GCI, LLC AND SUBSIDIARIES

Consolidated Financial Statements
as of and for the years ended
December 31, 2022 and 2021

GCI, LLC AND SUBSIDARIES
Table of Contents

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" or "GCI"), as well as other assets and liabilities. The Company previously owned an equity interest in Charter Communications, Inc. ("Charter") (until Charter was distributed to parent on February 16, 2021).

GCI, LLC is an indirect wholly-owned subsidiary of Liberty Broadband Corporation ("Liberty Broadband") as of December 31, 2022 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 (the "Combination"). GCI, LLC's sole member is Grizzly Merger Sub 1, LLC.

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. The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains, and created significant volatility and disruption of financial markets. The Russian invasion of Ukraine in February 2022 has led to further economic disruptions. The U.S. Federal Reserve increased interest rates starting in March 2022 and additional increases are expected to continue. Mounting inflationary cost pressures and recessionary fears have negatively impacted the U.S. and global economy. Unfavorable economic conditions, such as a recession or economic slowdown in the U.S., or inflation in the markets in which GCI operates, could negatively affect the affordability of and demand for GCI's products and services and its cost of doing business.

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. The Alaska state government has significant reserves that GCI Holdings believes will help fund the state government for the next couple of years. The Alaska economy is subject to recessionary pressures as a result of the economic impacts of the COVID-19 pandemic, volatility in oil prices, inflation, and other causes that could result in a decrease in economic activity. While it is difficult for GCI Holdings to predict the future impact of a 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. 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. In addition, adverse economic conditions may lead to an increased number of customers that are unable to pay for services. There is a risk that GCI Holdings' accounts receivable and bad debt expense could increase substantially in a recessionary environment. If a recession occurs, it could negatively affect GCI Holdings' business including its financial position, results of operations, or liquidity, as well as its ability to service debt, pay other obligations and enhance shareholder returns.

In addition, during 2022, GCI Holdings began to experience the impact of inflation-sensitive items, including upward pressure on the costs of materials, labor, and other items that are critical to GCI Holding's business. GCI Holdings continues to monitor these impacts closely and, if costs continue to rise, may be unable to recoup losses or offset diminished margins by passing these costs through to its customers or implementing offsetting cost reductions.

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, 2022, the Company had net accounts receivable from the RHC Program in the amount of approximately $80 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 ("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, 13 of which the FCC approved on December 22, 2022. The rest remain 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. This includes inquiry into the rates charged by GCI Holdings and other aspects related to the Enforcement Bureau's review of GCI Holdings' compliance with program rules, which 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.

The FCC's Enforcement Bureau and GCI Holdings held discussions regarding GCI Holdings potential RHC Program compliance issues related to certain of its contracts with its RHC customers for which GCI Holdings had previously recognized an estimated liability for a probable loss of approximately $12 million in 2019 for contracts that were deemed probable of not complying with the RHC Program rules. During the year ended December 31, 2022, GCI Holdings recorded an additional estimated settlement expense of $15 million relating to a settlement offer made by GCI Holdings resulting in a total estimated liability of $27 million. GCI Holdings also identified certain contracts where additional loss was reasonably possible and such loss could range from zero to $30 million, which is a reduction of the reasonably possible loss range as previously disclosed in our December 31, 2021 Annual Report given the settlement offer made during 2022. 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.

The DOJ and GCI Holdings held discussions regarding the qui tam action whereby the DOJ clarified that its investigation relates to the years from 2010 through 2019 and alleged that GCI Holdings had submitted false claims under the RHC Program during this time period. GCI Holdings continues to work with the DOJ related to this matter and has recorded a $14 million estimated settlement expense during the year ended December 31, 2022 to reflect discussions and settlement offers that GCI Holdings made to the DOJ during 2022. However, the Company is unable to assess the ultimate outcome of this action and is unable to reasonably estimate any range of additional possible loss beyond the $14 million estimated settlement liability, including any type of fine or penalty that may ultimately be assessed as permitted under the applicable law.

Separately, during the third quarter of 2022, GCI Holdings became aware of possible RHC Program compliance issues relating to potential conflicts of interest identified in the historical competitive bidding process with respect to certain of its contracts with its RHC customers. GCI Holdings notified the FCC's Enforcement Bureau of the potential compliance issues; however, the Company is unable to assess the ultimate outcome of the potential compliance issues and is unable to reasonably estimate any range of loss or possible loss.

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. The period of abeyance was subsequently extended several times, and is currently in place through March 8, 2023. 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. On April 12, 2022 and May 25, 2022, the Bureau issued Orders further extending the January 19, 2021 and April 8, 2021 waivers regarding use of the database by health care providers seeking support under the RHC Program through the funding year ending June 30, 2024. On January 26, 2023, the Commission adopted an Order on Reconsideration, Report and Order, and Second Further Notice of Proposed Rulemaking, which grants the petitions challenging the rates database, returns the RHC Telecom Program to the rate determination rules in place prior to the adoption of the rates database, permits providers to determine rural rates based on previously approved rates through the funding years ending June 30, 2025 and June 30, 2026, and seeks comment on future revisions to the rate determination rules.

Results of Operations - Consolidated

General. We provide information regarding our consolidated operating results and other income and expenses in the tables below.

	Years ended December 31,	
	2022	2021
	amounts in millions	
Revenue	$ 969	970
Operating costs and expenses:		
Operating expense (exclusive of depreciation and amortization shown separately below)	(250)	(272)
Selling, general and administrative, excluding stock-based compensation	(361)	(344)
Stock-based compensation	(20)	(22)
Depreciation and amortization	(262)	(267)
Litigation settlement	(29)	—
Operating income (loss)	47	65
Other income (expense):		
Interest expense (including amortization of deferred loan fees)	(42)	(44)
Realized and unrealized gains (losses) on financial instruments, net	—	(258)
Other, net	4	15
	(38)	(287)
Earnings (loss) before income taxes	9	(222)
Income tax benefit (expense)	(8)	36
Net earnings (loss)	$ 1	(186)
Adjusted OIBDA	$ 358	354

Revenue. Consolidated revenue decreased $1 million for the year ended December 31, 2022, as compared to the corresponding prior year period. The following table highlights selected key performance indicators used in evaluating GCI Holdings.

	December 31,	
	2022	2021
Consumer		
Data:		
Cable modem subscribers[1]	157,200	151,900
Wireless:		
Wireless lines in service[2]	191,100	185,200

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

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

The components of revenue are as follows:

	Years ended December 31, 2022	2021
	amounts in millions	
Consumer		
Data	$ 231	214
Wireless	193	184
Other	55	86
Business		
Data	395	368
Wireless	53	74
Other	42	44
Total revenue	$ 969	970

Consumer data revenue increased $17 million for the year ended December 31, 2022, as compared to the corresponding prior year period. The increase in 2022 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 wireless revenue increased $9 million for the year ended December 31, 2022, as compared to the corresponding prior year period. The increase in 2022 was primarily due to increased plan service fee revenue 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, which was driven by an increase in the number of handsets sold.

Consumer other revenue decreased $31 million for the year ended December 31, 2022, as compared to the corresponding prior year period. Consumer other revenue consists of consumer video and voice revenue. The decrease in 2022 was due to a decrease in video revenue primarily driven by decreased video subscribers. This was the result of both the transition from traditional linear video delivery to IP delivery and GCI Holdings' decision to discontinue selling bulk video packages for multi-dwelling units. Historically, GCI Holdings has seen declines in video and voice subscribers and revenue and expects a continued decrease as customers potentially choose alternative services.

Business data revenue increased $27 million for the year ended December 31, 2022, as compared to the corresponding prior year period. The increase in 2022 was primarily due to increased sales to school and health care customers due to service upgrades as well as new customer growth, partially offset by decreases in professional services revenue driven by a reduction in time and materials project work.

Business wireless revenue decreased $21 million for the year ended December 31, 2022, as compared to the corresponding prior year period. The decrease in 2022 was primarily due to decreases in roaming revenue. The decrease in roaming revenue was driven by a contract amendment signed in the fourth quarter of 2021. Although the contract amendment will result in lower annual roaming revenue, GCI Holdings will benefit from the extension of the agreement for several years as well as continued backhaul revenue.

Business other revenue decreased $2 million for the year ended December 31, 2022, as compared to the corresponding prior year period. Business other revenue consists of business video and voice revenue. The decrease in 2022 was primarily due to decreased business video and long distance revenue. Historically, GCI Holdings has seen declines in video and voice subscribers and revenue and has not focused business efforts on growth in these areas.

Operating expenses decreased $22 million for the year ended December 31, 2022, as compared to the corresponding prior year period. The decrease in 2022 was primarily due to a decrease in video costs, primarily due to a decrease in costs paid to content producers driven by reduced video subscribers, partially offset by an increase in costs to operate GCI Holdings' network driven by the increase in demand for data services.

Selling, general and administrative expenses increased $17 million for the year ended December 31, 2022, as compared to the corresponding prior year period. The increase in 2022 was primarily due to increases in labor related costs driven by an increase in contract labor costs.

Stock based compensation decreased $2 million for the year ended December 31, 2022, as compared to the corresponding prior year period. The decrease was the result of grants made prior to the Combination completing their vesting period. As of December 31, 2022, the total unrecognized compensation cost related to unvested Awards (as defined in note 9 to the accompanying consolidated financial statements) was approximately $28 million. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 1.8 years.

Depreciation and amortization decreased $5 million for the year ended December 31, 2022, as compared to the corresponding prior year period. The decrease in 2022 was due to lower amortization expense because of an accelerated recognition pattern for amortizing intangible assets.

Litigation settlement increased $29 million for the year ended December 31, 2022, as compared to the corresponding prior year period. This was due to an increase in the estimated liability of $29 million relating to compliance with RHC program rules which reflects settlement offers that GCI Holdings made to the DOJ and the Enforcement Bureau of the FCC in 2022.

Operating Income (Loss). Consolidated operating income decreased $18 million for the year ended December 31, 2022, as compared to the corresponding prior year period. Operating income was impacted by the above explanations.

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:

	Years ended December 31,	
	2022	**2021**
	amounts in millions	
Operating income (loss)	$ 47	65
Depreciation and amortization	262	267
Stock-based compensation	20	22
Litigation settlement	29	—
Adjusted OIBDA	$ 358	354

Consolidated Adjusted OIBDA increased $4 million during the year ended December 31, 2022, as compared to the corresponding prior year period, due to the items discussed above.

Other Income and Expense

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

	Years ended December 31,	
	2022	2021
	amounts in millions	
Other income (expense):		
Interest expense	$ (42)	(44)
Realized and unrealized gains (losses) on financial instruments, net	—	(258)
Other, net	4	15
	$ (38)	(287)

Interest Expense. Consolidated interest expense decreased $2 million during the year ended December 31, 2022, as compared to the corresponding prior year period. The decrease was primarily due to lower amounts outstanding on the Senior Credit Facility (as defined in note 6 to 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 4.75% Senior Notes Due 2028.

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 equity securities. The changes 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 unrealized loss during the year ended December 31, 2021 was due 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. There were no realized and unrealized gains (losses) on financial instruments, net during the year ended December 31, 2022.

Other, net. Other, net income decreased $11 million for the year ended December 31, 2022, as compared to the corresponding prior year period. In 2021, the Company recorded a gain of $12 million on the sale of an investment that occurred during the third quarter of 2021.

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

	Years ended December 31,	
	2022	2021
	amounts in millions	
Earnings (loss) before income taxes	$ 9	(222)
Income tax (expense) benefit	(8)	36
Effective income tax rate	89%	16%

For the year ended December 31, 2022, the income tax expense was in excess of the expected federal tax expense primarily due to state income taxes and non-deductible executive stock-based compensation.

For the year ended December 31, 2021, 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 stock compensation.

Net earnings (loss). The Company had net earnings of $1 million and net losses of $186 million for the years ended December 31, 2022 and 2021, respectively. The change in net earnings (losses) was the result of the above-described fluctuations in our revenue, expenses, and other income and expenses.

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”), and under the oversight of its Board of Directors, of the effectiveness of the design and operation of its disclosure controls and procedures as of December 31, 2022. Based on that evaluation, the Executives concluded that the Company's disclosure controls and procedures were effective as of December 31, 2022 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, 2022, 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, 2022, 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 auditor.

Changes in Internal Control Over Financial Reporting

There has been no change in the Company’s internal control over financial reporting that occurred during the year ended December 31, 2022 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

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, 2022 and 2021, and the related consolidated statements of operations, cash flows, and equity for the years then ended, 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, 2022 and 2021, and the results of its operations and its cash flows for the years then ended 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.

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 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.

KPMG

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.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises Schedule I included in the annual report but does not include the consolidated 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 7, 2023

GCI, LLC AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2022 and 2021

	2022	2021
	amounts in millions	
Assets		
Current assets:		
Cash and cash equivalents	$ 85	34
Trade and other receivables, net	178	204
Prepaid and other current assets	71	59
Total current assets	334	297
Property and equipment, net	1,011	1,030
Intangible assets not subject to amortization		
Goodwill (note 5)	746	746
Cable certificates	550	550
Other	37	37
	1,333	1,333
Intangible assets subject to amortization, net (note 5)	516	573
Other assets, net	175	210
Total assets	$ 3,369	3,443

See accompanying notes to consolidated financial statements.

GCI, LLC AND SUBSIDIARIES

Consolidated Balance Sheets (Continued)

December 31, 2022 and 2021

		2022	2021
		amounts in millions	
Liabilities and Equity			
Current liabilities:			
Accounts payable and accrued liabilities	$	90	93
Deferred revenue		20	20
Current portion of debt (note 6)		3	3
Other current liabilities		96	70
Total current liabilities		209	186
Long-term debt, net (note 6)		1,025	1,032
Obligations under finance leases and tower obligations, excluding current portion		86	89
Long-term deferred revenue		63	34
Deferred income tax liabilities		327	320
Other liabilities		151	187
Total liabilities		1,861	1,848
Equity			
Member's equity:			
Member's investment		1,750	1,734
Retained earnings (deficit)		(260)	(151)
Total member's equity		1,490	1,583
Non-controlling interests		18	12
Total equity		1,508	1,595
Commitments and contingencies (note 11)			
Total liabilities and equity	$	3,369	3,443

See accompanying notes to consolidated financial statements.

GCI, LLC AND SUBSIDIARIES

Consolidated Statements of Operations

December 31, 2022 and 2021

	2022	2021
	amounts in millions	
Revenue	$ 969	970
Operating costs and expenses:		
Operating expense (exclusive of depreciation and amortization shown separately below)	250	272
Selling, general and administrative, including stock-based compensation	381	366
Depreciation and amortization	262	267
Litigation settlement	29	—
	922	905
Operating income (loss)	47	65
Other income (expense):		
Interest expense (including amortization of deferred loan fees)	(42)	(44)
Realized and unrealized gains (losses) on financial instruments, net (note 4)	—	(258)
Other, net	4	15
	(38)	(287)
Earnings (loss) before income taxes	9	(222)
Income tax benefit (expense)	(8)	36
Net earnings (loss)	1	(186)
Less net earnings (loss) attributable to the non-controlling interests	—	—
Net earnings (loss) attributable to member	$ 1	(186)

See accompanying notes to consolidated financial statements.

GCI, LLC AND SUBSIDIARIES

Consolidated Statements of Cash Flows

December 31, 2022 and 2021

	2022	2021
	amounts in millions	
Cash flows from operating activities:		
Net earnings (loss)	$ 1	(186)
Adjustments to reconcile net earnings (loss) to net cash from operating activities:		
Depreciation and amortization	262	267
Stock-based compensation	20	22
Litigation settlement	29	—
Realized and unrealized (gains) losses on financial instruments, net	—	258
Deferred income tax expense (benefit)	7	(36)
Other, net	(4)	(16)
Change in operating assets and liabilities:		
Current and other assets	71	182
Payables and other liabilities	(53)	(56)
Net cash provided by (used in) operating activities	333	435
Cash flows from investing activities:		
Capital expenditures	(181)	(134)
Grant proceeds received for capital expenditures	25	—
Other investing activities, net	6	17
Net cash provided by (used in) investing activities	(150)	(117)
Cash flows from financing activities:		
Borrowings of debt	25	400
Repayment of debt, finance leases and tower obligations	(31)	(709)
Contributions from (distributions to) member	—	(11)
Dividends paid to parent	(110)	—
Other financing activities, net	(6)	(10)
Net cash provided by (used in) financing activities	(122)	(330)
Net increase (decrease) in cash, cash equivalents and restricted cash	61	(12)
Cash, cash equivalents and restricted cash, beginning of period	49	61
Cash, cash equivalents and restricted cash, end of period	$ 110	49

See accompanying notes to consolidated financial statements.

GCI, LLC AND SUBSIDIARIES

Consolidated Statements of Equity

December 31, 2022 and 2021

	Member's investment	Retained earnings (deficit)	Non-controlling interest in equity of subsidiaries	Total equity
		amounts in millions		
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
Net earnings (loss)	—	1	—	1
Stock-based compensation	20	—	—	20
Dividends paid to parent	—	(110)	—	(110)
Other	(4)	—	6	2
Balances at December 31, 2022	$ 1,750	(260)	18	1,508

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” or “GCI”), as well as other assets and liabilities. The Company previously owned an equity interest in Charter Communications, Inc. (“Charter”) (until Charter was distributed to parent on February 16, 2021).

GCI, LLC is an indirect wholly-owned subsidiary of Liberty Broadband Corporation (“Liberty Broadband”) as of December 31, 2022 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 (the “Combination”). GCI, LLC’s sole member is Grizzly Merger Sub 1, LLC.

As a result of the COVID-19 pandemic, many countries throughout the world took aggressive actions, including imposing travel restrictions and stay-at-home orders, closing public attractions and restaurants, and mandating social distancing practices, which caused a significant disruption to most sectors of the economy at varying levels during the periods covered by the financial statements.

While the COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains, and created significant volatility and disruption of financial markets, 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 includes the accounts of GCI Holdings, an indirect wholly-owned subsidiary of GCI, LLC, our investment in Charter (until Charter was distributed to parent on February 16, 2021) and certain other assets and liabilities as the "Company", "us", "we" and "our." Upon the distribution of the investment in Charter to parent on February 16, 2021, the Company recorded $2.6 billion as a distribution to member and a reduction in member’s investment on the consolidated balance sheet and statement of equity during the year ended December 31, 2021. 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 data, wireless, video, voice, and managed services to residential customers, businesses, governmental entities, and educational and medical institutions primarily in Alaska.

Loans from Member

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, 2022. The interest rate on the Subordinated Revolving Note converted to 4% per annum after the Combination was completed. The Subordinated Revolving Note had an outstanding balance of zero as of both December 31, 2022 and 2021.

Dividends Paid to Parent

During the years ended December 31, 2022 and 2021, GCI, LLC paid dividends of $110 million and zero, respectively, to its parent, Liberty Broadband. Subsequent to December 31, 2022, GCI, LLC paid dividends of $40 million to its parent, Liberty Broadband.

Subsequent Events

The Company has evaluated subsequent events through March 6, 2023, the date the financial statements were available to be issued, 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.

A summary of activity in the allowance for credit losses for the years ended December 31, 2022 and 2021 is as follows (amounts in millions):

		Additions	Deductions	
	Balance at beginning of year	Charged to costs and expenses	Write-offs net of recoveries	Balance at year
2022	$ 4	4	(4)	4
2021	$ —	4	—	4

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.

The Company had no significant investments at December 31, 2022 or December 31, 2021.

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, 2022, 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, 2022	December 31, 2021
	amounts in millions	
Land	$ 16	16
Buildings (25 years)	105	98
Telephony transmission equipment and distribution facilities (5-20 years)	810	705
Cable transmission equipment and distribution facilities (5-30 years)	108	94
Support equipment and systems (3-20 years)	106	96
Fiber optic cable systems (15-25 years)	73	69
Other (2-20 years)	52	39
Construction in progress	126	108
	1,396	1,225
Accumulated depreciation	(385)	(195)
Property and equipment, net	$ 1,011	1,030

Depreciation of property and equipment under finance leases is included in depreciation and amortization expense in the consolidated statements of operations. Depreciation expense of $195 million and $192 million was recorded for the years ended December 31, 2022 and 2021, 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 $4 million and $2 million for the years ended December 31, 2022 and 2021, respectively.

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):

Balance at December 31, 2020	$	76
Liability incurred		1
Accretion expense		3
Liability settled		(1)
Balance at December 31, 2021		79
Liability incurred		—
Accretion expense		2
Liability settled		—
Balance at December 31, 2022	$	81

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 agreements or authorizations with government entities that allow access to homes in cable service areas, including the future economic benefits of the right to solicit and service potential customers and the right to deploy and market new services to potential customers. 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

GCI Holdings

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. GCI Holdings 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, GCI Holdings 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, GCI Holdings does not adjust the promised amount of consideration for the effects of a significant financing component.

Certain of GCI Holdings' customers have guaranteed levels of service. If an interruption in service occurs, GCI Holdings 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

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. GCI Holdings recognizes revenue for product sales when a customer takes possession of the equipment. GCI Holdings provides telecommunications engineering services on a time and materials basis. Revenue is recognized for these services as-invoiced.

Wireless

Wireless revenue is generated by providing access to, and usage of GCI Holding's network by consumer, business, and wholesale carrier customers. Additionally, GCI Holdings 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. GCI Holdings 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.

Other

Other revenue consists of video and voice revenue. Video revenue is generated primarily from residential and business customers that subscribe to GCI Holdings' 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 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. GCI Holdings 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, which helps establish standalone selling price for services and products GCI Holdings 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, 2022 of $242 million in 2023, $93 million in 2024, $64 million in 2025, $35 million in 2026 and $40 million in 2027 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 $189 million and $216 million at December 31, 2022 and 2021, respectively, the long-term portion of which are included in Other assets, net. The Company had deferred revenue of $33 million and $26 million at December 31, 2022 and 2021, 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 2022 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 been 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:

	Years ended December 31, 2022	Years ended December 31, 2021
	amounts in millions	
GCI Holdings		
Consumer Revenue		
Data	$ 231	214
Wireless	143	134
Other	55	86
Business Revenue		
Data	392	364
Wireless	47	68
Other	24	27
Lease, grant, and revenue from subsidies	77	77
Total	$ 969	970

Advertising Costs

Advertising costs generally are expensed as incurred. Advertising expense aggregated $4 million and $5 million for the years ended December 31, 2022 and 2021, respectively. 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 9, the Company 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.

Stock compensation expense was $20 million and $22 million for the years ended December 31, 2022 and 2021, 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, net 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 35% and 32% of GCI Holdings' revenue for the years ended December 31, 2022 and 2021, respectively. The Company had USF net receivables of $116 million at December 31, 2022. See note 11 for more information regarding the rural health care receivables.

Loss Contingencies

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 Adopted 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 annual financial statements issued for periods beginning after December 15, 2021. The Company adopted this guidance for the year ended December 31, 2022 (as discussed below).

Government Assistance

The Company's government assistance during the year ended December 31, 2022 primarily consisted of a $25 million grant made by the US Department of Agriculture – Rural Utilities Service as part of the ReConnect Program to bring 2,000 Mbps internet speeds and affordable, unlimited data plans to a dozen Aleutian, Alaska Peninsula and Kodiak Island communities. For accounting purposes, this grant is accounted for using grant accounting model by analogy to International Accounting Standard 20, *Accounting for Government Grants and Disclosure of Government Assistance.* This grant is recorded as deferred revenue since the primary conditions for the receipt of the grant are the build out and operation of the broadband services over the next 19 years. During the year ended December 31, 2022, revenue recorded in the consolidated financial statements was not material. Both short-term and long-term deferred revenue have been recorded for the $25 million grant received, with approximately $24 million recorded as long-term.

(3) Supplemental Disclosures to Consolidated Statements of Cash Flows

	Years ended December 31, 2022	2021
	amounts in millions	
Cash paid for interest, net of amounts capitalized	$ 47	50
Non-cash additions for purchases of property and equipment	$ (4)	1

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, 2022	2021
	amounts in millions	
Cash and cash equivalents	$ 85	34
Restricted cash included in other current assets	24	15
Restricted cash included in other long-term assets	1	—
Total cash and cash equivalents and restricted cash at end of period	$ 110	49

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 Alaska communities via a high capacity hybrid fiber optic and microwave network.

(4) Investments in Equity Securities

On February 16, 2021, the Company completed an internal restructuring whereby GCI, LLC transferred the subsidiary that holds the Charter shares to Liberty Broadband, which was previously accounted for as investment in equity securities and carried at fair value.

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:

	Years ended December 31, 2022	Years ended December 31, 2021
	amounts in millions	
Equity securities	$ —	(258)
	$ —	(258)

The unrealized loss during the year ended December 31, 2021 was primarily due 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.

(5) Goodwill and Intangible Assets

Goodwill and Indefinite Lived Assets

Changes in the carrying amount of goodwill are as follows:

	GCI Holdings	Corporate and other	Total
		amounts in millions	
Balance at December 31, 2020	$ 758	—	758
Acquisition adjustments during measurement period	(12)	—	(12)
Balance at December 31, 2021	746	—	746
Balance at December 31, 2022	$ 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, 2022			December 31, 2021		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
			amounts in millions			
Customer relationships	$ 515	(91)	424	515	(49)	466
Other amortizable intangibles	147	(55)	92	138	(31)	107
Total	$ 662	(146)	516	653	(80)	573

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 $67 million and $75 million for the years ended December 31, 2022 and 2021, respectively. Amortization expense for amortizable intangible assets for each of the five succeeding fiscal years is estimated to be (amounts in millions):

2023	$	61
2024	$	55
2025	$	52
2026	$	49
2027	$	48

Impairments

The Company recorded no impairments in the years ended December 31, 2022 and 2021.

(6) Debt

Debt is summarized as follows:

	Outstanding principal December 31, 2022	Carrying value December 31, 2022	Carrying value December 31, 2021
		amounts in millions	
Senior notes	$ 600	628	632
Senior credit facility	397	397	399
Wells Fargo note payable	5	5	6
Deferred financing costs		(2)	(2)
Total debt	$ 1,002	1,028	1,035
Debt classified as current		(3)	(3)
Total long-term debt		$ 1,025	1,032

Senior Notes

On October 7, 2020, GCI, LLC issued $600 million of 4.75% senior notes due 2028 (the "Senior Notes"). The Senior Notes are unsecured and interest on the Senior Notes is payable semi-annually in arrears. The Senior 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. The Senior Notes are stated net of an aggregate unamortized premium of $28 million at December 31, 2022. Such premium is being amortized to interest expense in the accompanying consolidated statements of operations.

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 (the "Term Loan A") that matures on October 15, 2027. Additionally, the $400 million Term Loan B (the "Term Loan B") which existed prior to the amendment, was repaid in full using the proceeds from the 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, 2022, there was $247 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.

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, 2022.

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):

2023	$	3
2024		3
2025		3
2026		153
2027		238

Fair Value of Debt

The fair value of the Senior Notes was $506 million at December 31, 2022 (Level 1).

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, 2022.

(7) Leases

GCI Holdings has entered into finance lease agreements with satellite providers for transponder capacity to transmit voice and data traffic in rural Alaska. GCI Holdings is also party to finance lease agreements for an office building and certain retail store locations. GCI Holdings 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 right-of-use (“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 28 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 3 years up to 36 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 15 years from December 31, 2022.

The components of lease cost during the years ended December 31, 2022 and 2021 were as follows:

	Years ended December 31,		
	2022		2021
	amounts in millions		
Operating lease cost (1)	$	59	60
Finance lease cost			
Depreciation of leased assets	$	1	1
Total finance lease cost	$	1	1

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

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

	December 31,	
	2022	2021
Weighted-average remaining lease term (years):		
Finance leases	3.5	4.5
Operating leases	3.9	4.2
Weighted-average discount rate:		
Finance leases	4.3 %	4.3 %
Operating leases	6.0 %	4.0 %

Supplemental balance sheet information related to leases was as follows:

	December 31,	
	2022	2021
	amounts in millions	
Operating leases:		
Operating lease ROU assets, net (1)	$ 114	154
Current operating lease liabilities (2)	$ 45	49
Operating lease liabilities (3)	65	102
Total operating lease liabilities	$ 110	151
Finance Leases:		
Property and equipment, at cost	$ 4	4
Accumulated depreciation	(1)	(1)
Property and equipment, net	$ 3	3
Current obligations under finance leases (4)	$ 1	1
Obligations under finance leases	2	2
Total finance lease liabilities	$ 3	3

(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:

	Years ended December 31,	
	2022	2021
	amounts in millions	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	$ 57	55
Financing cash outflows from finance leases	$ 1	2
ROU assets obtained in exchange for lease obligations		
Operating leases	$ 11	108

Future lease payments under finance leases, operating leases and tower obligations with initial terms of one year or more at December 31, 2022 consisted of the following:

	Finance Leases	Operating Leases	Tower Obligations
		amounts in millions	
2023	$ 1	47	8
2024	1	44	8
2025	1	9	8
2026	—	7	8
2027	—	4	8
Thereafter	—	14	100
Total payments	3	125	140
Less: imputed interest	—	15	54
Total liabilities	$ 3	110	86

(8) Income Taxes

The Company is included in the federal consolidated income tax return of Liberty Broadband and its subsidiaries during the periods presented. The income tax provision included in these financial statements has been prepared on a stand-alone basis, as if GCI, LLC was not part of the consolidated Liberty Broadband tax group.

Income tax benefit (expense) consists of:

	Years ended December 31,	
	2022	2021
	amounts in millions	
Current:		
Federal	$ —	—
State and local	(1)	—
	(1)	—
Deferred:		
Federal	(3)	46
State and local	(4)	(10)
	(7)	36
Income tax (expense) benefit	$ (8)	36

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, 2022 and 2021 as a result of the following:

	Years ended December 31,	
	2022	2021
	amounts in millions	
Computed expected tax benefit (expense)	$ (2)	47
State and local income taxes, net of federal income taxes	(4)	(8)
Executive compensation	(3)	(9)
Deductible stock compensation	1	8
Other nondeductible expenses	(1)	(1)
Federal tax credit	1	—
Other, net	—	(1)
Income tax benefit (expense)	$ (8)	36

For the year ended December 31, 2022, the significant reconciling items, as noted in the table above, are primarily due to state income taxes and non-deductible executive stock-based compensation.

For the year ended December 31, 2021, 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 stock compensation.

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, 2022	December 31, 2021
	amounts in millions	
Deferred tax assets:		
Loss carryforwards	$ 58	99
Deferred revenue	20	11
Accrued stock compensation	6	7
Debt	7	9
Operating lease liability	31	42
Other accrued liabilities	19	13
Other future deductible amounts	46	47
Deferred tax assets	187	228
Valuation allowance	(1)	(1)
Net deferred tax assets	186	227
Deferred tax liabilities		
Fixed assets	201	206
Intangible assets	280	298
Operating lease ROU assets	32	43
Deferred tax liabilities	513	547
Net deferred tax liabilities	$ 327	320

During the year ended December 31, 2022, there was no change in the valuation allowance.

At December 31, 2022, the Company had a deferred tax asset of $58 million for federal and state net operating losses and interest expense carryforwards. Of the $58 million, $24 million are carryforwards with no expiration. The future use of the remaining carryforwards of $34 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 2028.

As of December 31, 2022, 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, 2022, all GCI tax years prior to 2019 are closed. However, because GCI generated NOLs in tax years prior to 2019, utilization of the NOLs in future years are subject to adjustment. GCI Liberty's 2019, and 2020 tax years are not currently under IRS examination, but remain "open" until the statute of limitations expires on October 15, 2023 and October 15, 2024, respectively. Prior to its split-off from Qurate Retail, certain GCI Liberty businesses were part of the Qurate Retail consolidated federal tax group. Qurate Retail's tax years prior to 2019 are closed for federal income tax purposes. Various states are currently examining Qurate Retail's prior years' state income tax returns.

(9) 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").

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.

Subsequent to the Combination, Liberty Broadband grants, to certain of its employees of its subsidiaries, RSUs and stock options to purchase shares of its common stock, under the Liberty Broadband 2019 Omnibus Incentive Plan, as amended. 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, Liberty Broadband will issue new shares upon exercise of equity awards.

Outstanding Awards

The following table presents the number and weighted average exercise price ("WAEP") of options 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 options.

	Series C Liberty Broadband			
	Options (000's)	WAEP	Weighted average remaining life	Aggregate intrinsic value (millions)
Outstanding at January 1, 2022	790	$ 125.22		
Granted	—	$ —		
Exercised	(32)	$ 70.23		
Forfeited/Cancelled	—	$ —		
Outstanding at December 31, 2022	758	$ 127.49	3.8 years	$ —
Exercisable at December 31, 2022	297	$ 103.83	2.9 years	$ —

During the years ended December 31, 2022 and 2021, the CEO exercised 38 thousand and 370 thousand options to purchase shares of Series B Liberty Broadband common stock ("LBRDB") at an exercise price of $97.21 per share for each exercise. As of December 31, 2022, there were 315 thousand LBRDB options outstanding and exercisable at a WAEP of $96.25, a weighted average remaining contractual life of 1.4 years and intrinsic value of zero.

As of December 31, 2022, the total unrecognized compensation cost related to unvested Awards was approximately $28 million. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 1.8 years.

As of December 31, 2022, all shares are reserved at Liberty Broadband. Liberty Broadband reserved 1.1 million shares of Series C Liberty Broadband common stock ("LBRDK") and LBRDB for issuance under exercise privileges of outstanding stock options. 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, 2022 and 2021 was $2 million and $26 million, respectively.

Restricted Stock and Restricted Stock Units

As of December 31, 2022, Liberty Broadband had approximately 273 thousand unvested RSAs and RSUs of LBRDK held by certain officers and employees with a weighted average GDFV of $130.94 per share. As of December 31, 2022, there were no Liberty Broadband Series A Cumulative Redeemable Preferred Stock unvested RSAs.

The aggregate fair value of all restricted shares of common and preferred stock that vested during the years ended December 31, 2022 and 2021 was $14 million and $25 million, respectively.

(10) 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 $12 million and $11 million for the years ended December 31, 2022 and 2021, respectively.

(11) 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, 2022, the Company had net accounts receivable from the RHC Program in the amount of approximately $80 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, 13 of which the FCC approved on December 22, 2022. The rest remain 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. This includes inquiry into the rates charged by GCI Holdings and other aspects related to the Enforcement Bureau's review of GCI Holdings' compliance with program rules, which 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.

The FCC's Enforcement Bureau and GCI Holdings held discussions regarding GCI Holdings potential RHC Program compliance issues related to certain of its contracts with its RHC customers for which GCI Holdings had previously recognized an estimated liability for a probable loss of approximately $12 million in 2019 for contracts that were deemed probable of not complying with the RHC Program rules. During the year ended December 31, 2022, GCI Holdings recorded an additional estimated settlement expense of $15 million relating to a settlement offer made by GCI Holdings resulting in a total estimated liability of $27 million. GCI Holdings also identified certain contracts where additional loss was reasonably possible and such loss could range from zero to $30 million, which is a reduction of the reasonably possible loss range as previously disclosed in our December 31, 2021 Annual Report given the settlement offer made during 2022. 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.

The DOJ and GCI Holdings held discussions regarding the qui tam action whereby the DOJ clarified that its investigation relates to the years from 2010 through 2019 and alleged that GCI Holdings had submitted false claims under the RHC Program during this time period. GCI Holdings continues to work with the DOJ related to this matter and has recorded a $14 million estimated settlement expense during the year ended December 31, 2022 to reflect discussions and settlement offers that GCI Holdings made to the DOJ during 2022. However, the Company is unable to assess the ultimate outcome of this action and is unable to reasonably estimate any range of additional possible loss beyond the $14 million estimated settlement liability, including any type of fine or penalty that may ultimately be assessed as permitted under the applicable law.

Separately, during the third quarter of 2022, GCI Holdings became aware of possible RHC Program compliance issues relating to potential conflicts of interest identified in the historical competitive bidding process with respect to certain of its contracts with its RHC customers. GCI Holdings notified the FCC's Enforcement Bureau of the potential compliance issues; however, the Company is unable to assess the ultimate outcome of the potential compliance issues and is unable to reasonably estimate any range of loss or possible loss.

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

December 31, 2022

(unaudited)

amounts in millions

GCI, LLC and its Subsidiaries net assets	$	1,508
Reconciling items:		
Liberty Subsidiaries net assets (a)		—
GCI, LLC net assets, excluding the Liberty Subsidiaries	$	1,508
GCI, LLC and its Subsidiaries net earnings (loss)	$	1
Reconciling items:		
Liberty Subsidiaries net (earnings) loss (a)		7
GCI, LLC net earnings (loss), excluding the Liberty Subsidiaries	$	8

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