
GCI, LLC AND SUBSIDIARIES

Condensed Consolidated Financial Statements
as of and for the three months ended
March 31, 2024 and 2023

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

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

Overview

GCI, LLC, (the "Company", "us", "we" or "our") 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, 2024 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. In recent years, varying factors have contributed to significant volatility and disruption of financial markets and global supply chains. Additionally, the U.S. Federal Reserve increased interest rates starting in March 2022 and throughout 2023. 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 financial reserves that GCI Holdings believes may be able to 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 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 2023 and continuing in 2024, 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 Holdings' 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 Company does not have any significant updates regarding GCI Holdings' involvement in the RHC Program as disclosed in the Company's Annual Report for the year ended December 31, 2023.

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,	
	2024	2023
	amounts in millions	
Revenue	\$ 245	246
Operating costs and expenses:		
Operating expense (exclusive of depreciation and amortization shown separately below)	(62)	(62)
Selling, general and administrative, excluding stock-based compensation	(93)	(94)
Stock-based compensation	(3)	(4)
Depreciation and amortization	(50)	(58)
Operating income (loss)	37	28
Other income (expense):		
Interest expense (including amortization of deferred loan fees)	(10)	(11)
Other, net	1	2
	(9)	(9)
Earnings (loss) before income taxes	28	19
Income tax benefit (expense)	(8)	(6)
Net earnings (loss)	\$ 20	13
Adjusted OIBDA	90	90

Revenue. Consolidated revenue decreased \$1 million for the three months ended March 31, 2024, as compared to the corresponding prior year period. The following table highlights selected key performance indicators used in evaluating GCI Holdings.

	March 31,	
	2024	2023
Consumer		
Data:		
Cable modem subscribers ¹	159,800	159,100
Wireless:		
Wireless lines in service ²	199,000	193,700

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, 2024 include 900 subscribers that were reclassified from GCI Business to GCI Consumer subscribers in the first quarter of 2024 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, 2024 include 1,800 lines that were reclassified from GCI Business to GCI Consumer lines in the first quarter of 2024 and are not new additions.

The components of revenue are as follows:

	Three months ended March 31,	
	2024	2023
	amounts in millions	
Consumer		
Data	\$ 60	59
Wireless	47	47
Other	10	12
Business		
Data	108	106
Wireless	12	13
Other	8	9
Total revenue	<u>\$ 245</u>	<u>246</u>

Consumer data revenue increased \$1 million for the three months ended March 31, 2024, as compared to the corresponding prior year period. The increase was primarily driven subscribers' selection of plans with higher recurring monthly charges.

Consumer wireless revenue was flat for the three months ended March 31, 2024, as compared to the corresponding prior year period.

Consumer other revenue decreased \$2 million for the three months ended March 31, 2024, 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 the continued transition from traditional linear video delivery to IP delivery. 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 \$2 million for the three months ended March 31, 2024, as compared to the corresponding prior year period, primarily due to increased sales to health care customers due to service upgrades. These increases were partially offset by a decrease in business data subscribers.

Business wireless revenue decreased \$1 million for the three months ended March 31, 2024, as compared to the corresponding prior year period, primarily due to a decrease in the number of subscribers.

Business other revenue decreased \$1 million for the three months ended March 31, 2024, 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 were flat for the three months ended March 31, 2024, as compared to the corresponding prior year period.

Selling, general and administrative expenses decreased \$1 million for the three months ended March 31, 2024, as compared to the corresponding prior year period. The decrease was primarily due to a decrease in lease expense due to lease modifications made during 2023.

Stock-based compensation decreased \$1 million for the three months ended March 31, 2024, as compared to the corresponding prior year period, due to multi-year grants fully vesting in the prior year. As of March 31, 2024, the total unrecognized compensation cost related to unvested Awards (as defined in note 4 to the accompanying condensed consolidated financial statements) was approximately \$20 million. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 1.7 years.

Depreciation and amortization decreased \$8 million for the three months ended March 31, 2024, as compared to the corresponding prior year period. The decrease was due to lower depreciation and amortization expense as certain fixed and intangible assets became fully depreciated during 2023.

Operating Income (Loss). Consolidated operating income increased \$9 million for the three months ended March 31, 2024, 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,	
	2024	2023
	amounts in millions	
Operating income (loss)	\$ 37	28
Depreciation and amortization	50	58
Stock-based compensation	3	4
Adjusted OIBDA	\$ 90	90

Consolidated Adjusted OIBDA was flat for the three months ended March 31, 2024, 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,	
	2024	2023
	amounts in millions	
Other income (expense):		
Interest expense	\$ (10)	(11)
Other, net	1	2
	<u>\$ (9)</u>	<u>(9)</u>

Interest Expense. Consolidated interest expense decreased \$1 million during the three months ended March 31, 2024, as compared to the corresponding prior year period. The decrease was driven by lower amounts of debt outstanding. 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 was relatively flat for the three months ended March 31, 2024, 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,	
	2024	2023
	amounts in millions	
Earnings (loss) before income taxes	\$ 28	19
Income tax (expense) benefit	(8)	(6)
Effective income tax rate	29%	32%

For both the three months ended March 31, 2024 and 2023, the income tax expense was in excess of the expected federal tax expense primarily due to state income taxes.

Net earnings (loss). The Company had net earnings of \$20 million and \$13 million for the three months ended March 31, 2024 and 2023, 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, 2024. Based on that evaluation, the Executives concluded that the Company's disclosure controls and procedures were effective as of March 31, 2024 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, 2024 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)

	<u>March 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
	amounts in millions	
<i>Assets</i>		
Current assets:		
Cash and cash equivalents	\$ 70	79
Trade and other receivables, net of allowance for credit losses of \$5 and \$5, respectively	168	169
Prepaid and other current assets	<u>55</u>	<u>66</u>
Total current assets	<u>293</u>	<u>314</u>
Property and equipment, net	1,078	1,053
Intangible assets not subject to amortization		
Goodwill	746	746
Cable certificates	550	550
Other	40	40
Intangible assets subject to amortization, net (note 2)	449	461
Other assets, net	<u>159</u>	<u>167</u>
Total assets	<u>\$ 3,315</u>	<u>3,331</u>

See accompanying notes to the condensed consolidated financial statements.

GCI, LLC AND SUBSIDIARIES

Condensed Consolidated Balance Sheets (Continued)

(unaudited)

	March 31, 2024	December 31, 2023
	amounts in millions	
<i>Liabilities and Equity</i>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 88	82
Deferred revenue	29	30
Current portion of debt (note 3)	3	3
Other current liabilities	60	55
Total current liabilities	180	170
Long-term debt, net (note 3)	956	1,018
Obligations under tower obligations and finance leases, excluding current portion	81	83
Long-term deferred revenue	77	65
Deferred income tax liabilities	358	351
Other liabilities	139	143
Total liabilities	1,791	1,830
<i>Equity</i>		
Member's equity:		
Member's investment	1,769	1,766
Retained earnings (deficit)	(265)	(285)
Total member's equity	1,504	1,481
Non-controlling interests	20	20
Total equity	1,524	1,501
Commitments and contingencies (note 5)		
Total liabilities and equity	\$ 3,315	3,331

See accompanying notes to the condensed consolidated financial statements.

GCI, LLC AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

(unaudited)

	Three months ended March 31,	
	2024	2023
	amounts in millions	
Revenue	\$ 245	246
Operating costs and expenses:		
Operating expense (exclusive of depreciation and amortization shown separately below)	62	62
Selling, general and administrative, including stock-based compensation	96	98
Depreciation and amortization	50	58
	208	218
Operating income (loss)	37	28
Other income (expense):		
Interest expense (including amortization of deferred loan fees)	(10)	(11)
Other, net	1	2
	(9)	(9)
Earnings (loss) before income taxes	28	19
Income tax benefit (expense)	(8)	(6)
Net earnings (loss)	20	13
Less net earnings (loss) attributable to the non-controlling interests	—	—
Net earnings (loss) attributable to member	\$ 20	13

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,	
	2024	2023
	amounts in millions	
Cash flows from operating activities:		
Net earnings (loss)	\$ 20	13
Adjustments to reconcile net earnings (loss) to net cash from operating activities:		
Depreciation and amortization	50	58
Stock-based compensation	3	4
Deferred income tax expense (benefit)	7	5
Other, net	(1)	(1)
Change in operating assets and liabilities:		
Current and other assets	13	3
Payables and other liabilities	(5)	(9)
Net cash provided by (used in) operating activities	<u>87</u>	<u>73</u>
Cash flows from investing activities:		
Capital expenditures	(61)	(54)
Grant proceeds received for capital expenditures	15	—
Net cash provided by (used in) investing activities	<u>(46)</u>	<u>(54)</u>
Cash flows from financing activities:		
Repayment of debt, tower obligations and finance leases	(62)	(2)
Dividends paid to parent	—	(40)
Other financing activities, net	—	(3)
Net cash provided by (used in) financing activities	<u>(62)</u>	<u>(45)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	(21)	(26)
Cash, cash equivalents and restricted cash, beginning of period	97	110
Cash, cash equivalents and restricted cash, end of period	<u>\$ 76</u>	<u>84</u>

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, 2024	December 31, 2023
	amounts in millions	
Cash and cash equivalents	\$ 70	79
Restricted cash included in other current assets	5	16
Restricted cash included in other long-term assets	1	2
Total cash and cash equivalents and restricted cash at end of period	<u>\$ 76</u>	<u>97</u>

See accompanying notes to the condensed consolidated financial statements.

GCI, LLC AND SUBSIDIARIES

Condensed Consolidated Statements of Equity

(unaudited)

	<u>Member's investment</u>	<u>Retained earnings (loss)</u>	<u>Non-controlling interest in equity of subsidiaries</u>	<u>Total equity</u>
	amounts in millions			
Balances at January 1, 2024	\$ 1,766	(285)	20	1,501
Net earnings (loss)	—	20	—	20
Stock-based compensation	3	—	—	3
Balances at March 31, 2024	<u>\$ 1,769</u>	<u>(265)</u>	<u>20</u>	<u>1,524</u>

	<u>Member's investment</u>	<u>Retained earnings (loss)</u>	<u>Non-controlling interest in equity of subsidiaries</u>	<u>Total equity</u>
	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	<u>\$ 1,753</u>	<u>(287)</u>	<u>18</u>	<u>1,484</u>

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, 2024 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"). There remains \$500 million undrawn as of March 31, 2024. 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, 2024 and December 31, 2023.

Dividends Paid to Parent

During the three months ended March 31, 2024 and 2023, GCI, LLC paid dividends of zero and \$40 million, respectively, to its parent, Liberty Broadband. Subsequent to March 31, 2024, GCI, LLC paid dividends of \$150 million to its parent, Liberty Broadband.

Subsequent Events

The Company has evaluated subsequent events through May 8, 2024, which is the date the financial statements were available to be issued, and has discussed the relevant subsequent events within the applicable 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, net

	March 31, 2024			December 31, 2023		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
	amounts in millions					
Customer relationships	\$ 515	(142)	373	515	(132)	383
Other amortizable intangible assets	159	(83)	76	156	(78)	78
Total	<u>\$ 674</u>	<u>(225)</u>	<u>449</u>	<u>671</u>	<u>(210)</u>	<u>461</u>

Amortization expense for intangible assets with finite useful lives was \$15 million and \$16 million for the three months ended March 31, 2024 and 2023, respectively. Amortization expense for amortizable intangible assets for each of the five succeeding fiscal years is estimated to be (amounts in millions):

Remainder of 2024	\$	44
2025	\$	54
2026	\$	51
2027	\$	49
2028	\$	47

(3) Debt

Debt is summarized as follows:

	Outstanding principal March 31, 2024	Carrying value	
		March 31, 2024	December 31, 2023
		amounts in millions	
Senior notes	\$ 600	622	623
Senior credit facility	334	334	394
Wells Fargo note payable	5	5	5
Deferred financing costs		(2)	(1)
Total debt	<u>\$ 939</u>	<u>959</u>	<u>1,021</u>
Debt classified as current		(3)	(3)
Total long-term debt		<u>\$ 956</u>	<u>1,018</u>

Senior Notes

On October 7, 2020, GCI, LLC issued \$600 million aggregate principal amount 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 \$22 million at March 31, 2024. 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, 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. On June 12, 2023, GCI, LLC entered into Amendment No. 1 to the Eighth Amended and Restated Credit Agreement (as amended, the “Senior Credit Facility”) which modified the interest rates to reference the Secured Overnight Financing Rate (“SOFR”) instead of the London Interbank Offered Rates (“LIBOR”).

Following the amendment in June 2023, 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 Senior Credit Facility has several leverage ratios defined that are referenced here. The revolving credit facility borrowings under the Senior Credit Facility that are SOFR loans bear interest at a per annum rate equal to the applicable SOFR plus a Credit Spread Adjustment (as defined in the Senior Credit Facility) 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 SOFR loans bear interest at a per annum rate equal to the applicable SOFR 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. Prior to the amendment in June 2023, all rates indexed to SOFR were previously indexed to LIBOR. The Senior Credit Facility also has a commitment fee that accrues at a per annum rate between 0.375% and 0.500% on the daily unused amount of the revolving credit facility depending on GCI, LLC's total leverage ratio.

GCI, LLC's first lien leverage ratio 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, 2024, there was \$244 million outstanding under the Term Loan A, \$90 million outstanding under the revolving portion of the Senior Credit Facility and \$3 million in letters of credit under the Senior Credit Facility, leaving \$457 million available for borrowing.

Subsequent to March 31, 2024, GCI, LLC borrowed an additional \$130 million under the revolving portion of the Senior Credit Facility.

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"). On May 1, 2023, the Wells Fargo Note Payable was amended to update the interest rate to reference SOFR instead of LIBOR. After this amendment, the interest rate is variable at SOFR plus 1.75%. Prior to the amendment, the interest rate was variable at one month LIBOR plus 2.25%.

The Wells Fargo Note Payable is subject to similar affirmative and negative covenants as the Senior Credit Facility. The obligations under the Wells Fargo Note Payable 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, 2024.

Fair Value of Debt

The fair value of the Senior Notes was \$551 million at March 31, 2024 (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, 2024.

(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 RSUs to certain employees of its subsidiaries 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 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 \$3 million and \$4 million of stock-based compensation during the three months ended March 31, 2024 and 2023, 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 prior to the Combination, 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, 2024	678	\$ 132.94		
Granted	—	\$ —		
Exercised	—	\$ —		
Forfeited/Cancelled	—	\$ —		
Outstanding at March 31, 2024	678	\$ 132.94	2.9 years	\$ —
Exercisable at March 31, 2024	490	\$ 121.75	2.6 years	\$ —

As of March 31, 2024, the Company had 246 thousand Series B Liberty Broadband common stock ("LBRDB") options outstanding and exercisable at a WAEP of \$95.98 and a weighted average remaining contractual life of 0.5 years and intrinsic value of zero. During the three months ended March 31, 2024, there were no grants, exercises or cancellations of LBRDB.

During the three months ended March 31, 2024, the Company granted 66 thousand LBRDK RSUs with a GDFV of \$56.20 per share to subsidiary employees. As of March 31, 2024, the total unrecognized compensation cost related to unvested Awards was approximately \$20 million. Such amount will be recognized in the Company's condensed consolidated statements of operations over a weighted average period of approximately 1.7 years.

As of March 31, 2024, all shares are reserved at Liberty Broadband. Liberty Broadband reserved 924 thousand shares of LBRDK and LBRDB for issuance under exercise privileges of outstanding stock options. Liberty Broadband will issue new shares upon exercise of options.

(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.

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, 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.

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

March 31, 2024

(unaudited)

amounts in millions

GCI, LLC and its Subsidiaries net assets	\$ 1,524
Reconciling items:	
Liberty Subsidiaries net assets (a)	—
GCI, LLC net assets, excluding the Liberty Subsidiaries	<u>\$ 1,524</u>
GCI, LLC and its Subsidiaries net earnings (loss)	\$ 20
Reconciling items:	
Liberty Subsidiaries net (earnings) loss (a)	-
GCI, LLC net earnings (loss), excluding the Liberty Subsidiaries	<u>\$ 20</u>

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