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**GCI, LLC AND SUBSIDIARIES**

Condensed Consolidated Financial Statements  
as of and for the three months ended  
March 31, 2021 and 2020

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

GCI, LLC is an indirect wholly-owned subsidiary of Liberty Broadband as of March 31, 2021 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. Pursuant to the Agreement and Plan of Merger, dated as of August 6, 2020, entered into by GCI Liberty, Liberty Broadband, Grizzly Merger Sub 1, LLC, a wholly owned subsidiary of Liberty Broadband ("Merger LLC"), and Grizzly Merger Sub 2, Inc., a wholly owned subsidiary of Merger LLC ("Merger Sub"), Merger Sub merged with and into GCI Liberty (the "First Merger"), with GCI Liberty surviving the First Merger as an indirect wholly owned subsidiary of Liberty Broadband (the "Surviving Corporation"), and immediately following the First Merger, GCI Liberty (as the Surviving Corporation in the First Merger) merged with and into Merger LLC (the "Upstream Merger", and together with the First Merger, the "Combination"), with Merger LLC surviving the Upstream Merger as a wholly owned subsidiary of Liberty Broadband.

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

### *Update on Economic Conditions*

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

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

The majority of GCI Holdings' workforce has transitioned to working at home full time and it expects to keep those employees working from home through at least August 2021.

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

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

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

#### *Rural Health Care ("RHC") Program*

GCI Holdings receives support from various Universal Service Fund ("USF") programs including the RHC Program. The USF programs are subject to change by regulatory actions taken by the 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, 2021, the Company had net accounts receivable from the RHC Program of approximately \$100 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, 2020:

- 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 \$174.6 million in accounts receivable relating to these two funding years during the first quarter of 2021.
- GCI Holdings submitted cost studies for the funding year ending June 30, 2021, which require approval by the FCC. Those studies remain pending before the FCC and we cannot predict when the FCC will act upon them.
- 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.
- GCI Holdings received a letter of inquiry and request for information from the Enforcement Bureau of the FCC (the "Enforcement Bureau") in March 2018 relating to the period beginning January 1, 2015 and including all future periods. GCI Holdings has also received other related inquiries to which it is in the process of responding.
- 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.
- 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 reinstatement of the rules currently in effect through the funding year ending on June 30, 2021.

The Company does not have any significant updates regarding the items noted above except as discussed in the remainder of this paragraph. 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 21, 2021, representatives of the Department of Justice 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. Given the confidentiality of the qui tam process, the Company is unable to assess the ultimate outcome of this action and whether any type of fine or penalty would ultimately be assessed as is permitted under the applicable law.

### **Results of Operations - Consolidated**

**General.** We provide information regarding our consolidated operating results and other income and expenses, as well as information regarding the contribution to those items from our operating segments in the tables below. The "Corporate and other" category consists of those assets or businesses which do not qualify as a significant operating segment. For a more detailed discussion and analysis of the financial results of GCI Holdings, see "Results of Operations-GCI Holdings" below.

## Operating Results

	<u>Successor</u>	<u>Predecessor</u>
	<u>Three months ended</u>	
	<u>March 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>amounts in thousands</u>	
<b>Revenue</b>		
GCI Holdings	\$ 242,216	231,561
Corporate and other	—	4,238
Consolidated	<u>\$ 242,216</u>	<u>235,799</u>
<b>Operating Income (Loss)</b>		
GCI Holdings	\$ 28,748	23,186
Corporate and other	(1,949)	(11,952)
Consolidated	<u>\$ 26,799</u>	<u>11,234</u>
<b>Adjusted OIBDA</b>		
GCI Holdings	\$ 96,059	86,395
Corporate and other	(425)	(9,678)
Consolidated	<u>\$ 95,634</u>	<u>76,717</u>

**Revenue.** Consolidated revenue increased \$6.4 million for the three months ended March 31, 2021, as compared to the corresponding period in the prior year. The increase for the three month period is primarily due to an increase of \$10.7 million at GCI Holdings. See “Results of Operations-GCI Holdings, LLC” below for a more complete discussion of the results of operations of GCI Holdings. Corporate and other revenue decreased \$4.2 million for the three months ended March 31, 2021, as compared to the corresponding prior year period. The decrease was the result of Evite being sold in September 2020.

**Operating Income (Loss).** Consolidated operating income increased \$15.6 million for the three months ended March 31, 2021, as compared to the corresponding period in the prior year. The increase in operating income was impacted by a \$5.6 million increase in operating income for GCI Holdings. See “Results of Operations-GCI Holdings, LLC” below for a more complete discussion of the results of operations of GCI Holdings.

Operating losses for corporate and other decreased \$10.0 million for the three months ended March 31, 2021, as compared to the corresponding period in the prior year. The decrease was due to the sale of Evite in September 2020, which had operating losses in the three months ended March 31, 2020.

**Stock-based compensation.** Prior to the Combination, stock based compensation included compensation related to restricted shares of GCI Liberty’s common stock and preferred stock, restricted stock units with respect to GCI Liberty’s common stock, and options to purchase shares of GCI Liberty’s common stock granted to certain of the Company’s directors, employees, and employees of its subsidiaries. In connection with the Combination at the close of business on December 18, 2020, all outstanding GCI Liberty Awards were converted to Liberty Broadband Awards. The conversion of such awards was considered a modification under ASC 805 – *Business Combinations*. A portion of the fair value of the converted award was attributed to the consideration paid in the acquisition. The remaining portion of the fair value will be recognized in the condensed consolidated financial statements over the remaining vesting period of each individual award. We recorded \$5.1 million and \$2.5 million of stock compensation expense for the three months ended March 31, 2021 and 2020, respectively. The increase for the three months ended March 31, 2021 is primarily due to an increase in stock compensation at GCI Holdings of \$2.8 million for the three month period. See “Results of Operations-GCI Holdings, LLC” below for a more complete discussion of the results of operations of GCI Holdings. As of March 31, 2021, the total unrecognized compensation cost related to unvested options and restricted stock was approximately \$16.6 million and \$16.2 million, respectively. Such amounts will be recognized in the Company’s consolidated statements of operations over a weighted average period of approximately 2.2 years and 1.8 years, respectively.

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

	<u>Successor</u>	<u>Predecessor</u>
	<u>Three months ended</u>	
	<u>March 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>amounts in thousands</u>	
Operating income (loss)	\$ 26,799	11,234
Depreciation and amortization	63,712	63,008
Stock-based compensation	5,123	2,475
Adjusted OIBDA	<u>\$ 95,634</u>	<u>76,717</u>

Consolidated Adjusted OIBDA increased \$18.9 million for the three months ended March 31, 2021, as compared to the corresponding period in the prior year, due to the items discussed above. See “Results of Operations-GCI Holdings, LLC” below for a more complete discussion of the results of operations of GCI Holdings.

#### **Other Income and Expense**

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

	<u>Successor</u>	<u>Predecessor</u>
	<u>Three months ended</u>	
	<u>March 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>amounts in thousands</u>	
Other income (expense):		
Interest expense	\$ (11,123)	(32,137)
Share of earnings (losses) of affiliates	63	(707)
Realized and unrealized gains (losses) on financial instruments, net	(257,739)	(213,994)
Other, net	704	655
	<u>\$ (268,095)</u>	<u>(246,183)</u>

**Interest Expense.** Consolidated interest expense decreased \$21.0 million during the three months ended March 31, 2021, as compared to the corresponding period in the prior year. The decrease was primarily due to lower debt balances, including the full repayment of the Margin Loan Facility as a result of the Combination and lower amounts outstanding on the Senior Notes (as defined in note 6 of the accompanying condensed consolidated financial statements), as well as lower interest rates. See Schedule I for a reconciliation of the net assets and net earnings of GCI, LLC excluding the Liberty Subsidiaries under and as defined in the Senior Credit Facility and Indenture for the 4.750% Senior Notes Due 2028.

**Share of earnings (losses) of affiliates, net.** Share of earnings (losses) of affiliates, net increased \$0.8 million during the three months ended March 31, 2021, as compared to the corresponding period in the prior year. The increase

in earnings was due to a decrease in losses by our affiliates, primarily because of the distribution of LendingTree to parent on November 16, 2020.

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

	Successor	Predecessor
	Three months ended March 31,	
	2021	2020
	amounts in thousands	
Equity securities	\$ (257,739)	(261,134)
Derivative instruments	—	47,140
	<u>\$ (257,739)</u>	<u>(213,994)</u>

The increase in unrealized loss during the three months ended March 31, 2021, as compared to the corresponding period in the prior year, was primarily driven by the distribution of the Company's stake in LendingTree to parent on November 16, 2020, which included the gain on the forward sale contract included in the March 31, 2020 realized and unrealized gains (losses) on financial instruments, net. The increase in the unrealized loss also related to changes in the fair value of our investment in Charter, which was last marked to fair value on February 16, 2021, the date of the distribution of the Charter investment to parent through a restructuring.

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

	Successor	Predecessor
	Three months ended March 31,	
	2021	2020
	amounts in thousands	
Earnings (loss) before income taxes	\$ (241,296)	(234,949)
Income tax (expense) benefit	50,513	63,185
Effective income tax rate	21%	27%

For the three months ended March 31, 2021, the income tax benefit was not materially different than the expected federal tax benefit due to state tax expense offset by stock compensation benefits.

For the three months ended March 31, 2020, the income tax benefit was in excess of the expected federal tax benefit primarily due to the state income tax benefit.

**Earnings (loss) from discontinued operations, net of taxes.** The Company's investment in Liberty Broadband was distributed to parent on December 21, 2020. Accordingly, the condensed consolidated financial statements of GCI, LLC have been prepared to reflect the investment in Liberty Broadband as discontinued operations. The impact to earnings (loss) from discontinued operations, net of taxes relates to the unrealized gains (losses) recorded on the Company's investment in Liberty Broadband, net of the impacts of income taxes. See note 3 to the accompanying condensed consolidated financial statements for more information.

**Net earnings (loss).** The Company had net losses of \$190.8 million and \$640.1 million for the three months ended March 31, 2021 and 2020, respectively. The change in net losses was the result of the above-described fluctuations in our revenue, expenses, and other income and expenses.

### **Results of Operations - GCI Holdings, LLC**

As described in notes 1 and 2 to the accompanying condensed consolidated financial statements, Liberty Broadband acquired GCI Holdings in the Combination on December 18, 2020. For comparison and discussion purposes the Company is presenting (a) the results of GCI Holdings for the three months ended March 31, 2021 as included in the condensed consolidated financial statements of the Company and (b) the actual historical results of GCI Holdings for 2020,

exclusive of the effects of acquisition accounting since the period is prior to the Combination. The most significant effect of acquisition accounting is an increase to depreciation and amortization as compared to prior periods as a result of an increase in fair values of depreciable and amortizable assets. This historical financial information of GCI Holdings can be found in historical filings of GCI, LLC. The financial information below is presented voluntarily and does not purport to represent what the results of operations of GCI Holdings would have been if it were a wholly owned subsidiary of Liberty Broadband for the periods presented or to project the results of operations of GCI Holdings for any future periods. GCI Holdings provides a full range of wireless, data, video, voice, and managed services to residential, businesses, governmental entities, and educational and medical institutions primarily in Alaska. The following table highlights selected key performance indicators used in evaluating GCI Holdings.

	March 31,	
	2021	2020
<b>Consumer</b>		
Wireless:		
Revenue generating wireless lines in service <sup>1</sup>	181,000	175,000
Non-revenue generating wireless lines in service <sup>2</sup>	1,800	4,500
Wireless lines in service	182,800	179,500
Data:		
Revenue generating cable modem subscribers <sup>3</sup>	143,900	128,400
Non-revenue generating cable modem subscribers <sup>4</sup>	—	3,600
Cable modem subscribers	143,900	132,000
Video:		
Basic subscribers <sup>5</sup>	71,000	79,200
Homes passed <sup>6</sup>	253,400	253,400
Voice:		
Total local access lines in service <sup>7</sup>	37,900	38,900
<b>Business</b>		
Wireless:		
Revenue generating wireless lines in service <sup>1</sup>	21,400	23,700
Data:		
Cable modem subscribers <sup>4</sup>	12,900	8,800
Voice:		
Total local access lines in service <sup>7</sup>	30,400	34,000

<sup>1</sup> A revenue generating wireless line in service is defined as a wireless device with a monthly fee for services.

<sup>2</sup> A non-revenue generating wireless line in service is defined as a data-only line with no monthly fee for services.

<sup>3</sup> A revenue generating 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.

<sup>4</sup> A non-revenue generating cable modem subscriber is defined by the provision of basic cable modem services as promotion to aid those impacted by COVID-19.

<sup>5</sup> A basic subscriber is defined by the purchase of basic video service.

<sup>6</sup> A home passed is defined as a dwelling unit that can be connected to GCI Holdings' network without the need of otherwise extending its network.

<sup>7</sup> A local access line in service is defined as a revenue generating circuit or channel connecting a customer to the public switched telephone network.

GCI Holdings' operating results for the three months ended March 31, 2021 and 2020 are as follows:

	Three months ended March 31,	
	2021	2020
amounts in thousands		
Revenue	\$ 242,216	231,561
Operating expenses (excluding stock-based compensation included below):		
Operating expense	(66,753)	(64,951)
Selling, general and administrative expenses	(79,404)	(80,215)
Adjusted OIBDA	96,059	86,395
Stock-based compensation	(3,599)	(848)
Depreciation and amortization	(63,712)	(62,361)
Operating income (loss)	\$ 28,748	23,186

## Revenue

The components of revenue are as follows:

	Three months ended March 31,	
	2021	2020
amounts in thousands		
Consumer		
Wireless	\$ 44,388	40,773
Data	52,225	44,294
Video	18,933	20,762
Voice	3,683	4,005
Business		
Wireless	20,387	22,489
Data	91,130	84,214
Video	802	4,022
Voice	10,668	11,002
Total revenue	\$ 242,216	231,561

**Consumer wireless revenue** increased \$3.6 million for the three months ended March 31, 2021, as compared to the corresponding period in the prior year. The increase in revenue in 2021 was primarily due to increased plan service fee revenue of \$1.6 million, driven by an increase in the number of subscribers and subscribers' selection of plans with higher recurring monthly charges that offer higher usage limits and increased equipment sales revenue of \$1.5 million driven by an increase in the number of handsets sold in 2021.

**Consumer data revenue** increased \$7.9 million for the three months ended March 31, 2021, as compared to the corresponding period in the prior year. The increase in 2021 was driven by an increase in the number of subscribers and the subscribers' selection of plans with higher recurring monthly charges that offer higher speeds and higher usage limits.

**Consumer video revenue** decreased \$1.8 million for the three months ended March 31, 2021, as compared to the corresponding period in the prior year. The decrease in 2021 was due to a \$2.7 million decrease in plan service fee revenue driven by a decrease in the number of subscribers. The decrease was partially offset by a \$1.3 million increase in advertising revenue driven by a reorganization effective August 1, 2020. The Company transitioned its advertising sales to Consumer video following the sale of the Company's broadcast television station.

**Consumer voice revenue** decreased \$0.3 million for the three months ended March 31, 2021, as compared to the corresponding period in the prior year. The decrease in 2021 was primarily due to a reduction in the number of customers.

**Business wireless revenue** decreased \$2.1 million for the three months ended March 31, 2021, as compared to the corresponding period in the prior year. The decrease in 2021 was primarily due to a decrease in grant revenue.

**Business data revenue** increased \$6.9 million for the three months ended March 31, 2021, as compared to the corresponding period in the prior year. The increase in 2021 was due to a \$16.2 million increase in data and transport revenue driven by increased sales to school and medical customers for service upgrades. The increases were partially offset by the absence of \$9 million recorded in the first quarter of 2020 for a RHC customer whose funding was initially denied and a \$3.9 million decrease in professional services revenue driven by a reduction in time and materials project work.

**Business video revenue** decreased \$3.2 million for the three months ended March 31, 2021, as compared to the corresponding period in the prior year. The decrease in 2021 was primarily due to the sale of the Company's broadcast television station in the third quarter of 2020.

**Business voice revenue** decreased \$0.3 million for the three months ended March 31, 2021, as compared to the corresponding period in the prior year. The decrease in 2021 was driven by a decrease in local service lines.

**Operating expenses** increased \$1.8 million for the three months ended March 31, 2021, as compared to the corresponding period in the prior year. The increase in 2021 was primarily due to a \$5.2 million increase in costs to operate our network driven by the increase in demand from school and medical customers and a \$2.3 million increase in wireless equipment costs driven by an increase in the number of handsets sold. The increase is partially offset by decreases of \$2.7 million in professional services costs driven by a reduction in time and materials project work and \$2.9 million in video costs driven by the sale of the Company's broadcast television station in the third quarter of 2020 and a decrease in costs paid to content producers driven by a decrease in video subscribers.

**Selling, general and administrative expenses** decreased \$0.8 million for the three months ended March 31, 2021, as compared to the corresponding period in the prior year. The decrease in 2021 was primarily due to a \$2.3 million decrease in bad debt expense and \$0.7 million decrease in legal and compliance costs. The decrease was partially offset by a \$2.1 million increase in labor costs.

**Stock-based compensation** increased \$2.8 million for the three months ended March 31, 2021, as compared to the corresponding period in the prior year. Stock-based compensation expense for the three months ended March 31, 2020 included the reversal of expense for performance-based awards that did not vest due to a shortfall in certain financial metrics and qualitative criteria. Stock-based compensation also increased due to the fair value assigned to converted Awards as part of the modification as a result of the Combination.

**Depreciation and amortization** increased \$1.4 million for the three months ended March 31, 2021, as compared to the corresponding period in the prior year. The increase in 2021 was primarily due to an increase in assets placed in service since January 1, 2020 and higher amortization expense because of an accelerated recognition pattern for amortizing intangibles as a result of the Combination.

## **Disclosure Controls and Procedures**

The Company carried out an evaluation, under the supervision and with the participation of management, including its chief executive officer and its principal accounting and financial officer (the "Executives"), of the effectiveness of its disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Executives concluded that the Company's disclosure controls and procedures were not effective as of March 31, 2021 because of the material weakness in our internal control over financial reporting at our wholly owned subsidiary, GCI Holdings, as discussed in more detail in the GCI, LLC Annual Report for the year ended December 31, 2020 (the "Annual Report"). Management is monitoring the implementation of the remediation plan described in the Annual Report, as described below.

However, giving full consideration to the material weakness, the Company's management has concluded that the consolidated financial statements included herein present fairly, in all material respects, the Company's financial position, results of operations and cash flows for the periods disclosed in conformity with U.S. generally accepted accounting principles ("GAAP").

## **Changes in Internal Control Over Financial Reporting**

During the first quarter of 2021, we continued to review the design of our controls, made adjustments and continued implementing controls to alleviate the noted control deficiencies at GCI Holdings. Other than these items, there has been no change in the Company's internal control over financial reporting that occurred during the three months ended March 31, 2021 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

## **Remediation Plan for Material Weakness in Internal Control Over Financial Reporting**

In response to the material weakness as set forth in the Annual Report, the Company developed a plan to remediate the material weakness at GCI Holdings. Remediation activities include:

- Continue to hire, train and retain individuals with appropriate skills and experience related to designing, operating and documenting internal control over financial reporting.
- Enhance the comprehensive and continuous risk assessment process to identify and assess financial statement risks and ensure that the financial reporting process and related internal controls are in place to respond to those risks.
- Enhance the design of and implement additional process-level control activities and ensure they are properly evidenced and operating effectively.
- Communicate expectations, monitor for compliance with expectations, and hold individuals accountable for their roles related to internal control over financial reporting.

The Company believes the foregoing efforts will effectively remediate the material weakness described in the Annual Report. Because the reliability of the internal control process requires repeatable execution, the successful on-going remediation of the material weakness will require on-going review and evidence of effectiveness prior to concluding that the controls are effective. The Company's remediation efforts are underway; however, there is no assurance that the remediation efforts will be effective in the future or that additional material weaknesses will not develop or be identified.

**GCI, LLC AND SUBSIDIARIES**  
**Condensed Consolidated Balance Sheets**  
**(unaudited)**

	<u>March 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
	<u>amounts in thousands</u>	
<i>Assets</i>		
Current assets:		
Cash and cash equivalents	\$ 50,822	45,382
Trade and other receivables, net of allowance for doubtful accounts of \$533 and \$7, respectively	200,867	348,425
Other current assets	56,994	54,322
Total current assets	<u>308,683</u>	<u>448,129</u>
Investments in equity securities (note 4)	5,285	3,550,135
Property and equipment, net	1,071,650	1,101,611
Intangible assets not subject to amortization (note 2)		
Goodwill	680,959	680,959
Cable certificates	550,000	550,000
Other	36,500	36,500
	<u>1,267,459</u>	<u>1,267,459</u>
Intangible assets subject to amortization, net (note 5)	624,948	639,041
Other assets, net	153,750	144,648
Total assets	<u>\$ 3,431,775</u>	<u>7,151,023</u>

See accompanying notes to the condensed consolidated financial statements.

**GCI, LLC AND SUBSIDIARIES**

**Condensed Consolidated Balance Sheets (Continued)**

(unaudited)

	<u>March 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
<u>amounts in thousands</u>		
<i>Liabilities and Equity</i>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 79,694	92,587
Deferred revenue	19,637	19,597
Current portion of debt (note 6)	4,683	4,676
Other current liabilities	79,274	58,653
Total current liabilities	<u>183,288</u>	<u>175,513</u>
Long-term debt, net (note 6)	1,159,287	1,341,449
Obligations under finance leases and tower obligations, excluding current portion	91,524	92,840
Long-term deferred revenue	37,705	38,883
Deferred income tax liabilities	306,852	1,027,652
Other liabilities	139,719	145,348
Total liabilities	<u>1,918,375</u>	<u>2,821,685</u>
<i>Equity</i>		
Member's equity:		
Member's investment	1,657,740	4,282,896
Retained earnings (loss)	<u>(156,059)</u>	<u>34,682</u>
Total member's equity	1,501,681	4,317,578
Non-controlling interests	11,719	11,760
Total equity	<u>1,513,400</u>	<u>4,329,338</u>
Commitments and contingencies (note 8)		
Total liabilities and equity	<u>\$ 3,431,775</u>	<u>7,151,023</u>

See accompanying notes to the condensed consolidated financial statements.

**GCI, LLC AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Operations**  
**(unaudited)**

	<u>Successor</u>	<u>Predecessor</u>
	<u>Three months ended</u>	
	<u>March 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>amounts in thousands</u>	
Revenue	\$ 242,216	235,799
Operating costs and expenses:		
Operating expense (exclusive of depreciation and amortization shown separately below)	66,753	69,663
Selling, general and administrative, including stock-based compensation	84,952	91,894
Depreciation and amortization expense	63,712	63,008
	<u>215,417</u>	<u>224,565</u>
Operating income (loss)	26,799	11,234
Other income (expense):		
Interest expense (including amortization of deferred loan fees)	(11,123)	(32,137)
Share of earnings (losses) of affiliates, net	63	(707)
Realized and unrealized gains (losses) on financial instruments, net (note 4)	(257,739)	(213,994)
Other, net	704	655
	<u>(268,095)</u>	<u>(246,183)</u>
Earnings (loss) from continuing operations before income taxes	(241,296)	(234,949)
Income tax (expense) benefit	50,513	63,185
Earnings (loss) from continuing operations	(190,783)	(171,764)
Earnings (loss) from discontinued operations, net of taxes (note 3)	—	(468,301)
Net earnings (loss)	(190,783)	(640,065)
Less net earnings (loss) attributable to the non-controlling interests	(41)	(25)
Net earnings (loss) attributable to member	<u>\$ (190,742)</u>	<u>(640,040)</u>

See accompanying notes to the condensed consolidated financial statements.

**GCI, LLC AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Cash Flows**  
**(unaudited)**

	<u>Successor</u>	<u>Predecessor</u>
	<u>Three months ended</u>	
	<u>March 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>amounts in thousands</u>	
<b>Cash flows from operating activities:</b>		
Net earnings (loss)	\$ (190,783)	(640,065)
<b>Adjustments to reconcile net earnings (loss) to net cash from operating activities:</b>		
(Earnings) loss from discontinued operations	—	468,301
Depreciation and amortization	63,712	63,008
Stock-based compensation expense	5,123	2,475
Share of (earnings) losses of affiliates, net	(63)	707
Realized and unrealized (gains) losses on financial instruments, net	257,739	213,994
Deferred income tax expense (benefit)	(50,514)	(63,185)
Other, net	(1,036)	25
<b>Change in operating assets and liabilities:</b>		
Current and other assets	156,579	(13,970)
Payables and other liabilities	(10,674)	3,268
Net cash provided (used) by operating activities	<u>230,083</u>	<u>34,558</u>
<b>Cash flows from investing activities:</b>		
Capital expended for property and equipment	(28,605)	(35,665)
Other investing activities, net	141	1,088
Net cash provided (used) by investing activities	<u>(28,464)</u>	<u>(34,577)</u>
<b>Cash flows from financing activities:</b>		
Borrowings from Member	—	2,000
Repayment of debt, finance leases and tower obligations	(182,571)	(2,259)
Contributions from (distributions to) member	(12,607)	3,640
Other financing activities, net	(930)	(1,082)
Net cash provided (used) by financing activities	<u>(196,108)</u>	<u>2,299</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	5,511	2,280
Cash, cash equivalents and restricted cash at beginning of period	60,872	94,922
Cash, cash equivalents and restricted cash at end of period	<u>\$ 66,383</u>	<u>97,202</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:

	<u>March 31,</u>	<u>December 31,</u>
	<u>2021</u>	<u>2020</u>
	<u>amounts in thousands</u>	
Cash and cash equivalents	\$ 50,822	45,382
Restricted cash included in other current assets	15,561	15,490
Total cash and cash equivalents and restricted cash at end of period	<u>\$ 66,383</u>	<u>60,872</u>

See accompanying notes to the condensed consolidated financial statements.

**GCI, LLC AND SUBSIDIARIES**

**Condensed Consolidated Statements of Equity**

(unaudited)

**Successor:**

	<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 thousands				
Balances at January 1, 2021	\$ 4,282,896	34,682	11,760	4,329,338
Net earnings (loss)	—	(190,742)	(41)	(190,783)
Stock-based compensation	5,124	—	—	5,124
Contributions from (distributions to) member, net	(12,526)	—	—	(12,526)
Distribution of Charter to Member	(2,616,825)	—	—	(2,616,825)
Other	(929)	1	—	(928)
Balances at March 31, 2021	<u>\$ 1,657,740</u>	<u>(156,059)</u>	<u>11,719</u>	<u>1,513,400</u>

**Predecessor:**

	<u>Member's investment</u>	<u>Retained earnings</u>	<u>Non-controlling interest in equity of subsidiaries</u>	<u>Total equity</u>
amounts in thousands				
Balances at January 1, 2020	\$ 3,311,400	3,185,869	8,800	6,506,069
Net earnings (loss)	—	(640,040)	(25)	(640,065)
Stock-based compensation	2,549	—	—	2,549
Contributions from (distributions to) member, net	3,712	—	—	3,712
Other	(1,081)	(2,981)	—	(4,062)
Balances at March 31, 2020	<u>\$ 3,316,580</u>	<u>2,542,848</u>	<u>8,775</u>	<u>5,868,203</u>

See accompanying notes to the condensed consolidated financial statements.

## **(1) Basis of Presentation**

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

GCI, LLC is an indirect wholly-owned subsidiary of Liberty Broadband as of March 31, 2021 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. Pursuant to the Agreement and Plan of Merger, dated as of August 6, 2020, entered into by GCI Liberty, Liberty Broadband, Grizzly Merger Sub 1, LLC, a wholly owned subsidiary of Liberty Broadband ("Merger LLC"), and Grizzly Merger Sub 2, Inc., a wholly owned subsidiary of Merger LLC ("Merger Sub"), Merger Sub merged with and into GCI Liberty (the "First Merger"), with GCI Liberty surviving the First Merger as an indirect wholly owned subsidiary of Liberty Broadband (the "Surviving Corporation"), and immediately following the First Merger, GCI Liberty (as the Surviving Corporation in the First Merger) merged with and into Merger LLC (the "Upstream Merger", and together with the First Merger, the "Combination"), with Merger LLC surviving the Upstream Merger as a wholly owned subsidiary of Liberty Broadband.

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

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

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

The accompanying condensed consolidated financial statements refer to the combination of GCI Holdings, an indirect wholly-owned subsidiary of GCI, LLC, non-controlling interests in Liberty Broadband (until Liberty Broadband was distributed to parent on December 21, 2020), Charter (until Charter was distributed to parent on February 16, 2021) and LendingTree (until its stake in LendingTree was distributed to parent on November 16, 2020), a controlling interest in Evite (until Evite was sold on September 14, 2020), and certain other assets and liabilities as the "Company", "us", "we" and "our." The sale of Evite did not have a material impact to the Company's financial results. As discussed in note 3, the condensed consolidated financial statements of GCI, LLC have been prepared to reflect the investment in Liberty Broadband as discontinued operations. All significant intercompany accounts and transactions have been eliminated in the 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 wireless, data, video, voice, and managed services to residential customers, businesses, governmental entities, and educational and medical institutions primarily in Alaska.

### *Loans from GCI Liberty*

Broadband Holdco, LLC ("Broadband Holdco"), a wholly-owned subsidiary of GCI, LLC, entered into a Master Revolving Subordinated Promissory Note with GCI Liberty where it can borrow up to \$500.0 million on a revolving basis (the "Subordinated Revolving Note"). The outstanding balance of \$133.6 million was forgiven on December 18, 2020 as a result of the Combination, although the note was not cancelled and there remains \$500.0 million undrawn as of March 31, 2021. The interest rate on the Subordinated Revolving Note was the applicable interest rate on the Margin Loan (as defined in note 6). The Subordinated Revolving Note had an outstanding balance of zero as of both March 31, 2021 and December 31, 2020.

### *Agreements*

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

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

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

Liberty Media was a related party of GCI Liberty for accounting purposes as a result of the services agreement. Under these agreements, amounts reimbursable to Liberty Media were approximately \$2.2 million for the three months ended March 31, 2020.

In December 2019, GCI Liberty entered into an amendment to the services agreement with Liberty Media in connection with Liberty Media's entry into a new employment arrangement with Gregory B. Maffei, GCI Liberty's President and Chief Executive Officer. Under the amended services agreement, components of his compensation will either be paid directly to him by each of GCI Liberty, Liberty TripAdvisor Holdings, Inc., Liberty Broadband, and Qurate Retail (collectively, the "Service Companies") or reimbursed to Liberty Media, in each case, based on allocations among Liberty Media and the Service Companies set forth in the amended services agreement, previously set at 14% for GCI Liberty but subject to adjustment on an annual basis upon the occurrence of certain events.

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

### *Subsequent Events*

The Company has evaluated subsequent events through May 24, 2021 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) Acquisition**

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

Cash and cash equivalents including restricted cash	\$	73,368
Receivables		339,061
Property and equipment		1,108,588
Goodwill		680,959
Investment in Charter		3,493,677
Intangible assets not subject to amortization		586,500
Intangible assets subject to amortization		638,855
Other assets		6,953,305
Deferred revenue		(60,292)
Debt, including obligations under tower and finance leases		(2,879,619)
Deferred income tax liabilities		(1,018,611)
Non-controlling interest		(11,771)
Other liabilities		(293,792)
	\$	<u>9,610,228</u>

Goodwill is calculated as the excess of the consideration transferred over the identifiable net assets acquired and represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including assembled workforce, value associated with future customers, continued innovation and non-contractual relationships. Amortizable intangible assets of \$638.9 million were acquired and are comprised of customer relationships with a weighted average useful life of approximately 14 years and right-to-use assets with a weighted average useful life of approximately 12 years. Approximately \$134.3 million of the acquired goodwill will be deductible for income tax purposes. As of March 31, 2021, the valuation related to the acquisition is not final, and the acquisition price allocation is preliminary and subject to revision. The primary areas of the acquisition price allocation that are not yet finalized are related to property and equipment, intangible assets, liabilities, deferred income tax liabilities, and discount rates used to determine the fair value of intangible assets.

### **(3) Discontinued Operations**

#### *Investment in Liberty Broadband*

On May 18, 2016, Qurate Retail completed a \$2.4 billion investment in Liberty Broadband Series C non-voting shares (for accounting purposes a related party of the Company) in connection with the merger of Charter and Time Warner Cable Inc. ("TWC"). The proceeds of this investment were used by Liberty Broadband to fund, in part, its acquisition of \$5.0 billion of stock in the new public parent company, Charter, of the combined enterprises. Qurate Retail, along with third party investors, all of whom invested on the same terms as Qurate Retail, purchased newly issued shares of Liberty Broadband Series C common stock at a per share price of \$56.23, which was determined based upon the fair value of Liberty Broadband's net assets on a sum-of-the parts basis at the time the investment agreements were executed in

May 2015. Qurate Retail, as part of the merger described above, exchanged, in a tax-free transaction, its shares of TWC common stock for shares of Charter Class A common stock, on a one-for-one basis, and Qurate Retail granted to Liberty Broadband a proxy and a right of first refusal with respect to the shares of Charter Class A common stock held by Qurate Retail following the exchange, which proxy and right of first refusal was assigned to GCI Liberty in connection with the completion of the Transactions. Due to overlapping boards of directors and management between Liberty Broadband and GCI Liberty, the Company was deemed to have significant influence over Liberty Broadband for accounting purposes, even though the Company did not have any voting rights. Prior to the Combination, the Company had elected to apply the fair value option for its investment in Liberty Broadband (Level 1) as it is believed that investors value this investment based on the trading price of Liberty Broadband. The Company recognized changes in the fair value of its investment in Liberty Broadband in realized and unrealized gains (losses) on financial instruments, net in the consolidated statements of operations. The Company's investment in Liberty Broadband was distributed to parent on December 21, 2020. Accordingly, the condensed consolidated financial statements of GCI, LLC have been prepared to reflect the investment in Liberty Broadband as discontinued operations.

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

	<b>Three months ended March 31, 2020</b>	
Earnings (loss) before income taxes	\$	(641,508)
Income tax (expense) benefit	\$	173,207

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

Prior to the Combination, the Company accounted for its investment in Liberty Broadband at its fair value. Accordingly, Liberty Broadband's assets, liabilities and results of operations were not included in GCI LLC's financial statements. Summary financial information for Liberty Broadband for the period prior to the Combination is as follows:

	<b>Three months ended March 31, 2020</b>	
	<b>amounts in thousands</b>	
Operating income (loss)	\$	(7,275)
Share of earnings (losses) of affiliates	\$	61,682
Gain (loss) on dilution of investment in affiliate	\$	(59,325)
Income tax benefit (expense)	\$	2,774
Net earnings (loss)	\$	(7,842)

#### (4) Investments in Equity Securities

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

	March 31, 2021	December 31, 2020
	amounts in thousands	
Charter (a)	\$ —	3,544,850
Other investments (b)	5,285	5,285
	<u>\$ 5,285</u>	<u>3,550,135</u>

- (a) On February 16, 2021, the Company completed an internal restructuring whereby GCI, LLC transferred the subsidiary that holds the Charter shares to Liberty Broadband. Charter shares were considered level 1 fair value as of December 31, 2020.
- (b) The Company has elected the measurement alternative for a portion of these securities, and no change in value under this method was considered necessary as of March 31, 2021.

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

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

	Successor	Predecessor
	Three months ended	
	March 31,	
	2021	2020
	amount in thousands	
Equity securities	\$ (257,739)	(261,134)
Derivative instruments	—	47,140
	<u>\$ (257,739)</u>	<u>(213,994)</u>

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

#### (5) Intangible Assets

##### *Intangible Assets Subject to Amortization*

	March 31, 2021			December 31, 2020		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
	amounts in thousands					
Customer relationships	\$ 515,000	(14,975)	500,025	515,000	(3,475)	511,525
Other amortizable intangibles	133,560	(8,637)	124,923	129,088	(1,572)	127,516
Total	<u>\$ 648,560</u>	<u>(23,612)</u>	<u>624,948</u>	<u>644,088</u>	<u>(5,047)</u>	<u>639,041</u>

Amortization expense for intangible assets with finite useful lives was \$18.6 million and \$14.0 million for the three months ended March 31, 2021 and 2020, respectively. Amortization expense for amortizable intangible assets for each of the five succeeding fiscal years is estimated to be (amounts in thousands):

<b>Years ending December 31,</b>	
Remainder of 2021	\$ 55,172
2022	\$ 63,878
2023	\$ 57,570
2024	\$ 51,698
2025	\$ 50,246

## (6) Debt

Debt is summarized as follows:

	<b>Outstanding principal March 31, 2021</b>	<b>Carrying value</b>	
		<b>March 31, 2021</b>	<b>December 31, 2020</b>
		<b>amounts in thousands</b>	
Senior notes	\$ 600,000	634,697	635,683
Senior credit facility	523,000	523,000	704,000
Wells Fargo note payable	6,273	6,273	6,442
Total debt	<u>\$ 1,129,273</u>	1,163,970	1,346,125
Debt classified as current		(4,683)	(4,676)
Total long-term debt		<u>\$ 1,159,287</u>	<u>1,341,449</u>

### *Margin Loan*

Prior to the Combination, Broadband Holdco was party to a margin loan (the “Margin Loan Agreement”). This facility provided a delayed draw term loan facility of \$300.0 million (“Delayed Draw Term Loan Facility”), a revolving credit facility in an aggregate principal amount of up to \$200.0 million (the “Revolving Credit Facility”) and a separate term loan facility in an aggregate amount of \$800.0 million (the “Initial Term Loan Facility”; the Delayed Draw Term Loan Facility, the Revolving Credit Facility and the Initial Term Loan Facility, collectively, the “Margin Loan Facilities” and the loans extended thereunder, the “Loans”).

On November 25, 2019, simultaneously with an amendment, \$800.0 million of Loans under the Term Loan Facility were outstanding and \$100.0 million of Loans under the Revolving Credit Facility were outstanding. On December 27, 2019, Broadband Holdco borrowed \$100.0 million under the Revolving Credit Facility and \$300.0 million under the Delayed Draw Term Loan Facility.

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

### *Senior Notes*

On June 6, 2019, GCI, LLC, a wholly-owned subsidiary of the Company, issued \$325.0 million of 6.625% Senior Notes due 2024 at par (“2024 Notes”). Interest on the 2024 Notes and GCI, LLC’s 6.875% Senior Notes due 2025 (collectively, the “Senior Notes”), was payable semi-annually in arrears. The 2024 Notes were unsecured and the net proceeds were used to fund the redemption of \$325.0 million aggregate outstanding principal amount of GCI, LLC’s 6.75% Senior Notes due 2021.

On October 7, 2020, GCI, LLC issued \$600.0 million of 4.750% senior notes due 2028 (the “2028 Notes”). The 2028 Notes are unsecured and the net proceeds of the offering, together with cash on hand and net proceeds from incremental borrowings under the Senior Credit Facility (as defined below), were used to fund the redemption of all \$450.0 million aggregate outstanding principal amount of the 2025 Notes and the redemption of all \$325 million aggregate outstanding principal amount of the 2024 Notes on October 14, 2020 and October 23, 2020, respectively. Additionally, GCI, LLC paid debt call premiums of \$23.2 million and \$15.5 million on the 2024 Notes and 2025 Notes, respectively.

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

### ***Senior Credit Facility***

On October 15, 2020, GCI, LLC entered into a Seventh Amended and Restated Credit Agreement (the “Senior Credit Facility”), which amended the existing facility to, among other things, extend the maturity dates of the borrowings and commitments under the revolving credit facility and the Term Loan B and increase the aggregate principal amount of the Term Loan B to \$400.0 million. The Senior Credit Facility includes a \$550.0 million revolving credit facility, with a \$25 million sub-limit for standby letters of credit, and a \$400.0 million Term Loan B.

The borrowings under the Senior Credit Facility bear 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 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 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 B borrowings that are alternate base rate loans bear interest at a per annum rate equal to the alternate base rate plus a margin of 1.75%. Term Loan B borrowings that are LIBOR loans bear interest at a per annum rate equal to the applicable LIBOR plus a margin of 2.75% with a LIBOR floor of 0.75%.

The borrowings under the revolving credit facility and the Term Loan B under the Amended Credit Facilities are scheduled to mature on October 15, 2025; provided that, if the Term Loan B is not refinanced or repaid in full prior to April 15, 2025, then the borrowings under the revolving credit facility will mature on April 15, 2025. Principal payments are due quarterly on the Term Loan B equal to 0.25% of the original principal amount. The loans are subject to customary mandatory prepayment provisions. Each loan may be prepaid at any time and from time to time without penalty other than customary breakage costs and, in the case of the Term Loan B, subject to a customary six month “soft call.” Any amounts prepaid on the revolving credit facility may be reborrowed.

Incremental borrowings under the revolving credit facility and the Term Loan B were used, along with cash on hand, to redeem all \$325 million aggregate outstanding principal amount of the 2024 Notes on October 23, 2020.

GCI, LLC’s Senior Credit Facility Total Leverage Ratio (as defined in the Senior Credit Facility) may not exceed 6.50 to 1.00, the Secured Leverage Ratio may not exceed 4.50 to 1.00 and the 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 Holdings and the subsidiary guarantors, as defined in the Senior Credit Facility, and on the stock of GCI Holdings.

As of March 31, 2021, there was \$398.0 million outstanding under the Term Loan B, \$125.0 million outstanding under the revolving portion of the Senior Credit Facility and \$3.2 million in letters of credit under the Senior Credit Facility, leaving \$421.8 million available for borrowing.

During the three months ended March 31, 2021, GCI, LLC repaid \$180 million on its revolving credit facility and completed an internal restructuring whereby GCI, LLC transferred the subsidiary that holds the Charter shares to Liberty Broadband parent.

#### ***Wells Fargo Note Payable***

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

The note 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, 2021.

#### ***Fair Value of Debt***

The fair value of the Senior Notes was \$531.1 million at March 31, 2021.

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

### **(7) Stock-Based Compensation**

Prior to the Combination, 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.

Included in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations are \$5.1 million and \$2.5 million of stock-based compensation during the three months ended March 31, 2021 and 2020, respectively.

### ***Outstanding Awards***

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

	Series C Liberty Broadband ("LBRDK")			
	Awards (000's)	WAEP	Weighted average remaining life	Aggregate intrinsic value (millions)
Outstanding at January 1, 2021	849	\$ 121.80		
Granted	—	\$ —		
Exercised	(3)	\$ 73.85		
Forfeited/Cancelled	—	\$ —		
Outstanding at March 31, 2021	846	\$ 121.96	5.2 years	\$ 28
Exercisable at March 31, 2021	326	\$ 87.50	3.7 years	\$ 20

As of March 31, 2021, the Company also had 722 thousand Series B Liberty Broadband ("LBRDB") options outstanding and exercisable at a WAEP of \$96.79 and a weighted average remaining contractual life of 1.8 years.

As of March 31, 2021, the total unrecognized compensation cost related to unvested options and RSA/RSUs was approximately \$16.6 million and \$16.2 million, respectively. Such amounts will be recognized in the Company's condensed consolidated statements of operations over a weighted average period of approximately 2.2 years and 1.8 years, respectively.

As of March 31, 2021, all shares are reserved at Liberty Broadband. Liberty Broadband reserved 1.6 million shares of LBRDK and LBRDB for issuance under exercise privileges of outstanding stock Awards. Liberty Broadband will issue new shares upon exercise of equity awards.

## **(8) 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.

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

**March 31, 2021**

**(unaudited)**

**amounts in thousands**

GCI, LLC and its Subsidiaries net assets	\$	1,513,400
Reconciling items:		
Liberty Subsidiaries net assets (a)		(123,803)
GCI, LLC net assets, excluding the Liberty Subsidiaries	\$	<u>1,389,597</u>
GCI, LLC and its Subsidiaries net earnings (loss)	\$	(190,742)
Reconciling items:		
Liberty Subsidiaries net (earnings) loss (a)		203,746
GCI, LLC net earnings (loss), excluding the Liberty Subsidiaries	\$	<u>13,004</u>

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