures about certain government transactions that are accounted for by applying a grant or contribution accounting model by analogy, including information about the nature of the transactions, the related policy used to account for the transactions, the amounts applicable to each financial statement line item and any significant terms and conditions of the transactions, including commitments and contingencies. This guidance is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Company does not expect a significant impact from the adoption of the standard but is currently evaluating the effect that the updated standard will have on its financial disclosures.

(3) Supplemental Disclosures to Consolidated Statements of Cash Flows

	Successor		Predecessor
	Year ended December 31, 2021	December 19. 2020 to December 31, 2020	January 1, 2020 to December 18, 2020
	amounts in millions		
Cash paid for interest, net of amounts capitalized	$ 50	2	106
Non-cash additions for purchases of property and equipment	$ 1	6	(9)

The following table reconciles cash and cash equivalents and restricted cash reported in the Company's consolidated balance sheets to the total amount presented in its consolidated statements of cash flows:

	Years ended December 31,	
	2021	2020
	amounts in millions	
Cash and cash equivalents	$ 34	45
Restricted cash included in other current assets	15	16
Total cash and cash equivalents and restricted cash at end of period	$ 49	61

Restricted cash primarily relates to cash restricted for use on GCI Holdings' various arrangements to help fund 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.

(4) Acquisition

GCI, LLC's former parent company, GCI Liberty, was acquired on December 18, 2020. We have elected to apply pushdown accounting given there was a change-in-control event related to our parent company. We have reflected the new basis of accounting established by our parent company for the individual assets and liabilities that were acquired by Liberty Broadband using the acquisition method of accounting. The allocated acquisition price was $9.6 billion (primarily Level 1). The application of the acquisition method resulted in the assignment of the purchase price to the GCI, LLC assets acquired and liabilities assumed based on our estimates of their acquisition date fair values (primarily Level 3). The determination of the fair values of the acquired assets and liabilities (and the determination of estimated lives of depreciable tangible and identifiable intangible assets) requires significant judgment. The acquisition purchase price allocation for GCI, LLC is as follows (amounts in millions):

Cash and cash equivalents including restricted cash	$	73
Receivables		339
Property and equipment		1,109
Goodwill		746
Investment in Charter		3,494
Intangible assets not subject to amortization		587
Intangible assets subject to amortization		639
Other assets		6,925
Deferred revenue		(60)
Debt, including obligations under tower and finance leases		(2,880)
Deferred income tax liabilities		(1,017)
Non-controlling interest		(12)
Other liabilities		(294)
Total fair value of acquisition consideration to be allocated	$	9,649

Goodwill is calculated as the excess of the consideration transferred over the identifiable net assets acquired and represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including assembled workforce, value associated with future customers, continued innovation and non-contractual relationships. Amortizable intangible assets of $639 million were acquired and are comprised of customer relationships with a weighted average useful life of approximately 14 years and right-to-use assets with a weighted average useful life of approximately 12 years. Approximately $134 million of the acquired goodwill will be deductible for income tax purposes. As of December 31, 2021, the determination of the acquisition date fair value of the acquired assets and assumed liabilities is final.

(5) Discontinued Operations

Investment in Liberty Broadband

On May 18, 2016, Qurate Retail 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 Time Warner Cable Inc. ("TWC"). The proceeds of this investment were used by Liberty Broadband to fund, in part, its acquisition of $5.0 billion of stock in the new public parent company, Charter, of the combined enterprises. Qurate Retail, along with third party investors, all of whom invested on the same terms as Qurate Retail, 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 in May 2015. Qurate Retail, 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 Qurate Retail 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 Qurate Retail following the exchange, which proxy and right of first refusal was assigned to GCI Liberty in connection with the completion of the Transactions. Due to overlapping boards of directors and management between Liberty Broadband and GCI Liberty, the Company was deemed to have significant influence over Liberty Broadband for accounting purposes, even though the Company did not have any voting rights. Prior to the Combination, the Company had 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 recognized changes in the fair value of its investment in Liberty Broadband in realized and unrealized gains (losses) on financial instruments, net in the consolidated statements of operations. The Company's investment in Liberty Broadband was distributed to parent on December 21, 2020. Accordingly, the consolidated financial statements of GCI, LLC have been prepared to reflect the investment in Liberty Broadband as discontinued operations.

Certain financial information for the Company's investment in Liberty Broadband, which is included in earnings (loss) from discontinued operations, is as follows (amounts in millions):

	Year ended December 31, 2020
Earnings (loss) before income taxes	$ 1,371
Income tax (expense) benefit	$ (370)

There were no cash impacts from presenting the Company's investment in Liberty Broadband as a discontinued operation due to the nature of the investment.

(6) 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, 2021			December 31, 2020		
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 millions			
Cash equivalents	$ —	—	—	12	12	—
Equity securities	$ —	—	—	3,545	3,545	—

On April 29, 2019, the Company entered into a new 3-year variable forward with respect to 642,850 LendingTree shares. The variable forward was executed at the LendingTree closing price on April 29, 2019 of $376.35 per share and has a floor price of zero and has a cap price of $254.00 per share. The fair value of the variable forward was derived from a Black-Scholes-Merton model using observable market data as the significant inputs. In connection with the distribution of the Company's stake in LendingTree to parent, this forward sale contract was also distributed on November 16, 2020.

Realized and Unrealized Gains (Losses) on Financial Instruments, net

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

	Successor		Predecessor
	Year ended December 31, 2021	December 19. 2020 to December 31, 2020	January 1, 2020 to December 18, 2020
		amounts in millions	
Equity securities	$ (258)	51	895
Derivative instruments	—	—	7
	$ (258)	51	902

(7) Investments in Equity Securities

Investments in equity securities, the majority of which are carried at fair value, are summarized as follows:

	December 31, 2021	December 31, 2020
	amounts in millions	
Charter (a)	$ —	3,545
Other investments (b)	—	5
	$ —	3,550

(a) On February 16, 2021, the Company completed an internal restructuring whereby GCI, LLC transferred the subsidiary that holds the Charter shares to Liberty Broadband. Charter shares were considered Level 1 fair value as of December 31, 2020.

(b) The Company has elected the measurement alternative for a portion of these securities.

(8) Goodwill and Intangible Assets

Goodwill and Indefinite Lived Assets

The sale of Evite, as discussed in note 1 of the accompanying consolidated financial statements, resulted in a reduction to Goodwill of $26 million and a reduction in Other intangible assets not subject to amortization related to tradenames of $4 million during the year ended December 31, 2020.

Changes in the carrying amount of goodwill are as follows:

	GCI Holdings	Corporate and other	Total
		amounts in millions	
Predecessor:			
Balance at January 1,2020	$ 818	26	844
Disposition (a)	—	(26)	(26)
Balance at December 18, 2020	$ 818	—	818
Successor:			
Balance at December 18, 2020	$ 758	—	758
Balance at December 31, 2020	758	—	758
Acquisition adjustments during measurement period	(12)	—	(12)
Balance at December 31, 2021	$ 746	—	746

As presented in the accompanying consolidated balance sheets, cable certificates are the other significant indefinite lived intangible assets.

Intangible Assets Subject to Amortization

	December 31, 2021			December 31, 2020		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
			amounts in millions			
Customer relationships	$ 515	(49)	466	515	(3)	512
Other amortizable intangibles	138	(31)	107	129	(2)	127
Total	$ 653	(80)	573	644	(5)	639

Intangible assets are being amortized generally on an accelerated basis as reflected in amortization expense and in the future amortization table below.

Amortization expense for intangible assets with finite useful lives was $75 million, $5 million and $56 million for the year ended December 31, 2021 (successor), the period from December 19, 2020 through December 31, 2020 (successor) and the period from January 1, 2020 through December 18, 2020 (predecessor), respectively. Amortization expense for amortizable intangible assets for each of the five succeeding fiscal years is estimated to be (amounts in millions):

Years ending December 31,	
2022	$ 65
2023	$ 59
2024	$ 52
2025	$ 51
2026	$ 48

Impairments

The Company recorded no impairments in the year ended December 31, 2021 (successor), the period from December 19, 2020 through December 31, 2020 (successor) and the period from January 1, 2020 through December 18, 2020 (predecessor).

(9) Debt

Debt is summarized as follows:

	Outstanding principal December 31, 2021	Carrying value December 31, 2021	Carrying value December 31, 2020
		amounts in millions	
Senior notes	$ 600	632	636
Senior credit facility	399	399	704
Wells Fargo note payable	6	6	6
Deferred financing costs		(2)	—
Total debt	$ 1,005	1,035	1,346
Debt classified as current		(3)	(5)
Total long-term debt		$ 1,032	1,341

Margin Loan

Prior to the Combination, Broadband Holdco was party to a margin loan (the "Margin Loan Agreement"). This facility provided a delayed draw term loan facility of $300 million ("Delayed Draw Term Loan Facility"), a revolving credit facility in an aggregate principal amount of up to $200 million (the "Revolving Credit Facility") and a separate term loan facility in an aggregate amount of $800 million (the "Initial Term Loan Facility"; the Delayed Draw Term Loan Facility, the Revolving Credit Facility and the Initial Term Loan Facility, collectively, the "Margin Loan Facilities" and the loans extended thereunder, the "Loans").

As a result of the Combination on December 18, 2020, the outstanding balance of $1.3 billion was repaid and the Margin Loan Agreement was terminated. The Loans accrued interest at a rate equal to the 3-month LIBOR rate plus a per annum spread of 1.85%, subject to certain conditions and exceptions.

Senior Notes

On June 6, 2019, GCI, LLC, a wholly-owned subsidiary of the Company, issued $325 million of 6.625% Senior Notes due 2024 at par ("2024 Notes"). Interest on the 2024 Notes and GCI, LLC's 6.875% Senior Notes due 2025 (collectively, the "Senior Notes"), was payable semi-annually in arrears. The 2024 Notes were unsecured and the net proceeds were used to fund the redemption of $325 million aggregate outstanding principal amount of GCI, LLC's 6.75% Senior Notes due 2021.

On October 7, 2020, GCI, LLC issued $600 million of 4.750% senior notes due 2028 (the "2028 Notes"). The 2028 Notes are unsecured and the net proceeds of the offering, together with cash on hand and net proceeds from incremental borrowings under the Senior Credit Facility (as defined below), were used to fund the redemption of all $450 million aggregate outstanding principal amount of the 2025 Notes and the redemption of all $325 million aggregate outstanding principal amount of the 2024 Notes on October 14, 2020 and October 23, 2020, respectively. Additionally, GCI, LLC paid debt call premiums of $23 million and $16 million on the 2024 Notes and 2025 Notes, respectively.

Interest on the 2028 Notes is payable semi-annually in arrears. The 2028 Notes are redeemable at the Company's option, in whole or in part, at a redemption price defined in the indenture, and accrued and unpaid interest (if any) to the date of redemption.

Senior Credit Facility

On October 15, 2021, GCI, LLC entered into an Eighth Amended and Restated Credit Agreement (the "Senior Credit Facility"), which includes a $550 million revolving credit facility, with a $25 million sublimit for standby letters of credit, that matures on October 15, 2026 and a $250 million Term Loan A that matures on October 15, 2027. Additionally, the $400 million Term Loan B which existed prior to the amendment, was repaid in full using the proceeds from the new

Term Loan A together with $150 million in borrowings under the revolving credit facility. The revolving credit facility borrowings under the Senior Credit Facility that are alternate base rate loans bear interest at a per annum rate equal to the alternate base rate plus a margin that varies between 0.50% and 1.75% depending on GCI, LLC's total leverage ratio. The revolving credit facility borrowings under the Senior Credit Facility that are LIBOR loans bear interest at a per annum rate equal to the applicable LIBOR plus a margin that varies between 1.50% and 2.75% depending on GCI, LLC's total leverage ratio. Term Loan A borrowings that are alternate base rate loans bear interest at a per annum rate equal to the alternate base rate plus a margin that varies between 1.00% and 2.25% depending on GCI, LLC's total leverage ratio. Term Loan A borrowings that are LIBOR loans bear interest at a per annum rate equal to the applicable LIBOR plus a margin that varies between 2.00% and 3.25% depending on GCI, LLC's total leverage ratio. Principal payments are due quarterly on the Term Loan A equal to 0.25% of the original principal amount, which may step up to 1.25% of the original principal amount of the Term Loan A depending on GCI, LLC's secured leverage ratio. Each loan may be prepaid at any time and from time to time without penalty other than customary breakage costs. Any amounts prepaid on the revolving credit facility may be reborrowed. The Senior Credit Facility also provides for customary LIBOR replacement provisions.

Prior to the amendment, the borrowings under the Senior Credit Facility bore interest at either the alternate base rate or LIBOR (based on an interest period selected by GCI, LLC of one month, two months, three months or six months) at the election of GCI, LLC in each case plus a margin. The revolving credit facility borrowings that were alternate base rate loans bore interest at a per annum rate equal to the alternate base rate plus a margin that varied between 0.50% and 1.75% depending on GCI, LLC's total leverage ratio. The revolving credit facility borrowings that were LIBOR loans bore interest at a per annum rate equal to the applicable LIBOR plus a margin that varied between 1.50% and 2.75% depending on GCI, LLC's total leverage ratio. Term Loan B borrowings that were alternate base rate loans bore interest at a per annum rate equal to the alternate base rate plus a margin of 1.75%. Term Loan B borrowings that were LIBOR loans bore interest at a per annum rate equal to the applicable LIBOR plus a margin of 2.75% with a LIBOR floor of 0.75%.

GCI, LLC's First Lien Leverage Ratio (as defined in the Senior Credit Facility) may not exceed 4.00 to 1.00.

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 GCI, LLC and the subsidiary guarantors, as defined in the Senior Credit Facility, and on the stock of GCI Holdings.

As of December 31, 2021, there was $249 million outstanding under the Term Loan A, $150 million outstanding under the revolving portion of the Senior Credit Facility and $3 million in letters of credit under the Senior Credit Facility, leaving $397 million available for borrowing.

During the year ended December 31, 2021, GCI, LLC repaid $305 million on its revolving credit facility and completed an internal restructuring whereby GCI, LLC transferred the subsidiary that holds the Charter shares to Liberty Broadband parent.

Wells Fargo Note Payable

GCI Holdings issued a note to Wells Fargo that matures on July 15, 2029 and is payable in monthly installments of principal and interest (the "Wells Fargo Note Payable"). The interest rate is variable at one month LIBOR plus 2.25%. The note also provides for customary LIBOR replacement provisions.

The note is subject to similar affirmative and negative covenants as the Senior Credit Facility. The obligations under the note are secured by a security interest and lien on the building purchased with the note.

Debt Covenants

GCI, LLC is subject to covenants and restrictions under its Senior Notes and Senior Credit Facility. GCI, LLC is in compliance with all debt maintenance covenants as of December 31, 2021.

Five Year Maturities

The annual principal maturities of debt, based on stated maturity dates, for each of the next five years is as follows (amounts in millions):

2022	$	3
2023		3
2024		3
2025		3
2026		153

Fair Value of Debt

The fair value of the Senior Notes was $616 million at December 31, 2021.

Due to the variable rate nature of the Senior Credit Facility and Wells Fargo Note Payable, the Company believes that the carrying amount approximates fair value at December 31, 2021.

(10) Leases

In 2016 and 2017, GCI Holdings sold certain tower sites and entered into a master lease agreement in which it leased back space on those tower sites. At the time, GCI Holdings determined that it was precluded from applying sales-leaseback accounting. We also considered whether the Combination resulted in a completed sale-leaseback transaction and concluded that the transaction did not meet the criteria and should continue to be accounted for in the same manner as previously determined.

The Company has entered into finance lease agreements with satellite providers for transponder capacity to transmit voice and data traffic in rural Alaska. The Company is also party to finance lease agreements for an office building and certain retail store locations. The Company also leases office space, land for towers and communication facilities, satellite transponders, fiber capacity, and equipment. These leases are classified as operating leases. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future lease payments using our incremental borrowing rate at the commencement date of the lease.

The Company has leases with remaining lease terms that range from less than one year up to 29 years. Certain of the Company’s leases may include an option to extend the term of the lease with such options to extend ranging from 4 years up to 37 years. The Company also has the option to terminate certain of its leases early with such options to terminate ranging from as early as 30 days up to 16 years from December 31, 2021.

The components of lease cost during the year ended December 31, 2021 (successor), the period from December 19, 2020 through December 31, 2020 (successor) and the period from January 1, 2020 through December 18, 2020 (predecessor) were as follows:

	Successor		Predecessor
	Year ended December 31, 2021	December 19. 2020 to December 31, 2020	January 1, 2020 to December 18, 2020
		amounts in millions	
Operating lease cost (1)	$ 60	2	53
Finance lease cost			
Depreciation of leased assets	$ 1	1	2
Interest on lease liabilities	—	—	1
Total finance lease cost	$ 1	1	3

(1) Included within operating lease costs were short-term lease costs and variable lease costs, which were not material to the financial statements.

The remaining weighted-average lease term and the weighted average discount rate were as follows:

	December 31, 2021	December 31, 2020
Weighted-average remaining lease term (years):		
Finance leases	4.5	3.1
Operating leases	4.2	4.8
Weighted-average discount rate:		
Finance leases	4.3 %	3.9 %
Operating leases	4.0 %	4.1 %

Supplemental balance sheet information related to leases was as follows:

	December 31, 2021	December 31, 2020
	amounts in millions	
Operating leases:		
Operating lease ROU assets, net (1)	$ 154	97
Current operating lease liabilities (2)	$ 49	34
Operating lease liabilities (3)	102	60
Total operating lease liabilities	$ 151	94
Finance Leases:		
Property and equipment, at cost	$ 4	10
Accumulated depreciation	(1)	(1)
Property and equipment, net	$ 3	9
Current obligations under finance leases (4)	$ 1	4
Obligations under finance leases	2	4
Total finance lease liabilities	$ 3	8

(1) Operating lease ROU assets, net are included within the Other assets, net line item in the accompanying consolidated balance sheets.
(2) Current operating lease liabilities are included within the Other current liabilities line item in the accompanying consolidated balance sheets.
(3) Operating lease liabilities are included within the Other liabilities line item in the accompanying consolidated balance sheets.
(4) Current obligations under finance leases are included within the Other current liabilities line item in the accompanying consolidated balance sheets.

Supplemental cash flow information related to leases was as follows:

	Successor		Predecessor
	Year ended December 31, 2021	December 19. 2020 to December 31, 2020	January 1, 2020 to December 18, 2020
	amounts in millions		
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash outflows from operating leases	$ 55	3	49
Operating cash outflows from finance leases	$ —	—	1
Financing cash outflows from finance leases	$ 2	—	4
ROU assets obtained in exchange for lease obligations			
Operating leases	$ 108	—	27
Finance leases	$ —	—	—

Future lease payments under finance leases, operating leases and tower obligations with initial terms of one year or more at December 31, 2021 consisted of the following:

	Finance Leases	Operating Leases	Tower Obligations
		amounts in millions	
2022	$ 1	50	7
2023	1	48	8
2024	1	41	8
2025	—	7	8
2026	—	5	8
Thereafter	—	15	109
Total lease payments	3	166	148
Less: imputed interest	—	15	59
Total lease liabilities	$ 3	151	89

(11) Income Taxes

Income tax benefit (expense) consists of:

	Successor		Predecessor
	Year ended December 31, 2021	December 19. 2020 to December 31, 2020	January 1, 2020 to December 18, 2020
		amounts in millions	
Current:			
Federal	$ —	—	—
State and local	—	—	—
	—	—	—
Deferred:			
Federal	46	(9)	(161)
State and local	(10)	—	(65)
	36	(9)	(226)
Income tax (expense) benefit	$ 36	(9)	(226)

Income tax benefit (expense) differs from the amounts computed by applying the U.S. federal income tax rate of 21% for the year ended December 31, 2021 (successor), the period from December 19, 2020 through December 31, 2020 (successor) and the period from January 1, 2020 through December 18, 2020 (predecessor) as a result of the following:

	Successor		Predecessor
	Year ended December 31, 2021	December 19. 2020 to December 31, 2020	January 1, 2020 to December 18, 2020
		amounts in millions	
Computed expected tax benefit (expense)	$ 47	(9)	(165)
State and local income taxes, net of federal income taxes	(8)	—	(51)
Executive compensation	(9)	—	(4)
Deductible stock compensation	8	—	2
Sale of consolidated subsidiary	—	—	(6)
Other, net	(2)	—	(2)
Income tax benefit (expense)	$ 36	(9)	(226)

For the year ended December 31, 2021 (successor), the significant reconciling items, as noted in the table above, are primarily due to state income taxes and non-deductible executive compensation, partially offset by tax deductible equity compensation.

For the period from December 19, 2020 through December 31, 2020 (successor), there was effectively no difference between the effective income tax rate and the U.S. federal income tax rate.

For the period from January 1, 2020 through December 18, 2020 (predecessor), the significant reconciling item, as noted in the table above, is the result of state income taxes.

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,	
	2021	2020
	amounts in millions	
Deferred tax assets:		
Loss carryforwards	$ 99	138
Deferred revenue	11	13
Accrued stock compensation	7	8
Debt	9	10
Operating lease liability	42	26
Other accrued liabilities	13	13
Other future deductible amounts	47	44
Deferred tax assets	228	252
Valuation allowance	(1)	(1)
Net deferred tax assets	227	251
Deferred tax liabilities		
Investments	—	725
Fixed assets	206	221
Intangible assets	298	306
Operating lease ROU assets	43	27
Deferred tax liabilities	547	1,279
Net deferred tax liabilities	$ 320	1,028

During the year ended December 31, 2021, there was no change in the valuation allowance.

At December 31, 2021, the Company had a deferred tax asset of $99 million for federal and state net operating losses and interest expense carryforwards. Of the $99 million, $35 million are carryforwards with no expiration. The future use of the remaining carryforwards of $64 million are subject to limitation and expire at certain future dates. Based on current projections, $1 million of these carryforwards may expire unused and accordingly are subject to a valuation allowance. The carryforwards that are expected to be utilized will begin to expire in 2022.

As of December 31, 2021, the Company had not recorded tax reserves related to unrecognized tax benefits for uncertain tax positions.

GCI, LLC was part of the GCI Liberty consolidated federal tax group until the date of the Combination, and is part of the Liberty Broadband consolidated federal tax group subsequent to the Combination. As of December 31, 2021, there are no GCI Liberty tax years under IRS examination. Prior to its split-off from Qurate Retail, certain GCI Liberty businesses were part of the Qurate Retail consolidated federal tax group. The IRS has completed its examinations of Qurate Retail's 2018 tax year. Various states are currently examining Qurate Retail's prior years' state income tax returns.

(12) Stock-Based Compensation

Incentive Plan

Prior to the Combination and pursuant to the GCI Liberty, Inc. 2018 Omnibus Incentive Plan, GCI Liberty granted to certain directors, employees and employees of its subsidiaries, restricted stock ("RSAs"), restricted stock units ("RSUs") and options to purchase shares of GCI Liberty's common stock (collectively, "Awards"). The Company measures the cost of employee services received in exchange for an equity classified Award (such as stock options, RSAs and RSUs) based on the grant-date fair value ("GDFV") of the Award, and recognizes that cost over the period during which the employee is required to provide service (usually the vesting period of the Award). The Company measures the cost of employee services received in exchange for a liability classified Award based on the current fair value of the Award, and re-measures the fair value of the Award at each reporting date. Awards generally vest over 1-5 years and have a term of 7-10 years. GCI Liberty issued new shares upon exercise of equity awards. Subsequent to the Combination (as defined in note 1), Liberty Broadband will issue new shares upon exercise of equity awards.

In connection with the Combination at the close of business on December 18, 2020, all outstanding GCI Liberty Awards were converted to Liberty Broadband Awards. The conversion of such Awards was considered a modification under ASC 805 – *Business Combinations*. A portion of the fair value of the converted award was attributed to the consideration paid in the acquisition. The remaining portion of the fair value will be recognized in the consolidated financial statements over the remaining vesting period of each individual Award.

Grants of Stock Options

During the year ended December 31, 2020, and in connection with a new employment agreement for GCI Liberty's CEO, GCI Liberty granted to its CEO 359 thousand and 303 thousand options to purchase shares of Series A GCI Liberty common stock ("GLIBA") as part of its CEO's upfront term award detailed in his employment agreement. Such options had a GDFV of $16.60 per share and $24.16 per share, respectively, and vest on December 31, 2023 and December 31, 2024, respectively. Also during the year ended December 31, 2020, GCI Liberty granted to its CEO 148 thousand options to purchase shares of GLIBA in conjunction with its CEO's annual awards as detailed in his employment agreement. Such options had a GDFV of $13.21 per share and vested on December 31, 2020.

Also during the year ended December 31, 2020, GCI Liberty granted 3 thousand time-based RSUs of GLIBA to its CEO. The RSUs had a GDFV of $59.80 per share and cliff vested on December 10, 2020. This RSU grant was issued in lieu of its CEO receiving 50% of his remaining base salary for the last three quarters of calendar year 2020, and he waived his right to receive the other 50%, in each case, in light of the ongoing financial impact of COVID-19.

During the year ended December 31, 2020, GCI Liberty granted to its employees 168 thousand options to purchase shares of GLIBA. Such options had a weighted average GDFV of $23.59 per share and vest between two and four years.

During the fourth quarter of 2020 and in connection with the Combination at the close of business on December 18, 2020:

i. Each outstanding stock option to purchase shares of GLIBA or GLIBB (together, "GLIBA/B") was converted to 0.580 of a corresponding stock option to purchase Series C Liberty Broadband common stock ("LBRDK") or Series B Liberty Broadband common stock ("LBRDB" and, together with LBRDK, "LBRDK/B"), rounded down to the nearest whole share. Additionally, the exercise price of the GLIBA/B stock option was divided by 0.580, with the resulting LBRDK/B exercise price rounded up to the nearest cent. Except as described above, all other terms and restrictions of the LBRDK/B stock options are the same as the corresponding original GLIBA/B stock options.

ii. Each outstanding GLIBA RSU was converted to 0.580 of a corresponding LBRDK RSU, rounded down to the nearest whole LBRDK RSU. No cash was paid in lieu of fractional LBRDK RSUs. All terms of the LBRDK RSUs are subject to the same terms and restrictions as those applicable to the corresponding original GLIBA RSUs.

iii. Each outstanding GLIBA RSA was converted to 0.580 of a corresponding LBRDK RSA, rounded down to the nearest whole LBRDK RSA. Cash was issued in lieu of fractional LBRDK RSAs. All terms of the LBRDK RSAs are subject to the same terms and restrictions as those applicable to the corresponding original GLIBA RSAs.

iv. Each outstanding GCI Liberty Series A Cumulative Redeemable Preferred Stock ("GLIBP") RSA was converted into one Liberty Broadband Series A Cumulative Redeemable Preferred Stock ("LBRDP") RSA. All terms of the LBRDP RSAs are subject to the same terms and restrictions as those applicable to the corresponding original GLIBP RSAs.

Awards granted prior to the Combination on December 18, 2020 were issued in GCI Liberty common stock. Subsequent to the Combination and conversion of GCI Liberty Awards into Liberty Broadband Awards, Awards are now referred to as Liberty Broadband Awards.

The Company has calculated the GDFV for all of its equity classified Awards and any subsequent remeasurement of its liability classified Awards using the Black-Scholes-Merton Model. The Company estimates the expected term of the Awards based on historical exercise and forfeiture data. For grants made in 2020, the range of expected terms was 4.8 to 4.9 years. The volatility used in the calculation for Awards is based on the historical volatility of GCI Liberty's stock and the implied volatility of publicly traded GCI Liberty options, since all Awards granted in 2020 were issued prior to the Combination on December 18, 2020. For grants made in 2020 the range of volatilities was 24.8% to 29.3%. The Company uses a zero dividend rate and the risk-free rate for Treasury Bonds with a term similar to that of the subject options.

Outstanding Awards

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

	Series C Liberty Broadband			
	Awards (000's)	**WAEP**	**Weighted average remaining life**	**Aggregate intrinsic value (millions)**
Outstanding at January 1, 2021	849	$ 121.80		
Granted	—	$ —		
Exercised	(59)	$ 75.83		
Forfeited/Cancelled	—	$ —		
Outstanding at December 31, 2021	790	$ 125.22	4.7 years	$ 29
Exercisable at December 31, 2021	276	$ 89.88	3.2 years	$ 20

During the year ended December 31, 2021, the CEO exercised 370 thousand LBRDB options at an exercise price of $97.21 per share. As of December 31, 2021, there were 352 thousand LBRDB options outstanding and exercisable at a WAEP of $96.35, a weighted average remaining contractual life of 2.2 years and intrinsic value of $23 million.

As of December 31, 2021, the total unrecognized compensation cost related to unvested options and RSA/RSUs was approximately $12 million and $8 million, respectively. Such amounts will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 1.7 years and 1.3 years, respectively.

As of December 31, 2021, all shares are reserved at Liberty Broadband. Liberty Broadband reserved 1.1 million shares of LBRDK and LBRDB for issuance under exercise privileges of outstanding stock Awards. Liberty Broadband will issue new shares upon exercise of equity awards.

Option Exercises

The aggregate intrinsic value of all options exercised during the years ended December 31, 2021 and 2020 was $26 million and $4 million, respectively.

Restricted Stock and Restricted Stock Units

As of December 31, 2021, Liberty Broadband had approximately 184 thousand and 11 thousand unvested RSAs and RSUs of LBRDK and LBRDP, respectively, held by certain officers and employees. These LBRDK and LBRDP unvested RSAs, along with the LBRDK unvested RSUs, had a weighted average GDFV of $150.33 per share.

The aggregate fair value of all restricted shares of common and preferred stock that vested during the years ended December 31, 2021 and 2020 was $23 million and $18 million, respectively.

(13) Employee Benefit Plans

Subsidiaries of the Company sponsor 401(k) plans, which provide their employees an opportunity to make contributions to a trust for investment. The Company's subsidiaries make matching contributions to their plans based on a percentage of the amount contributed by employees. Employer cash contributions to all plans aggregated $11 million for the year ended December 31, 2021. For the period from December 19, 2020 through December 31, 2020 (successor), the employer cash contributions were not material and for the period from January 1, 2020 through December 18, 2020 (predecessor), the employer cash contributions were $10 million.

(14) Commitments and Contingencies

Guaranteed Service Levels

Certain customers have guaranteed levels of service with varying terms. In the event the Company is unable to provide the minimum service levels, it may incur penalties or issue credits to customers.

Litigation, Disputes, and Regulatory Matters

The Company is 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 the Company's financial position, results of operations or liquidity other than as discussed below.

Rural Health Care ("RHC") Program

GCI Holdings receives support from various USF programs including the RHC Program. The USF programs are subject to change by regulatory actions taken by the FCC, interpretations of or compliance with USF program rules, or legislative actions. Changes to any of the USF programs that GCI Holdings participates in could result in a material decrease in revenue and accounts receivable, which could have an adverse effect on GCI Holdings' business and the Company's financial position, results of operations or liquidity. The following paragraphs describe certain separate matters related to the RHC Program that impact or could impact the revenue earned and receivables recognized by the Company. As of December 31, 2021, the Company had net accounts receivable from the RHC Program in the amount of approximately $120 million, which is included within Trade and other receivables in the consolidated balance sheets.

FCC Rate Reduction. In November 2017, the Universal Service Administrative Company requested further information in support of the rural rates charged to a number of GCI Holdings' RHC customers in connection with the funding requests for the year that runs July 1, 2017 through June 30, 2018. On October 10, 2018, GCI Holdings received a letter from the FCC's Wireline Competition Bureau ("Bureau") notifying it of the Bureau's decision to reduce the rural rates charged to RHC customers for the funding year that ended on June 30, 2018 by approximately 26% resulting in a reduction of total support payments of $28 million. The FCC also informed GCI Holdings that the same cost methodology used for the funding year that ended on June 30, 2018 would be applied to rates charged to RHC customers in subsequent funding years. In response to the Bureau's letter, GCI Holdings filed an Application for Review with the FCC.

On October 20, 2020, the Bureau issued two separate letters approving the cost-based rural rates GCI Holdings historically applied when recognizing revenue for services provided to its RHC customers for the funding years that ended on June 30, 2019 and June 30, 2020. GCI Holdings collected approximately $175 million in accounts receivable relating to these two funding years during the year ended December 31, 2021. GCI Holdings also filed an Application for Review of these determinations. Subsequently, GCI identified rates for similar services provided by a competitor that would justify higher rates for certain GCI satellite services in the funding years that ended on June 30, 2018, June 30, 2019, and June 30, 2020. GCI submitted that information to the Bureau on September 7, 2021. The Applications for Review remain pending.

On June 25, 2020, GCI Holdings submitted cost studies with respect to a number of its rates for services provided to its RHC customers for the funding year ended June 30, 2021, which require approval by the Bureau. GCI Holdings further updated those studies on November 12, 2020, to reflect the completion of the bidding season for that funding year. On May 24, 2021, the FCC approved the cost studies submitted by GCI Holdings for the funding year ended June 30, 2021. Subsequently, on August 16, 2021, GCI submitted a request for approval of rates for 17 additional sites, which remains pending.

<u>RHC Program Funding Cap.</u> The RHC program has a funding cap for each individual funding year that is annually adjusted for inflation, and which the FCC can increase by carrying forward unused funds from prior funding years. In recent years, including the current year, this funding cap has not limited the amount of funding received by participants; however, management continues to monitor the funding cap and its potential impact on funding in future years.

<u>Enforcement Bureau and Related Inquiries.</u> On March 23, 2018, GCI Holdings received a letter of inquiry and request for information from the Enforcement Bureau of the FCC relating to the period beginning January 1, 2015 and including all future periods, to which it is in the process of responding. This includes inquiry into the rates charged by GCI Holdings, and presently it is unable to assess the ultimate outcome of this rate inquiry. Other aspects related to the Enforcement Bureau's review of GCI Holdings' compliance with program rules are discussed separately below. The ongoing uncertainty in program funding, as well as the uncertainty associated with the rate review, could have an adverse effect on its business, financial position, results of operations or liquidity.

In the fourth quarter of 2019, GCI Holdings became aware of potential RHC Program compliance issues related to certain of GCI Holdings' currently active and expired contracts with certain of its RHC customers. The Company and its external experts performed significant and extensive procedures to determine whether GCI Holdings' currently active and expired contracts with its RHC customers would be deemed to be in compliance with the RHC Program rules. GCI Holdings notified the FCC of the potential compliance issues in the fourth quarter of 2019.

On May 28, 2020, GCI Holdings received a second letter of inquiry from the Enforcement Bureau in the same matter noted above. This second letter, which was in response to a voluntary disclosure made by GCI Holdings to the FCC, extended the scope of the original inquiry to also include various questions regarding compliance with the records retention requirements related to the (i) original inquiry and (ii) RHC Program.

On December 17, 2020, GCI Holdings received a Subpoena Duces Tecum from the FCC's Office of the Inspector General requiring production of documents from January 1, 2009 to the present related to a single RHC customer and related contracts, information regarding GCI Holdings' determination of rural rates for a single customer, and to provide information regarding persons with knowledge of pricing practices generally.

On April 21, 2021, representatives of the Department of Justice ("DOJ") informed GCI Holdings that a qui tam action has been filed in the Western District of Washington arising from the subject matter under review by the Enforcement Bureau. The DOJ is investigating whether GCI Holdings submitted false claims and/or statements in connection with GCI's participation in the FCC's RHC Program. On July 14, 2021, the DOJ issued a Civil Investigative Demand with regard to the qui tam action.

GCI Holdings continues to work with the FCC and the DOJ to resolve all enforcement inquiries discussed above. With respect to the ongoing inquiries from the FCC's Enforcement Bureau and the FCC's Office of the Inspector General, GCI Holdings recognized a liability of approximately $12 million in 2019 for contracts that were deemed probable of not complying with the RHC Program rules. GCI Holdings also identified certain contracts where additional loss was reasonably possible and such loss could range from zero to $44 million. An accrual was not made for the amount of the reasonably possible loss in accordance with the applicable accounting guidance. GCI Holdings could also be assessed fines and penalties, but such amounts could not be reasonably estimated. With respect to the ongoing inquiries from the DOJ regarding the qui tam action, the Company is unable to assess the ultimate outcome of this action given the confidentiality of the qui tam process and is unable to determine whether any type of fine or penalty would ultimately be assessed as is permitted under the applicable law.

GCI, LLC
Reconciliation of GCI, LLC and its Subsidiaries Net Assets
and Net Earnings (Loss) to GCI LLC, Excluding the Liberty Subsidiaries

December 31, 2021

(unaudited)

amounts in millions

GCI, LLC and its Subsidiaries net assets	$	1,595
Reconciling items:		
Liberty Subsidiaries net assets (a)		(141)
GCI, LLC net assets, excluding the Liberty Subsidiaries	$	1,454
GCI, LLC and its Subsidiaries net earnings (loss)	$	(186)
Reconciling items:		
Liberty Subsidiaries net (earnings) loss (a)		213
GCI, LLC net earnings (loss), excluding the Liberty Subsidiaries	$	27

(a) Liberty Subsidiaries is a defined term in the Credit Agreement and Indenture for the 4.750% Senior Notes due 2028.