GCI, LLC AND SUBSIDIARIES

Condensed Consolidated Financial Statements
as of and for the three months ended
March 31, 2023 and 2022

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 condensed 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.

GCI, LLC is an indirect wholly-owned subsidiary of Liberty Broadband as of March 31, 2023 as a result of the merger between GCI, LLC's 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. 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 and could lead to an increase in accounts receivable and bad debt expense. 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 and pay other obligations.

In addition, during 2022 and continuing in 2023, 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, GCI Holdings 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 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 by the Company. As of March 31, 2023, the Company had net accounts receivable from the RHC Program of approximately $86 million, which is included within Trade and other receivables in the condensed consolidated balance sheets.

The Company disclosed, in additional detail, the following items related to GCI Holdings' involvement in the RHC Program in its Annual Report for the year ended December 31, 2022:

<u>FCC Rate Reduction</u>

- The FCC reduced the rates charged to RHC customers by approximately 26% for the funding year that ended June 30, 2018. An Application for Review is currently with the FCC.
- The FCC approved the cost-based rural rates GCI Holdings historically applied for the funding years that ended on June 30, 2019 and June 30, 2020. GCI Holdings collected $175 million in accounts receivable relating to these two funding years during 2021. GCI Holdings also filed an Application for Review of these determinations. GCI Holdings identified rates for similar services provided by a competitor that would justify higher rates for certain GCI Holdings satellite services in the funding years that ended on June 30, 2018, June 30, 2019, and June 30, 2020. GCI Holdings submitted that information to the FCC's Wireline Competition Bureau on September 7, 2021. The Applications for Review remain pending.
- 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 Holdings 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.

<u>RHC Program Funding Cap</u>

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

<u>Enforcement Bureau and Related Inquiries</u>

- GCI Holdings received a letter of inquiry and request for information from the Enforcement Bureau (the "Enforcement Bureau") of the FCC, in March 2018 relating to the period beginning January 1, 2015 and including all future periods.
- In the fourth quarter of 2019, GCI Holdings became aware of potential RHC Program compliance issues related to certain of its currently active and expired contracts with certain of its RHC customers.
- 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.
- In 2021, GCI Holdings was informed that a qui tam action had been filed in the Western District of Washington arising from the subject matter under review by the Enforcement Bureau. The Department of Justice (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. Additionally in 2021, the DOJ issued a Civil Investigative Demand with regard to the qui tam action.
- With respect to the ongoing inquiries from the FCC's Enforcement Bureau and the FCC's Office of the Inspector General, GCI Holdings recognized a liability of approximately $12 million in 2019 for contracts that were deemed

probable of not complying with the RHC Program rules. 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. 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

- The FCC released an Order adopting changes to the RHC Program that will revise the manner in which support issued under the RHC Program will be calculated and approved. On January 19, 2021, the Wireline Competition Bureau of the FCC 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 Wireline Competition 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 FCC 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.

The Company does not have any significant updates regarding the items noted above.

Results of Operations - Consolidated

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

		Three months ended March 31,	
		2023	2022
		amounts in millions	
Revenue	$	246	233
Operating costs and expenses:			
Operating expense (exclusive of depreciation and amortization shown separately below)		(62)	(63)
Selling, general and administrative, excluding stock-based compensation		(94)	(83)
Stock-based compensation		(4)	(4)
Depreciation and amortization		(58)	(64)
Operating income (loss)		28	19
Other income (expense):			
Interest expense (including amortization of deferred loan fees)		(11)	(8)
Other, net		2	1
		(9)	(7)
Earnings (loss) before income taxes		19	12
Income tax benefit (expense)		(6)	(4)
Net earnings (loss)	$	13	8
Adjusted OIBDA		90	87

Revenue. Consolidated revenue increased $13 million for the three months ended March 31, 2023, as compared to the corresponding prior year period. The following table highlights selected key performance indicators used in evaluating GCI Holdings.

	March 31,	
	2023	2022
Consumer		
Data:		
Cable modem subscribers[1]	159,100	153,600
Wireless:		
Wireless lines in service[2]	193,700	185,900

[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. Data cable modem subscribers as of March 31, 2023 include 1,100 subscribers that were reclassified from GCI Business to GCI Consumer subscribers in the first quarter of 2023 and are not new additions.

[2] A wireless line in service is defined as a wireless device with a monthly fee for services. Wireless lines in service as of March 31, 2023 include 1,400 lines that were reclassified from GCI Business to GCI Consumer lines in the first quarter of 2023 and are not new additions.

The components of revenue are as follows:

	Three months ended March 31,	
	2023	2022
	amounts in millions	
Consumer		
Data	$ 59	58
Wireless	47	46
Other	12	15
Business		
Data	106	90
Wireless	13	14
Other	9	10
Total revenue	$ 246	233

Consumer data revenue increased $1 million for the three months ended March 31, 2023, as compared to the corresponding prior year period. The increase was primarily driven by an increase in the number of subscribers.

Consumer wireless revenue increased $1 million for the three months ended March 31, 2023, as compared to the corresponding prior year period. The increase was primarily driven by an increase in the number of subscribers.

Consumer other revenue decreased $3 million for the three months ended March 31, 2023, as compared to the corresponding prior year period. Consumer other revenue consists of consumer video and voice revenue. The decrease 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 $16 million for the three months ended March 31, 2023, as compared to the corresponding prior year period, primarily due to increased sales to health care and school customers due to service upgrades as well as new customer growth. These increases were partially offset by decreases in professional services revenue, driven by a reduction in time and material project work.

Business wireless revenue decreased $1 million for the three months ended March 31, 2023, as compared to the corresponding prior year period. The decrease was primarily due to decreases in roaming revenue.

Business other revenue decreased $1 million for the three months ended March 31, 2023, as compared to the corresponding prior year period. Business other revenue consists of business video and voice revenue. The decrease was primarily due to decreased local and long distance voice 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 $1 million for the three months ended March 31, 2023, as compared to the corresponding prior year period, primarily due to a decrease in costs paid to content producers driven by reduced video subscribers.

Selling, general and administrative expenses increased $11 million for the three months ended March 31, 2023, as compared to the corresponding prior year period, primarily due to increases in labor related costs and increases in bad debt and property taxes. The increase in bad debt and property taxes is due to one-time decreases in these costs during the quarter ended March 31, 2022.

Stock-based compensation remained flat for the three months ended March 31, 2023, as compared to the corresponding prior year period. As of March 31, 2023, the total unrecognized compensation cost related to unvested Awards (as defined in note 4 to the accompanying condensed consolidated financial statements) was approximately $29 million. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 1.5 years.

Depreciation and amortization decreased $6 million for the three months ended March 31, 2023, as compared to the corresponding prior year period. The decrease was due to lower depreciation expense as certain assets became fully depreciated during 2022.

Operating Income (Loss). Consolidated operating income increased $9 million for the three months ended March 31, 2023, 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, 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:

	Three months ended March 31,	
	2023	**2022**
	amounts in millions	
Operating income (loss)	$ 28	19
Depreciation and amortization	58	64
Stock-based compensation	4	4
Adjusted OIBDA	$ 90	87

Consolidated Adjusted OIBDA increased $3 million for the three months ended March 31, 2023, 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.

	Three months ended March 31,	
	2023	**2022**
	amounts in millions	
Other income (expense):		
Interest expense	$ (11)	(8)
Other, net	2	1
	$ (9)	(7)

Interest Expense. Consolidated interest expense increased $3 million during the three months ended March 31, 2023, as compared to the corresponding prior year period. The increase was driven by higher rates on the Company's variable rate debt. 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.

Other, net. Other, net income remained relatively flat for the three months ended March 31, 2023, as compared to the corresponding prior year period.

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

	Three months ended March 31,		
	2023		2022
	amounts in millions		
Earnings (loss) before income taxes	$	19	12
Income tax (expense) benefit		(6)	(4)
Effective income tax rate		32%	33%

For the three months ended March 31, 2023, the income tax expense was in excess of the expected federal tax expense primarily due to state income taxes.

For the three months ended March 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, partially offset by tax deductible equity compensation.

Net earnings (loss). The Company had net earnings of $13 million and $8 million for the three months ended March 31, 2023 and 2022, respectively. The change in net earnings (loss) 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 March 31, 2023. Based on that evaluation, the Executives concluded that the Company's disclosure controls and procedures were effective as of March 31, 2023 to provide reasonable assurance that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There has been no change in the Company's internal control over financial reporting that occurred during the three months ended March 31, 2023 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

GCI, LLC AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(unaudited)

	March 31, 2023	December 31, 2022
	amounts in millions	
Assets		
Current assets:		
Cash and cash equivalents	$ 59	85
Trade and other receivables, net of allowance for credit losses of $4 and $4, respectively	172	178
Prepaid and other current assets	79	71
Total current assets	310	334
Property and equipment, net	1,012	1,011
Intangible assets not subject to amortization		
Goodwill	746	746
Cable certificates	550	550
Other	37	37
	1,333	1,333
Intangible assets subject to amortization, net (note 2)	506	516
Other assets, net	192	175
Total assets	$ 3,353	3,369

See accompanying notes to the condensed consolidated financial statements.

GCI, LLC AND SUBSIDIARIES

Condensed Consolidated Balance Sheets (Continued)

(unaudited)

	March 31, 2023	December 31, 2022
	amounts in millions	
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 81	90
Deferred revenue	21	20
Current portion of debt (note 3)	3	3
Other current liabilities	107	96
Total current liabilities	212	209
Long-term debt, net (note 3)	1,024	1,025
Obligations under tower obligations and finance leases, excluding current portion	85	86
Long-term deferred revenue	62	63
Deferred income tax liabilities	332	327
Other liabilities	154	151
Total liabilities	1,869	1,861
Equity		
Member's equity:		
Member's investment	1,753	1,750
Retained earnings (deficit)	(287)	(260)
Total member's equity	1,466	1,490
Non-controlling interests	18	18
Total equity	1,484	1,508
Commitments and contingencies (note 5)		
Total liabilities and equity	$ 3,353	3,369

See accompanying notes to the condensed consolidated financial statements.

GCI, LLC AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

(unaudited)

	Three months ended March 31, 2023	Three months ended March 31, 2022
	amounts in millions	
Revenue	$ 246	233
Operating costs and expenses:		
Operating expense (exclusive of depreciation and amortization shown separately below)	62	63
Selling, general and administrative, including stock-based compensation	98	87
Depreciation and amortization	58	64
	218	214
Operating income (loss)	28	19
Other income (expense):		
Interest expense (including amortization of deferred loan fees)	(11)	(8)
Other, net	2	1
	(9)	(7)
Earnings (loss) before income taxes	19	12
Income tax benefit (expense)	(6)	(4)
Net earnings (loss)	13	8
Less net earnings (loss) attributable to the non-controlling interests	—	—
Net earnings (loss) attributable to member	$ 13	8

See accompanying notes to the condensed consolidated financial statements.

GCI, LLC AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(unaudited)

	Three months ended March 31, 2023	Three months ended March 31, 2022
	amounts in millions	
Cash flows from operating activities:		
Net earnings (loss)	$ 13	8
Adjustments to reconcile net earnings (loss) to net cash from operating activities:		
Depreciation and amortization	58	64
Stock-based compensation	4	4
Deferred income tax expense (benefit)	5	4
Other, net	(1)	(1)
Change in operating assets and liabilities:		
Current and other assets	3	42
Payables and other liabilities	(9)	(6)
Net cash provided by (used in) operating activities	73	115
Cash flows from investing activities:		
Capital expenditures	(54)	(32)
Other investing activities, net	—	4
Net cash provided by (used in) investing activities	(54)	(28)
Cash flows from financing activities:		
Repayment of debt, tower obligations and finance leases	(2)	(2)
Dividends paid to parent	(40)	—
Other financing activities, net	(3)	(1)
Net cash provided by (used in) financing activities	(45)	(3)
Net increase (decrease) in cash, cash equivalents and restricted cash	(26)	84
Cash, cash equivalents and restricted cash, beginning of period	110	49
Cash, cash equivalents and restricted cash, end of period	$ 84	133

The following table reconciles cash and cash equivalents and restricted cash reported in the accompanying condensed consolidated balance sheets to the total amount presented in the accompanying condensed consolidated statement of cash flows:

	March 31, 2023	December 31, 2022
	amounts in millions	
Cash and cash equivalents	$ 59	85
Restricted cash included in other current assets	24	24
Restricted cash included in other long-term assets	1	1
Total cash and cash equivalents and restricted cash at end of period	$ 84	110

See accompanying notes to the condensed consolidated financial statements.

GCI, LLC AND SUBSIDIARIES

Condensed Consolidated Statements of Equity

(unaudited)

	Member's investment	Retained earnings (loss)	Non-controlling interest in equity of subsidiaries	Total equity
	amounts in millions			
Balances at January 1, 2023	$ 1,750	(260)	18	1,508
Net earnings (loss)	—	13	—	13
Stock-based compensation	4	—	—	4
Dividends paid to parent	—	(40)	—	(40)
Other	(1)	—	—	(1)
Balances at March 31, 2023	$ 1,753	(287)	18	1,484

	Member's investment	Retained earnings (loss)	Non-controlling interest in equity of subsidiaries	Total equity
	amounts in millions			
Balances at January 1, 2022	$ 1,734	(151)	12	1,595
Net earnings (loss)	—	8	—	8
Stock-based compensation	4	—	—	4
Other	(1)	—	4	3
Balances at March 31, 2022	$ 1,737	(143)	16	1,610

See accompanying notes to the condensed 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.

GCI, LLC is an indirect wholly-owned subsidiary of Liberty Broadband Corporation ("Liberty Broadband") as of March 31, 2023 as a result of the merger between GCI, LLC's 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.

The accompanying condensed consolidated financial statements refer to the combination of GCI Holdings, an indirect wholly-owned subsidiary of GCI, LLC and certain other assets and liabilities as the "Company", "us", "we" and "our." All significant intercompany accounts and transactions have been eliminated in the condensed 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 March 31, 2023. 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 March 31, 2023 and December 31, 2022.

Dividends Paid to Parent

During the three months ended March 31, 2023, GCI, LLC paid dividends of $40 million to its parent, Liberty Broadband.

Subsequent Events

The Company has evaluated subsequent events through May 1, 2023 and has discussed subsequent events throughout the notes to the condensed consolidated financial statements in the note in which the subsequent event is expected to have an impact.

(2) Intangible Assets

Intangible Assets Subject to Amortization

	March 31, 2023			December 31, 2022		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
	amounts in millions					
Customer relationships	$ 515	(101)	414	515	(91)	424
Other amortizable intangible assets	153	(61)	92	147	(55)	92
Total	$ 668	(162)	506	662	(146)	516

Amortization expense for intangible assets with finite useful lives was $16 million and $17 million for the three months ended March 31, 2023 and 2022, respectively. Amortization expense for amortizable intangible assets for each of the five succeeding fiscal years is estimated to be (amounts in millions):

Remainder of 2023	$	47
2024	$	57
2025	$	52
2026	$	49
2027	$	48

(3) Debt

Debt is summarized as follows:

	Outstanding principal March 31, 2023	Carrying value March 31, 2023	Carrying value December 31, 2022
	amounts in millions		
Senior notes	$ 600	626	628
Senior credit facility	396	396	397
Wells Fargo note payable	5	5	5
Deferred financing costs		—	(2)
Total debt	$ 1,001	1,027	1,028
Debt classified as current		(3)	(3)
Total long-term debt		$ 1,024	1,025

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 $26 million at March 31, 2023. Such premium is being amortized to interest expense in the accompanying condensed 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. 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.

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 March 31, 2023, there was $246 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 March 31, 2023.

Fair Value of Debt

The fair value of the Senior Notes was $522 million at March 31, 2023 (Level 2).

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 March 31, 2023.

(4) Stock-Based Compensation

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 condensed consolidated financial statements over the remaining vesting period of each individual Award.

Subsequent to the Combination, Liberty Broadband grants, to certain 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.

Included in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations are $4 million and $4 million of stock-based compensation during the three months ended March 31, 2023 and 2022, respectively.

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 ("LBRDK")			
	Options (000's)	WAEP	Weighted average remaining life	Aggregate intrinsic value (millions)
Outstanding at January 1, 2023	758	$ 127.49		
Granted	—	$ —		
Exercised	(24)	$ 67.24		
Forfeited/Cancelled	(29)	$ 96.49		
Outstanding at March 31, 2023	705	$ 130.83	3.8 years	$ —
Exercisable at March 31, 2023	249	$ 109.42	3.0 years	$ —

As of March 31, 2023, the Company had 246 thousand Series B Liberty Broadband (“LBRDB”) options outstanding and exercisable at a WAEP of $95.98 and a weighted average remaining contractual life of 1.5 years. During the three months ended March 31, 2023, there were no grants or exercises of LBRDB, but 69 thousand LBRDB options with a WAEP of $97.21 were forfeited.

During the three months ended March 31, 2023, the Company granted 61 thousand Series C Liberty Broadband RSUs with a GDFV of $80.19 per share to subsidiary employees. As of March 31, 2023, the total unrecognized compensation cost related to unvested Awards was approximately $29 million. Such amount will be recognized in the Company’s condensed consolidated statements of operations over a weighted average period of approximately 1.5 years.

As of March 31, 2023, all shares are reserved at Liberty Broadband. Liberty Broadband reserved 1 million shares of LBRDK and LBRDB for issuance under exercise privileges of outstanding stock options. Liberty Broadband will issue new shares upon exercise of equity awards.

(5) Commitments and Contingencies

General Litigation

The Company has contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. Although it is reasonably possible the Company may incur losses upon conclusion of such matters, an estimate of any loss or range of loss cannot be made. In the opinion of management, it is expected that amounts, if any, which may be required to satisfy such contingencies will not be material in relation to the accompanying condensed consolidated financial statements.

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

March 31, 2023

(unaudited)

amounts in millions

GCI, LLC and its Subsidiaries net assets	$	1,484
Reconciling items:		
Liberty Subsidiaries net assets (a)		—
GCI, LLC net assets, excluding the Liberty Subsidiaries	$	1,484
GCI, LLC and its Subsidiaries net earnings (loss)	$	13
Reconciling items:		
Liberty Subsidiaries net (earnings) loss (a)		1
GCI, LLC net earnings (loss), excluding the Liberty Subsidiaries	$	14

(a) Liberty Subsidiaries is a defined term in the Credit Agreement and Indenture for the 4.75% Senior Notes due 2028.