UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2016

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from_______to _____

Commission File No. 0-15279

GENERAL COMMUNICATION, INC.
(Exact name of registrant as specified in its charter)

State of Alaska	**92-0072737**
(State or other jurisdiction of incorporation or organization)	(I.R.S Employer Identification No.)
2550 Denali Street **Suite 1000** **Anchorage, Alaska**	**99503**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (907) 868-5600
Securities registered pursuant to Section 12(b) of the Act: Class A common stock
Securities registered pursuant to Section 12(g) of the Act: Class B common stock

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Act.
Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the average high and low prices of such stock as of the close of trading as of the last business day of the registrant's most recently completed second fiscal quarter of June 30, 2016 was $213,932,631. Shares of voting stock held by each officer and director and by each person who owns 5% or more of the outstanding voting stock (as publicly reported by such persons pursuant to Section 13 and Section 16 of the Exchange Act) have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares outstanding of the registrant's common stock as of February 24, 2017, was:

Class A common stock – 32,691,000 shares; and
Class B common stock – 3,153,000 shares.

GENERAL COMMUNICATION, INC.
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Cautionary Statement Regarding Forward-Looking Statements

You should carefully review the information contained in this Annual Report, but should particularly consider any risk factors that we set forth in this Annual Report and in other reports or documents that we file from time to time with the Securities and Exchange Commission ("SEC"). In this Annual Report, in addition to historical information, we state our future strategies, plans, objectives or goals and our beliefs of future events and of our future operating results, financial position and cash flows. In some cases, you can identify those so-called "forward-looking statements" by words such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "project," or "continue" or the negative of those words and other comparable words. All forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance, achievements, plans and objectives to differ materially from any future results, performance, achievements, plans and objectives expressed or implied by these forward-looking statements. In evaluating those statements, you should specifically consider various factors, including those identified under "Risk Factors," and elsewhere in this Annual Report. Those factors may cause our actual results to differ materially from any of our forward-looking statements. For these forward-looking statements, we claim the protection of the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995.

You should not place undue reliance on any such forward-looking statements. Further, any forward-looking statement, and the related risks, uncertainties and other factors speak only as of the date on which they were originally made and we expressly disclaim any obligation or undertaking to update or revise any forward-looking statement to reflect any change in our expectations with regard to these statements or any other change in events, conditions or circumstances on which any such statement is based. New factors emerge from time to time, and it is not possible for us to predict what factors will arise or when. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Part I

Item 1. Business

General

In this Annual Report, "we," "us," "our," "GCI" and "the Company" refer to General Communication, Inc. and its direct and indirect subsidiaries.

GCI was incorporated in 1979 under the laws of the State of Alaska and has its principal executive offices at 2550 Denali Street, Suite 1000, Anchorage, AK 99503-2781 (telephone number 907-868-5600).

GCI is primarily a holding company and together with its direct and indirect subsidiaries, is a diversified communications provider with operations primarily in the State of Alaska.

Availability of Reports and Other Information

Our Internet website address is www.gci.com. The information on our website is not incorporated by reference in this annual report on Form 10-K. We make available, free of charge, access to our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statement on Schedule 14A and amendments to those materials filed or furnished pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934 as soon as reasonably practicable after we electronically submit such material to the SEC.

Financial Information about Industry Segments

For financial information about our two reportable segments - Wireless and Wireline, see "Part II — Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations." Also refer to Note 12 included in "Part II — Item 8 — Consolidated Financial Statements and Supplementary Data."

Narrative Description of our Business

General
We are the largest Alaska-based communications provider as measured by revenues. We provide 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 under our GCI brand. Due to the unique nature of the markets we serve, including harsh winter weather and remote geographies, our customers rely extensively on our systems to meet their communication and entertainment needs.

Since our founding in 1979 as a competitive long distance provider, we have consistently expanded our product portfolio and facilities to become the leading integrated communication services provider in our markets. Our facilities include redundant and geographically diverse digital undersea fiber optic cable systems linking our Alaska terrestrial networks to the networks of other carriers in the lower 48 contiguous states. In recent years, we expanded our efforts in wireless and presently operate the only statewide wireless network.

For the year ended December 31, 2016, we generated consolidated revenues of $933.8 million. We ended the period with 222,500 wireless subscribers, 140,800 cable modem subscribers and 125,800 basic video subscribers.

Development of our Business During the Past Fiscal Year
Tower Sale and Leaseback. In August 2016, we sold to Vertical Bridge Towers II, LLC ("Vertical Bridge") 276 cell sites ("Tower Sites") in exchange for net proceeds of $90.8 million. We entered into a master lease agreement in which we lease back space at the Tower Sites for an initial term of ten years, followed by the option to renew for eight additional five year periods, for a total possible lease term of 50 years. Each lease is subject to a 2% annual increase in lease payments throughout the life of the initial lease and all subsequent lease renewals. See Note 2 included in "Part II - Item 8 - Consolidated Financial Statements and Supplementary Data" for additional information.

Universal Service Fund Alaska High Cost Order. On August 31, 2016, the Federal Communications Commission ("FCC") published a Report and Order to reform the methodology for distributing Universal Service Fund ("USF") high cost support for both wireline and wireless voice and broadband service (“Alaska High Cost Order”). The Alaska High Cost Order was a significant program change that required a reassessment of our high cost support revenue recognition. See Note 1 included in "Part II - Item 8 - Consolidated Financial Statements and Supplementary Data" for additional information. As a result of the Alaska High Cost Order, our 2016 high cost support revenue under the USF program was $2.5 million less than the $66.2 million of high cost support revenue recognized in 2015. Additionally, we expect high cost support revenue under the USF program to be less than the 2015 level by approximately $5.0 million in each of 2017 and 2018, and $14.8 million annually from 2019 through 2026, the date the Alaska High Cost Order ends.

You should see “Part I — Item 1. Business — Regulation” for additional regulatory developments.

Business Strategy
We intend to continue to increase Adjusted EBITDA, as defined in Note 12 in "Part II - Item 8 - Consolidated Financial Statements and Supplementary Data," using the following strategies:

Expand Our Product Portfolio and Footprint in Alaska. Throughout our history, we have successfully added and expect to continue to add new products to our product portfolio. We have a demonstrated history of new product evaluation, development and deployment for our customers, and we continue to assess revenue-enhancing opportunities that create value for our customers. Where feasible and where economic analysis supports geographic expansion of our network coverage, we are currently pursuing or expect to pursue opportunities to increase the scale of our facilities, enhance our ability to serve our existing customers’ needs and attract new customers. Additionally, due to the unique market conditions in Alaska, we, and in some cases our customers, participate in several federal (and to a lesser extent locally) subsidized programs designed to financially support the implementation and purchase of telecommunications services like ours in high cost areas. With these programs we have been able to expand our network into previously undeveloped areas of Alaska and, for the first time, offer comprehensive communications services in many rural parts of the state where we would not otherwise be able to construct facilities within appropriate return-on-investment requirements.

Make Strategic Acquisitions. We have a history of making and integrating acquisitions of telecommunications providers and other providers of complementary services. Our management team will continue to actively pursue and make investments that we believe fit with our strategy and networks and that enhance earnings.

Maximize Sales Opportunities. We sell new and enhanced services and products to our existing customer base to achieve increased revenues and penetration of our services. Through close coordination of our customer service and sales and marketing efforts, our customer service representatives suggest to our customers other services they can purchase or enhanced versions of services they already purchase. Many calls into our customer service centers or visits into one of our retail stores result in sales of additional services and products.

Deliver Industry Leading Customer Service. We have positioned ourselves as a customer service leader in the Alaska communications market. We operate our own customer service department and have empowered our customer service representatives to handle most service issues and questions on a single call. We prioritize our customer services to expedite handling of our most valuable customers' issues, particularly for our largest commercial customers. We believe our integrated approach to customer service, including service set-up, programming various network databases with the customer's information, installation, and ongoing service, allows us to provide a customer experience that fosters customer loyalty.

Leverage Communications Operations. We continue to expand and evolve our integrated network for the delivery of our services. Our bundled strategy and integrated approach to serving our customers creates efficiencies of scale and maximizes network utilization. By offering multiple services, we are better able to leverage our network assets and increase returns on our invested capital. We periodically evaluate our network assets and continually monitor technological developments that we can potentially deploy to increase network efficiency and performance.

Description of our Business by Reportable Segment

Overview

Our two reportable segments are Wireless and Wireline. The following discussion includes information about significant services and products, sales and marketing, facilities, competition and seasonality for each of our reportable segments. For a discussion and analysis of financial condition and results of operations please see "Part II – Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations."

Wireless Segment

Wireless segment revenues for 2016, 2015 and 2014 are summarized as follows (amounts in thousands):

	Year Ended December 31,		
	2016	2015	2014
Total Wireless segment revenues [1]	$ 208,109	267,676	269,977

[1] See "Part II — Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 12 included in "Part II — Item 8 — Consolidated Financial Statements and Supplementary Data" for more information regarding the financial performance of our Wireless segment.

Services and Products

Our Wireless segment offers wholesale wireless services and products to wireless carriers. We provide network transport and access to our wireless network to wireless carriers. These services allow wireless carriers to provide full wireless services to their customers.

Sales and Marketing

Our Wireless segment sales and marketing efforts are primarily directed toward increasing the number of wireless carriers we serve and the number of voice and data circuits leased. We sell our wireless services primarily through direct contact marketing.

Facilities

We own and operate a statewide network providing voice and data services to the urban and rural communities of Alaska. Our statewide wireless network provides 4G LTE data service, EVDO, 3G UMTS/HSPA+, 2G CDMA, and 2G GSM/EDGE service. We continue to expand and upgrade these services to provide a modern network for Alaska. We own and operate Wi-Fi access points that create a Wi-Fi network branded as TurboZone in Anchorage, Fairbanks, Juneau, Kenai-Soldotna, Matanuska-Susitna Valley, and other areas of the State ("TurboZone").

Competition
Our Wireless segment competes with AT&T, Verizon, and smaller companies. We compete in the wholesale wireless market by offering competitive rates and by providing a comprehensive statewide network to meet the needs of carrier customers.

Seasonality
Our Wireless segment services and products do not exhibit significant seasonality. Our ability to implement construction projects is hampered during the winter months because of cold temperatures, snow, and short daylight hours.

Major Customer
The Wireless segment had no major customer in 2016. Verizon was the only major customer of the Wireless segment in 2015 and 2014.

Wireline Segment
Wireline segment revenues for 2016, 2015 and 2014 are summarized as follows (amounts in thousands):

	Year Ended December 31,		
	2016	2015	2014
Total Wireline segment revenues[1]	$ 725,703	710,858	640,221

[1] See “Part II — Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 12 included in “Part II — Item 8 — Consolidated Financial Statements and Supplementary Data” for more information regarding the financial performance of our Wireline segment.

Services and Products
Our Wireline segment offers services and products to two major customer groups as follows:

	Customer Group	
Wireline Segment Services and Products	Consumer	Business
Retail wireless	X	X
Data:		
Internet	X	X
Data networks		X
Managed services		X
Video	X	X
Voice:		
Long-distance	X	X
Local access	X	X

- Consumer - We offer a full range of retail wireless, data, video, and voice services to residential customers.
- Business Services - We offer a full range of wireless, data, video, voice, and managed services to businesses, governmental entities, and educational institutions and wholesale data and voice services to common carrier customers and regulated voice services to residential and commercial customers in rural communities primarily in Southwest Alaska.

Sales and Marketing

We offer our services directly to consumer and business customers through our call center, direct mail advertising, television advertising, Internet advertising, local media advertising, and through our retail stores. Our sales efforts are primarily directed toward increasing the number of subscribers we serve, selling bundled services, and generating incremental revenues through product and feature up-sell opportunities. We sell our managed services, wholesale data and voice services, and data services to rural schools and health organizations through direct contact marketing.

Facilities

We operate a modern, competitive communications network providing switched and dedicated voice and broadband services. Our fiber network employs digital transmission technology over our fiber optic facilities within Alaska and between Alaska and the lower 48 states.

We serve many rural and remote Alaska locations solely via satellite communications. Each of our satellite transponders is backed up on alternate spacecraft with multiple backup transponders. We operate a hybrid fiber optic cable and digital microwave system (“TERRA”) linking Anchorage with the Bristol Bay, Yukon-Kuskokwim, and northwest regions of the state.

Our video businesses are located throughout Alaska and serve the majority of the population. Our facilities include hybrid-fiber-coax plant and head-end distribution equipment. The majority of our locations on the fiber routes are served from head-end distribution equipment in Anchorage. All of our cable systems are completely digital.

Our dedicated Internet access and Internet protocol data services are delivered to an Ethernet port located at the service end-point. Our management platform continuously monitors the network and service end-points for performance. The availability and quality of service, as well as statistical information on traffic loading, are continuously monitored for quality assurance. The management platform has the capability to remotely access network elements and service end-points, permitting changes in configuration without the need to physically be at the service end-point. This management platform allows us to offer network monitoring and management services to businesses and governmental entities.

Competition

We operate in intensely competitive industries and compete with a growing number of companies that provide a broad range of communication, entertainment, and information products and services. Technological changes are further intensifying and complicating the competitive landscape and consumer behavior.

Retail Wireless Services and Products Competition

We compete with AT&T, Verizon, and other community or regional-based wireless providers, and resellers of those services in Anchorage and other markets. Regulatory policies favor robust competition in wireless markets. Wireless local number portability helps to maintain a high level of competition in the industry because it allows subscribers to switch carriers without having to change their telephone numbers.

The communications industry continues to experience significant technological changes, as evidenced by the increasing pace of improvements in the capacity and quality of digital technology, shorter cycles for new products and enhancements and changes in consumer preferences and expectations. Accordingly, we expect competition in the wireless communications industry to continue to be dynamic and intense as a result of the development of new technologies, services and products.

The national wireless carriers with whom we compete, AT&T and Verizon, have resources that are greater than ours. These companies have significantly greater capital, financial, marketing, human capital, distribution and other resources than we do. Specifically, as a regional wireless carrier we may not have immediate access to some wireless handsets that are available to these national wireless carriers.

We compete for customers based principally upon price, bundled services, the services and enhancements offered, network quality, customer service, statewide network coverage and capacity, TurboZone, the type of wireless handsets offered, and the availability of differentiated features and services. Our ability to compete successfully will depend, in part, on our marketing efforts and our ability to anticipate and respond to various competitive factors affecting the industry.

Data Services and Products Competition
The Internet industry is highly competitive, rapidly evolving and subject to constant technological change. Competition is based upon price and pricing plans, service bundles, the types of services offered, the technologies used, customer service, billing services, and perceived quality, reliability and availability. We compete with other providers some of which are headquartered outside of Alaska and have substantially greater financial, technical and marketing resources than we do.

We expect to continue to provide, at reasonable prices and in competitive bundles, a greater variety of data services than are available through other alternative delivery sources. Additionally, we believe we offer superior technical performance and speed, and responsive community-based customer service. Increased competition, however, may adversely affect our market share and results of operations from our data services product offerings.

Presently, there are a number of competing companies in Alaska that actively sell and maintain data and voice communications systems. Our ability to integrate communications networks and data communications equipment has allowed us to maintain our market position based on customer support services rather than price competition alone. These services are blended with other transport products into unique customer solutions, including managed services and outsourcing.

Video Services and Products Competition
Our video systems face competition from services and devices that offer distribution of movies, television shows and other video programming, using alternative methods such as Internet video streaming and direct broadcast satellite ("DBS"). Our video systems also face competition from potential overbuilds of our existing cable systems. The extent to which our video systems are competitive depends, in part, upon our ability to provide quality programming and other services at competitive prices.

Internet video streaming is a major source of competition for our video services. Additionally, some online video services are also beginning to produce or acquire their own original content. However, as a major Internet-provider ourselves, the competition may result in additional data service subscriber revenue to the extent we grow average Internet revenue per subscriber.

The DBS industry is another major source of competition for our video services. Two major companies, AT&T-owned DIRECTV and DISH DBS Corporation, are currently offering high-power DBS services in Alaska.

Competitive forces may be counteracted by offering subscribers expanded programming. We have retransmission agreements with various broadcasters and provide for the uplink/downlink of their signals into certain of our systems, and local programming for our customers. Additionally, our ownership of television stations provides us the opportunity to create unique content for our subscribers.

Video systems generally operate pursuant to franchises granted on a non-exclusive basis. The 1992 Cable Act gives local franchising authorities jurisdiction over basic video service rates and equipment in the absence of “effective competition.” The 1992 Cable Act also prohibits franchising authorities from unreasonably denying requests for additional franchises and permits franchising authorities to operate video systems. Well-financed businesses from outside the video industry may become competitors for franchises or providers of competing services.

We expect to continue to provide, at reasonable prices and in competitive bundles, a greater variety of video services than are available off-air or through other alternative delivery sources. Additionally, we believe we offer superior technical performance and responsive community-based customer service. Increased competition, however, may adversely affect our market share and results of operations from our video services product offerings.

Voice Services and Products Competition
Our most significant competition for local access and long-distance comes from wireless substitution and voice over Internet protocol services. Wireless local number portability allows consumers to retain the same phone number as they change service providers allowing for interchangeable and portable fixed-line and wireless numbers. A growing number of consumers now use wireless service as their primary voice phone service for local calling. We also compete against Incumbent Local Exchange Carriers ("ILECs"), long-distance resellers and certain smaller

rural local telephone companies for local access and long-distance. We have competed by offering what we believe is excellent customer service and by providing desirable bundles of services.

See “Regulation — Wireline Voice Services and Products” below for more information.

Seasonality

Our Wireline segment services and products do not exhibit significant seasonality. Our ability to implement construction projects is hampered during the winter months because of cold temperatures, snow and short daylight hours.

Major Customer

We had no Wireline segment major customers in 2016, 2015 or 2014.

Sales and Marketing – Company-wide

Our sales and marketing strategy hinges on our ability to leverage (i) our unique position as an integrated provider of multiple communications, data and video services, (ii) our well-recognized and respected brand names in the Alaskan marketplace and (iii) our leading market positions in the services and products we offer. By continuing to pursue a marketing strategy that takes advantage of these characteristics, we believe we can increase our customer market penetration and retention rates, increase our share of our customers’ aggregate voice, video, data and wireless services expenditures and managed services expenditures, and achieve continued growth in revenues and operating cash flow.

Environmental Regulations

We undertake activities that may, under certain circumstances, affect the environment. Accordingly, they may be subject to federal, state, and local laws designed to preserve or protect the environment, including the Clean Water Act and the Emergency Planning and Community Right-to-Know Act. The FCC, Bureau of Land Management, U.S. Forest Service, U.S. Fish and Wildlife Service, U.S. Army Corps of Engineers, Bureau of Indian Affairs, and National Park Service are among the federal agencies required by the National Environmental Policy Act of 1969 and National Historic Preservation Act to consider the environmental impact of actions they authorize, including facility construction.

The principal effect of our facilities on the environment would be in the form of construction of facilities and networks at various locations in Alaska and between Alaska, Washington, and Oregon. Our facilities have been constructed in accordance with federal, state and local building codes and zoning regulations whenever and wherever applicable. We obtain federal, state, and local permits, as required, for our projects and operations. We are unaware of any material violations of federal, state or local regulations or permits.

Patents, Trademarks, and Licenses

We do not hold patents, franchises (with the exception of video services as described below) or concessions for communications services or local access services. We hold a number of federally registered service marks used by our reportable segments. The Communications Act of 1934, as amended, gives the FCC the authority to license and regulate the use of the electromagnetic spectrum for radio communications. We hold licenses for our satellite and microwave transmission facilities for provision of long-distance services provided by our Wireline segment. We hold various licenses for spectrum and broadcast television use. These licenses may be revoked and license renewal applications may be denied for cause. However, we expect these licenses to be renewed in due course when, at the end of the license period, a renewal application will be filed.

We hold licenses for earth stations that are generally licensed for fifteen years. The FCC also issues a single blanket license for a large number of technically identical earth stations. Our operations may require additional licenses in the future.

We are certified through the Regulatory Commission of Alaska ("RCA") to provide local, long distance, and video service by Certificates of Public Convenience and Necessity (“CPCN”). These CPCNs are nonexclusive certificates defining each authorized service area. Although CPCNs have no stated expiration date, they may be revoked due to cause.

Regulation
Our businesses are subject to substantial government regulation and oversight. The following summary of regulatory issues does not purport to describe all existing and proposed federal, state, and local laws and regulations, or judicial and regulatory proceedings that affect our businesses. Existing laws and regulations are reviewed frequently by legislative bodies, regulatory agencies, and the courts and are subject to change. We cannot predict at this time the outcome of any present or future consideration of proposed changes to governing laws and regulations.

Wireless Services and Products
General. The FCC regulates the licensing, construction, interconnection, operation, acquisition, and transfer of wireless network systems in the United States pursuant to the Communications Act. As wireless licensees, we are subject to regulation by the FCC, and must comply with certain build-out and other license conditions, as well as with the FCC's specific regulations governing wireless services. The FCC does not currently regulate rates for services offered by commercial mobile radio service providers (the official legal description for wireless service providers).

Commercial mobile radio service wireless systems are subject to Federal Aviation Administration and FCC regulations governing the location, lighting, construction, modification, and registration of antenna structures on which our antennas and associated equipment are located and are also subject to regulation under federal environmental laws and the FCC's environmental regulations, including limits on radio frequency radiation from wireless handsets and antennas.

Universal Service. The High Cost Program of the USF pays Eligible Telecommunications Carriers ("ETCs") to support the provision of facilities-based wireless telephone service in high cost areas. A wireless carrier may seek ETC status so that it can receive support from the USF. Under FCC regulations and RCA orders, we are an authorized ETC for purposes of providing wireless telephone service in Anchorage, Juneau, Fairbanks, the Matanuska-Susitna Valley, and other small areas throughout Alaska. Without ETC status, we would not qualify for USF support in these areas or other rural areas where we propose to offer facilities-based wireless telephone services, and our net cost of providing wireless telephone services in these areas would be materially adversely affected.

On August 31, 2016, the FCC published the Alaska High Cost Order. Per the Alaska High Cost Order, as of January 1, 2017, Remote high cost support payments to Alaska High Cost participants was frozen on a per-company basis at adjusted December 2014 levels for a ten-year term in exchange for meeting individualized performance obligations to offer voice and broadband services meeting the service obligations at specified minimum speeds by five-year and ten-year service milestones to a specified number of locations. Remote high cost support is no longer dependent upon line counts and line count filings are no longer required. Prior to the Alaska High Cost Order, Urban high cost support payments were frozen and had phased down to 60% of the monthly average of the 2011 annual support. The Alaska High Cost Order mandates that as of January 1, 2017, Urban high cost support for 2017 and 2018 will be two-thirds and one-third of the December 2014 level of support received, respectively, with Urban high cost support ending effective December 31, 2018.

On April 27, 2016, the FCC released a Third Report and Order to reform and modernize the USF's Lifeline program ("Lifeline Order"). The Lifeline program is administered by the Universal Service Administrative Company ("USAC") and is designed to ensure that quality telecommunications services are available to low-income customers at just, reasonable, and affordable rates. The Lifeline Order adopted several reforms, including incentivizing and sometimes requiring broadband providers to offer fixed and/or mobile broadband service to Lifeline subscribers. The Lifeline Order also limited the number of federal programs that confer Lifeline eligibility, and made small changes to the requirement for annual recertification of all Lifeline subscribers. Failure to correctly judge eligibility and recertify Lifeline subscribers could materially adversely affect our Lifeline revenues and/or increase our costs in the form of FCC fines for failure to comply with Lifeline rules.

Interconnection. We have completed negotiations and the RCA has approved current direct wireless interconnection agreements with all of the major Alaska ILECs. These are in addition to indirect interconnection arrangements utilized elsewhere.

See "Description of Our Business by Reportable Segment — Regulation — Wireline Voice Services and Products — Regulatory Regime Applicable to IP-based Networks" for more information.

Emergency 911. The FCC has imposed rules requiring carriers to provide emergency 911 services, including enhanced 911 ("E911") services that provide to local public safety dispatch agencies the caller's phone number and approximate location. Providers are required to transmit the geographic coordinates of the customer's location, either by means of network-based or handset-based technologies, within accuracy parameters revised by the FCC, to be implemented over a phase-in period. Due to Alaska's relatively low population and low cell-site densities, we have excluded certain areas from E911 coverage where cell triangulation is not feasible, pursuant to FCC rule. We have also filed for a waiver, which remains pending, for remaining areas where triangulation may be technically feasible, but where the cell-site densities are insufficient to reach the FCC's standard. The FCC also imposed requirements to allow users to text-to-911 if the local public safety dispatch agency requests and is able to receive such texts. We have developed a text-to-911 technical solution and have certified to the FCC that we are now capable of meeting the FCC requirements. Providers may not demand cost recovery as a condition of providing E911, although they are permitted to negotiate cost recovery if it is not mandated by the state or local governments.

State and Local Regulation. While the Communications Act generally preempts state and local governments from regulating the entry of, and the rates charged by, wireless carriers, it also permits a state to petition the FCC to allow it to impose commercial mobile radio service rate regulation when market conditions fail to adequately protect customers and such service is a replacement for a substantial portion of the telephone wireline exchange service within a state. No state currently has such a petition on file, and all prior efforts have been rejected.
In addition, the Communications Act does not expressly preempt the states from regulating the "terms and conditions" of wireless service. Several states have invoked this "terms and conditions" authority to impose or propose various consumer protection regulations on the wireless industry. State attorneys general have also become more active in enforcing state consumer protection laws against sales practices and services of wireless carriers. States also may impose their own universal service support requirements on wireless and other communications carriers, similar to the contribution requirements that have been established by the FCC.

States have become more active in attempting to impose new taxes and fees on wireless carriers, such as gross receipts taxes. Where successful, these taxes and fees are generally passed through to customers and result in higher costs to customers.

At the local level, wireless facilities typically are subject to zoning and land use regulation. Neither local nor state governments may categorically prohibit the construction of wireless facilities in any community or take actions, such as indefinite moratoria, which have the effect of prohibiting construction. Pursuant to Section 6409(a) of the Middle Class Tax Relief Act of 2012, state and local governments are further constrained in their regulation of changes to existing wireless infrastructure. Nonetheless, securing state and local government approvals for new antenna structures has been and is likely to continue to be difficult, lengthy and costly.

Data Services and Products

General. There is no one entity or organization that governs the global operation of the Internet. Each facilities-based network provider that is interconnected with the global Internet controls operational aspects of their own network. Certain functions, such as IP addressing, domain name routing, and the definition of the TCP/IP protocol, are coordinated by an array of quasi-governmental, intergovernmental, and non-governmental bodies. The legal authority of these bodies is not precisely defined.

The vast majority of users connect to the Internet over facilities of existing communications carriers. Those communications carriers are subject to varying levels of regulation at both the federal and state level. Thus, non-Internet-specific regulatory decisions exercise a significant influence over the economics of the Internet market.

Many aspects of the coordination and regulation of Internet activities and the underlying networks over which those activities are conducted are evolving. Internet-specific and non-Internet-specific changes in the regulatory environment, including changes that affect communications costs or increase competition from ILECs or other communications services providers, could adversely affect our costs and the prices at which we sell Internet-based services.

On February 26, 2015, the FCC adopted an order reclassifying Internet service as a telecommunications service under Title II of the Communications Act. This order prohibits broadband providers from blocking or throttling most lawful public Internet traffic, and from engaging in paid prioritization of that traffic. The order also strengthens its transparency rules, which require accurate and truthful service disclosures, sufficient for consumers to make informed choices, for example, about speed, price and fees, latency, and network management practices. The order allows broadband providers to engage in reasonable network management, including using techniques to address traffic congestion. These rules apply equally to wired and wireless broadband services. The order refrains from applying rate regulation and tariff requirements on broadband services. While we do not believe that the FCC order conflicts with our existing practices or offerings, the order will impose regulatory burdens, likely increase our costs, and could adversely affect the manner and price of providing service.

Rural Health Care Program. On December 12, 2012, the FCC created the Healthcare Connect Fund to supplement the existing Telecommunications Program of the Rural Health Care ("RHC") Program of the USF. Healthcare providers can choose to participate under the existing Telecommunications Program and/or the new Healthcare Connect Fund. On January 13, 2017, USAC announced that current projections for the funding year ending June 30, 2017 show that the total dollar value of all qualifying funding requests will for the first time either meet or exceed the program's $400 million annual cap. We cannot predict the impact of this change at this time.

Schools and Libraries Program. On July 11 and December 11, 2014, the FCC adopted orders modernizing the USF Schools and Libraries Program ("E-Rate"). These orders, among other things, increased the annual E-Rate cap by approximately $1.5 billion, designated funds for internal connections within schools and libraries, and eliminated funding for certain legacy services, such as voice, to increase the availability of 21st century connectivity to support digital learning in schools nationwide. These orders did not have a material effect on the overall E-Rate support available to our schools and libraries customers, and therefore did not materially affect our revenue from such customers.

Video Services and Products
General. Because video communications systems use local streets and rights-of-way, they generally are operated pursuant to franchises (which can take the form of certificates, permits or licenses) granted by a municipality or other state or local government entity. The RCA is the franchising authority for all of Alaska. We believe that we have generally met the terms of our franchises, which do not require periodic renewal, and have provided quality levels of service. Military franchise requirements also affect our ability to provide video services to military bases.

The RCA previously regulated the basic service tier on our video system in Juneau. On June 3, 2015, the FCC adopted a rebuttable presumption that cable providers are subject to Effective Competition, and the RCA did not rebut that presumption by the filing deadline set by the new rules. Because the RCA did not rebut the presumption, we can now unwind our informational tariff in Juneau, with proper customer notice under the FCC rules, and apply our statewide basic service tier pricing in Juneau. The RCA does not regulate rates for cable modem service.

Must Carry/Retransmission Consent. The 1992 Cable Act contains broadcast signal carriage requirements that allow local commercial television broadcast stations to elect once every three years to require a cable system to carry the station, subject to certain exceptions, or to negotiate for "retransmission consent" to carry the station.

The FCC has adopted rules to require cable operators to carry the digital programming streams of broadcast television stations. Further, the FCC has declined to require any cable operator to carry multiple digital programming streams from a single broadcast television station, but should the FCC change this policy, we would be required to devote additional cable capacity to carrying broadcast television programming streams, a step that could require the removal of other programming services.

Pole Attachments. The Communications Act requires the FCC to regulate the rates, terms and conditions imposed by public utilities for cable systems' use of utility pole and conduit space unless state authorities can demonstrate that they adequately regulate pole attachment rates. In the absence of state regulation, the FCC administers pole attachment rates on a formula basis. This formula governs the maximum rate certain utilities may charge for attachments to their poles and conduit by companies providing communications services, including cable operators. The RCA, however, does not use the federal formula and instead has adopted its own formula that has been in place since 1987. This formula could be subject to further revisions upon petition to the RCA. In addition, on April 7, 2011, the FCC adopted an order to rationalize different pole attachment rates among types of services, and on November 17, 2015, took further steps to bring telecommunications and cable pole attachment rates into parity. Though the general purpose of the rule changes was to ensure pole attachment rates as low and as uniform as possible, we do not expect the rules to have an immediate impact on the terms under which we access poles. In addition, because the RCA has adopted its own formula, the FCC's reclassification of broadband service as a "telecommunications service" is not anticipated to have any near-term impact. We cannot predict the likelihood of the RCA changing its formula, adopting the federal formula, or relinquishing its oversight of pole attachments to the FCC, any of which could increase the cost of our operations.

Copyright. Cable television systems are subject to federal copyright licensing covering carriage of television and radio broadcast signals. In exchange for filing certain reports and contributing a percentage of their revenues to a federal copyright royalty pool that varies depending on the size of the system, the number of distant broadcast television signals carried, and the location of the cable system, cable operators can obtain blanket permission to retransmit copyrighted material included in broadcast signals. The possible modification or elimination of this compulsory copyright license is the subject of continuing legislative review. We cannot predict the outcome of this legislative review, which could adversely affect our ability to obtain desired broadcast programming. Copyright clearances for non-broadcast programming services are arranged through private negotiations.

Wireline Voice Services and Products

General. As an interexchange carrier, we are subject to regulation by the FCC and the RCA as a non-dominant provider of interstate, international, and intrastate long-distance services. As a state-certificated competitive local exchange carrier, we are subject to regulation by the FCC and the RCA as a non-dominant provider of local communications services. Military franchise requirements also affect our ability to provide communications services to military bases.

Universal Service. The USF pays ETCs to support the provision of facilities-based wireline telephone service in high cost areas. Under FCC regulations and RCA orders, we are an authorized ETC for purposes of providing wireline local exchange service in Anchorage, Juneau, Fairbanks, the Matanuska-Susitna Valley, and other small areas throughout Alaska. Without ETC status, we would not qualify for USF support in these areas or other rural areas where we propose to offer facilities-based wireline telephone services, and our net cost of providing local telephone services in these areas would be materially adversely affected. See “Description of Our Business by Reportable Segment - Regulation - Wireless Services and Products - Universal Service” for information on USF reform.

Rural Exemption and Interconnection. A Rural Telephone Company is exempt from compliance with certain material interconnection requirements under Section 251(c) of the 1996 Telecom Act, including the obligation to negotiate Section 251(b) and (c) interconnection requirements in good faith, unless and until a state regulatory commission lifts such “rural exemption” or otherwise finds it not to apply. All ILECs in Alaska are Rural Telephone Companies except ACS in its Anchorage study area. We participated in numerous proceedings regarding the rural exemptions of various ILECs in order to achieve the necessary interconnection agreements with the remaining ILECs. In other cases the interconnection agreements were reached by negotiation without regard to the implications of the ILEC’s rural exemption.

We have completed negotiation and/or arbitration of the necessary interconnection provisions and the RCA has approved current wireline Interconnection Agreements between GCI and all of the major ILECs. We have entered all of the major Alaskan markets with local access services.

See “Description of Our Business by Reportable Segment — Wireline — Competition — Voice Services and Products Competition” for more information.

Access Charges and Other Regulated Fees. The FCC regulates the fees that local telephone companies charge long-distance companies for access to their local networks. On November 29, 2011, the FCC released rules to restructure and reduce over time originating interstate access charges, along with a proposal to adopt similar reforms applicable to terminating interstate access charges. The details of implementation in general and between different classes of technology continue to be addressed, and could affect the economics of some aspects of our business. We cannot predict at this time the impact of this implementation or future implementation of adopted reforms, but we do not expect it to have a material adverse impact on our operations.

Access to Unbundled Network Elements. The ability to obtain unbundled network elements ("UNEs") is an important element of our local access services business. We cannot predict the extent to which existing FCC rules governing access to and pricing for UNEs will be changed in the face of additional legal action and the impact of any further rule modifications that are yet to be determined by the FCC. Moreover, the future regulatory classification of services that are transmitted over facilities may impact the extent to which we will be permitted access to such facilities. Changes to the applicable regulations could result in a change in our cost of serving new and existing markets.

Local Regulation. We may be required to obtain local permits for street opening and construction permits to install and expand our networks. Local zoning authorities often regulate our use of towers for microwave and other communications sites. We also are subject to general regulations concerning building codes and local licensing. The Communications Act requires that fees charged to communications carriers be applied in a competitively neutral manner, but there can be no assurance that ILECs and others with whom we will be competing will bear costs similar to those we will bear in this regard.

Regulatory Regime Applicable to IP-based Networks. On January 30, 2014, the FCC adopted an order calling for experiments to examine how best to accelerate the technological and regulatory transitions from traditional TDM-based networks to IP-based technologies. Although no entity has proposed conducting a technology transition experiment in our service territory in response to the FCC's January 2014 order, additional proposals for experiments are possible. We cannot predict whether additional proposals for experiments might be submitted to the FCC nor any resulting proceedings or their effect on us. The FCC also has other open dockets through which it might make changes to the regulatory regime applicable to IP-based networks. A change in regulatory obligation or classification that interferes with our ability to exchange traffic with other providers, that raises the cost of doing so, or that adversely affects eligibility for USF support could materially affect our net cost of and revenue from providing local services.

Financial Information about our Foreign and Domestic Operations and Export Sales

We do not have significant foreign operations or export sales. We conduct our operations throughout the contiguous United States and Alaska and believe that any subdivision of our operations into distinct geographic areas would not be meaningful.

Company-Sponsored Research

We have not expended material amounts during the last three fiscal years on company-sponsored research activities.

Employees

We employed 2,310 persons as of December 31, 2016, and we are not subject to any collective bargaining agreements with our employees. We believe our future success will depend upon our continued ability to attract and retain highly skilled and qualified employees. We believe that relations with our employees are satisfactory.

Other

No material portion of our business is subject to renegotiation of profits or termination of contracts at the election of the federal government.

Item 1A. Risk Factors.

Factors That May Affect Our Business and Future Results

Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business operations. Any of the following risks could materially and adversely affect our business, financial position, results of operations or liquidity.

We face competition that may reduce our market share and harm our financial performance.

There is substantial competition in the telecommunications and entertainment industries. Through mergers and various service integration strategies, major providers are striving to provide integrated communications services offerings within and across geographic markets. We face increased wireless services competition from national carriers in the Alaska market and increasing video services competition from DBS providers and over-the-top content providers who are often able to offer more flexible subscription packages and exclusive content.

We expect competition to increase as a result of the rapid development of new technologies, services and products. We cannot predict which of many possible future technologies, products or services will be important to maintain our competitive position or what expenditures will be required to develop and provide these technologies, products or services. Our ability to compete successfully will depend on marketing and on our ability to anticipate and respond to various competitive factors affecting the industry, including new services that may be introduced, changes in consumer preferences, economic conditions and pricing strategies by competitors. To the extent we do not keep pace with technological advances or fail to timely respond to changes in competitive factors in our industry and in our markets, we could lose market share or experience a decline in our revenue and net income. Competitive conditions create a risk of market share loss and the risk that customers shift to less profitable lower margin services. Competitive pressures also create challenges for our ability to grow new businesses or introduce new services successfully and execute our business plan. We also face the risk of potential price cuts by our competitors that could materially adversely affect our market share and gross margins.

Our wholesale customers including our major roaming customers may construct facilities in locations where they contract with us to use our network to provide service on their behalf. We would experience a decline in revenue and net income if any of our wholesale customers constructed or expanded their existing networks in places where service is provided on our network. Some of our wholesale customers have greater access to financial, technical, and other resources than we do. We expect to continue to offer competitive alternatives to such customers in order to retain significant traffic on our network. We cannot predict whether such negotiations will be successful. Our inability to negotiate such contracts could have a material adverse effect on our business, financial condition and results of operations.

For more information about competition by segment, see the sections titled “Competition” included in “Part 1 — Item 1 — Business — Description of our Business by Reportable Segment.”

If we experience low or negative rates of subscriber acquisition or high rates of turnover, our financial performance will be impaired.

We are in the business of selling communications and entertainment services to subscribers, and our economic success is based on our ability to retain current subscribers and attract new subscribers. If we are unable to retain and attract subscribers, our financial performance will be impaired. Our rates of subscriber acquisition and turnover are affected by a number of competitive factors including the size of our service areas, network performance and reliability issues, our device and service offerings, subscribers’ perceptions of our services, and customer care quality. Managing these factors and subscribers’ expectations is essential in attracting and retaining subscribers. Although we have implemented programs to attract new subscribers and address subscriber turnover, we cannot assure you that these programs or our strategies to address subscriber acquisition and turnover will be successful. A high rate of turnover or low or negative rate of new subscriber acquisition would reduce revenues and increase the total marketing expenditures required to attract the minimum number of subscribers required to sustain our business plan which, in turn, could have a material adverse effect on our business, financial condition and results of operations.

We may be unable to obtain or maintain the roaming services we need from other carriers to remain competitive.

Some of our competitors have national networks which enable them to offer nationwide coverage to their subscribers at a lower cost than we can offer. The networks we operate do not, by themselves, provide national coverage and we must pay fees to other carriers who provide roaming services to us. We currently rely on roaming agreements with several carriers for the majority of our roaming services.

The FCC requires commercial mobile radio service providers to provide roaming, upon request, for voice and SMS text messaging services on just, reasonable and non-discriminatory terms. The FCC also requires carriers to offer data roaming services. The rules do not provide or mandate any specific mechanism for determining the reasonableness of roaming rates for voice, SMS text messaging or data services and require that roaming complaints be resolved on a case-by-case basis, based on a non-exclusive list of factors that can be taken into account in determining the reasonableness of particular conduct or rates. If we were to lose the benefit of one or more key roaming or wholesale agreements unexpectedly, we may be unable to obtain similar replacement agreements and as a result may be unable to continue providing nationwide voice and data roaming services for our customers or may be unable to provide such services on a cost-effective basis. Our inability to obtain new or replacement roaming services on a cost-effective basis may limit our ability to compete effectively for wireless customers, which may increase our turnover and decrease our revenues, which in turn could materially adversely affect our business, financial condition and results of operations.

Our business is subject to extensive governmental legislation and regulation. Applicable legislation and regulations and changes to them could adversely affect our business, financial position, results of operations or liquidity.

Wireless Services. The licensing, construction, operation, sale and interconnection arrangements of wireless communications systems are regulated by the FCC and, depending on the jurisdiction, state and local regulatory agencies. In particular, the FCC imposes significant regulation on licensees of wireless spectrum with respect to:

- How radio spectrum is used by licensees;
- The nature of the services that licensees may offer and how such services may be offered; and
- Resolution of issues of interference between spectrum bands.

Although the Communications Act of 1934, as amended, preempts state and local regulation of market entry and the rates charged by commercial mobile radio service providers, states may exercise authority over such things as certain billing practices and consumer-related issues. These regulations could increase the costs of our wireless operations. The FCC grants wireless licenses for terms of generally ten years that are subject to renewal and revocation. FCC rules require all wireless licensees to meet certain build-out requirements and substantially comply with applicable FCC rules and policies and the Communications Act of 1934, as amended, in order to retain their licenses. Failure to comply with FCC requirements in a given license area could result in revocation of the license for that license area. There is no guarantee that our licenses will be renewed.

Commercial mobile radio service providers must implement E911 capabilities in accordance with FCC rules. While we believe that we are currently in compliance with such FCC rules, the failure to deploy E911 service consistent with FCC requirements could subject us to significant fines.

The FCC, together with the Federal Aviation Administration, also regulates tower marking and lighting. In addition, tower construction is affected by federal, state and local statutes addressing zoning, environmental protection and historic preservation. The FCC requires local notice in any community in which it is seeking FCC Antenna Structure Registration to build a tower. Local notice provides members of the community with an opportunity to comment on or challenge the tower construction for environmental reasons. This rule could cause delay for certain tower construction projects.

Internet Services. On February 26, 2015, the FCC adopted an order reclassifying Internet service as a telecommunications service under Title II of the Communications Act. The order prohibits broadband providers from blocking or throttling most lawful public Internet traffic, and from engaging in paid prioritization of that traffic. The order also strengthens transparency rules, which require accurate and truthful service disclosures, sufficient for consumers to make informed choices, for example, about speed, price and fees, latency, and network management practices. The order allows broadband providers to engage in reasonable network management, including using techniques to address traffic congestion. The new rules apply equally to wired and wireless broadband services. The order refrains from imposing rate regulation or tariff requirements on broadband services.

We cannot predict how the FCC will interpret or apply its new rules. In addition, although the FCC forbore from many of the provisions of Title II, we cannot predict how the FCC will interpret or apply the statutory provisions and regulations from which it did not forbear. It is possible that the FCC could interpret or apply its new rules or “Title II” statutory provisions or regulations in a way that has a material adverse effect on our business, financial position, results of operations, or liquidity. There also is a risk class action lawsuits arising under the provisions of Title II from which the FCC did not forbear could have similar negative impacts.

Proposals have been made before Congress to mandate Open Internet regulation that could supplement or supplant in whole or part the FCC’s new rules. We currently cannot predict whether any such legislation will be adopted nor what impacts are most likely.

Video Services. The cable television industry is subject to extensive regulation at various levels, and many aspects of such regulation are currently the subject of judicial proceedings and administrative or legislative proposals. The law permits certified local franchising authorities to order refunds of rates paid in the previous 12-month period determined to be in excess of the reasonable rates. It is possible that rate reductions or refunds of previously collected fees may be required of us in the future.

Other existing federal regulations, currently the subject of judicial, legislative, and administrative review, could change, in varying degrees, the manner in which video systems operate. Neither the outcome of these proceedings nor their impact on the cable television industry in general, or on our activities and prospects in the cable television business in particular, can be predicted at this time. There can be no assurance that future regulatory actions taken by Congress, the FCC or other federal, state or local government authorities will not have a material adverse effect on our business, financial position, results of operations or liquidity.

Local Access Services. Our success in the local telephone market depends on our continued ability to obtain interconnection, access and related services from local exchange carriers on terms that are reasonable and that are based on the cost of providing these services. Our local telephone services business faces the risk of unfavorable changes in regulation or legislation or the introduction of new regulations. Our ability to provide service in the local telephone market depends on our negotiation or arbitration with local exchange carriers to allow interconnection to the carrier's existing local telephone network (in some Alaska markets at cost-based rates), to establish dialing parity, to obtain access to rights-of-way, to resell services offered by the local exchange carrier, and in some cases, to allow the purchase, at cost-based rates, of access to unbundled network elements. Future negotiations or arbitration proceedings with respect to new or existing markets could result in a change in our cost of serving these markets via the facilities of the ILEC or via wholesale offerings.

For more information about Regulations affecting our operations, see "Part 1 —Item 1 — Business — Regulation."

Loss of our ETC status would disqualify us for USF support.

The USF pays support to ETCs to support the provision of facilities-based wireline and wireless telephone service in high cost areas. If we were to lose our ETC status in any of the study areas where we are currently an authorized ETC whether due to legislative or regulatory reform or our failure to comply with applicable laws and regulations, we would be ineligible to receive USF support for providing service in that area. Loss of our ETC status could have an adverse effect on our business, financial position, results of operations or liquidity.

Revenues and accounts receivable from USF support may be reduced or lost.

We receive support from each of the various USF programs: high cost, low income, rural health care, and schools and libraries. This support was 24%, 19%, and 19% of our revenue for the years ended December 31, 2016, 2015 and 2014, respectively. We had USF net receivables of $92.0 million and $98.1 million at December 31, 2016 and 2015, respectively. The programs are subject to change by regulatory actions taken by the FCC or legislative actions. Changes to any of the USF programs that we participate in could result in a material decrease in revenue and accounts receivable, which could have an adverse effect on our business, financial position, results of operations or liquidity.

See "Description of Our Business by Reportable Segment — Regulation — Wireless Services and Products — Universal Service" and "Description of Our Business by Reportable Segment — Regulation — Wireline Voice Services and Products — Universal Service" for more information.

We may not meet our performance plan milestones under the Alaska High Cost Order.

As an ETC, we receive support from the USF to support the provision of wireline local access and wireless service in high cost areas. On August 31, 2016, the FCC published the Alaska High Cost Order which requires us to submit to the FCC a performance plan with five-year and ten-year commitments. If we are unable to meet the final performance plan milestones approved by the FCC we will be required to repay 1.89 times the average amount of support per location received over the ten-year term for the relevant number of locations that we failed to deploy to, plus ten percent of our total Alaska High Cost Order support received over the ten-year term. Inability to meet our performance plan milestones could have an adverse effect on our business, financial position, results of operations or liquidity.

We may lose USF high cost support if another carrier adds 4G LTE service in an area where we currently provide 4G LTE service.

Under the Alaska High Cost Order, the FCC adopted a process for revisiting after five years whether and to what extent there is duplicative support for 4G LTE service in rural Alaska and to take steps to eliminate such duplicative support levels in the second half of the ten-year term. As a result, if another carrier builds 4G LTE service in an area where we are the sole provider and the FCC decides to redistribute the support then our high cost support may be reduced which could have an adverse effect on our business, financial position, results of operations or liquidity.

Programming expenses for our video services are increasing, which could adversely affect our business.

We expect programming expenses for our video services to continue to increase in the foreseeable future. The multichannel video provider industry has continued to experience an increase in the cost of programming, especially sports programming and costs to retransmit local broadcast stations. As our contracts with content providers expire, there can be no assurance that they will be renewed on acceptable terms or that they will be renewed at all, in which case we may be unable to provide such content as part of our video services and our business could be adversely affected. If we add programming to our video services or if we choose to distribute existing programming to our customers through additional delivery platforms, we may incur increased programming expenses. If we are unable to raise our customers' rates or offset such programming cost increases through the sale of additional services, the increasing cost of programming could have an adverse impact on our business, financial condition, or results of operations.

The decline in our Wireline segment voice services' results of operations, which include long-distance and local access services, may accelerate.

We expect our Wireline voice services' results of operations, which include long-distance and local access services, will continue to decline. As competition from wireless carriers, such as ourselves, increases we expect our long-distance and local access services' subscribers and revenues will continue to decline and the rate of decline may accelerate.

We may not be able to satisfy the requirements of our participation in a New Markets Tax Credit ("NMTC") program for funding our TERRA-NW project.

In 2011 and 2012 we entered into three separate arrangements under the NMTC program with US Bancorp to help fund various phases of our TERRA-NW project. In connection with the NMTC transactions we received proceeds which were restricted for use on TERRA-NW. The NMTCs are subject to 100% recapture of the tax credit for a period of seven years as provided in the Internal Revenue Code. We are required to be in compliance with various regulations and contractual provisions that apply to the NMTC arrangements. We have agreed to indemnify US Bancorp for any loss or recapture of its $56.0 million in NMTCs until such time as our obligation to deliver tax benefits is relieved in December 2019. Non-compliance with applicable requirements could result in projected tax benefits not being realized by US Bancorp and could have an adverse effect on our financial position, results of operations or liquidity.

Failure to complete testing and deployment of a new technology that supports new services could affect our ability to compete in the industry. In addition, the technology we use may place us at a competitive disadvantage.

We test and deploy various new technologies and support systems intended to enhance our competitiveness by both supporting new services and features and reducing the costs associated with providing those services or features. Successful implementation of new technologies and support systems depend, in part, on the willingness of third parties to develop new applications in a timely manner. We may not successfully complete the rollout of new technology and related features or services in a timely manner, and they may not be widely accepted by our customers or may not be profitable, in which case we could not recover our investment in the technology. Deployment of technology supporting new service offerings may also adversely affect the performance or reliability of our networks with respect to both the new and existing services. Any resulting customer dissatisfaction could affect our ability to retain customers and may have an adverse effect on our financial position, results of operations, or liquidity. In addition to introducing new technologies and offerings, we must phase out outdated and unprofitable technologies and services. If we are unable to do so on a cost-effective basis, we could experience reduced profits.

Our business is geographically concentrated in Alaska and is impacted by the economic conditions in Alaska.

We offer products and services to customers primarily throughout Alaska. Because of this geographic concentration, growth of our business and operations depends upon economic conditions in Alaska. The economy of Alaska is dependent upon the oil industry, state government spending, United States military spending, investment earnings and tourism. Prolonged periods of low oil prices will adversely impact the Alaska economy, which in turn could have an adverse impact on the demand for our products and services and on our results of operations and financial condition. Oil prices have continued to remain low which has put significant pressure on the Alaska state government budget since the majority of its revenues come from the oil industry. While the Alaska state government has significant reserves that we believe will help fund the state government for the next couple of years, major structural budgetary reforms will need to be implemented in order to offset the impact of declining oil prices. The State of Alaska failed to pass a workable long-term fiscal plan during the 2016 legislative session. As a result, we plan to reduce our 2017 Alaska capital expenditure budget by 20% to 25% of the 2016 target of $210.0 million due substantially to the continued uncertainty of the ability of the State of Alaska to adopt and implement a workable long-term fiscal plan.

The Alaska economy is officially in a recession. If the recession continues, it could negatively affect our business including our financial position, results of operations, or liquidity, as well as our ability to service debt, pay other obligations and enhance shareholder returns. While it is difficult for us to predict the impact of the recession on our business, these conditions could adversely affect the affordability of and demand for some of our products and services and could cause customers to shift to lower priced products and services or to delay or forgo purchases of our products and services. One or more of these circumstances could cause our revenue to decline. Also, our customers may not be able to obtain adequate access to credit, which could affect their ability to make timely payments to us. If that were to occur, we could be required to increase our allowance for doubtful accounts, and the number of days outstanding for our accounts receivable could increase.

Additionally, the customer base in Alaska is limited and we have already achieved significant market penetration with respect to our service offerings in Anchorage and other locations in Alaska. We may not be able to continue to increase our share of the existing markets for our services, and no assurance can be given that the Alaskan economy will grow and increase the size of the markets we serve or increase the demand for the services we offer. As a result, the best opportunities for expanding our business may arise in other geographic areas such as the lower 49 states. There can be no assurance that we will find attractive opportunities to grow our businesses outside of Alaska or that we will have the necessary expertise to take advantage of such opportunities. The markets in Alaska for wireless and wireline telecommunications and video services are unique and distinct within the United States due to Alaska's large geographical size, its sparse population located in a limited number of clusters, and its distance from the rest of the United States. The expertise we have developed in operating our businesses in Alaska may not provide us with the necessary expertise to successfully enter other geographic markets.

Natural or man-made disasters or terrorist attacks could have an adverse effect on our business.

Our technical infrastructure (including our communications network infrastructure and ancillary functions supporting our network such as service activation, billing and customer care) is vulnerable to damage or interruption from technology failures, power surges or outages, natural disasters, fires, human error, terrorism, intentional wrongdoing or similar events. As a communications provider, there is an increased risk that our technological infrastructure may be targeted in connection with terrorism or cyberattacks, either as a primary target, or as a means of facilitating additional attacks on other targets.

In addition, earthquakes, floods, fires and other unforeseen natural disasters or events could materially disrupt our business operations or our provision of service in one or more markets. Costs we incur to restore, repair or replace our network or technical infrastructure, as well as costs associated with detecting, monitoring or reducing the incidence of unauthorized use, may be substantial and increase our cost of providing service. Any failure in or interruption of systems that we or third parties maintain to support ancillary functions, such as billing, point of sale, inventory management, customer care and financial reporting, could materially impact our ability to timely and accurately record, process and report information important to our business. If any of the above events were to occur, we could experience higher churn, reduced revenues and increased costs, any of which could harm our reputation and have a material adverse effect on our business, financial condition or results of operations.

Additionally, our insurance may not be adequate to cover the costs associated with a natural disaster or terrorist attack.

Cyberattacks or other network disruptions could have an adverse effect on our business.

Cyberattacks against our technological infrastructure or breaches of network information technology may cause equipment failures, disruption of our operations, and potentially unauthorized access to confidential customer data. Cyberattacks, which include the use of malware, computer viruses, and other means for service disruption or unauthorized access to confidential customer data, have increased in frequency, scope, and potential harm for businesses in recent years. It is possible for such cyberattacks to go undetected for an extended period of time, increasing the potential harm to our customers, our assets, and our reputation.

To date, we have not been subject to cyberattacks or network disruptions that individually or in the aggregate, have been material to our operations or financial condition. Nevertheless, we engage in a variety of preventive measures at an increased cost to us, in order to reduce the risk of cyberattacks and safeguard our infrastructure and confidential customer information. Such measures include, but are not limited to the following industry best practices: application whitelisting, anti-malware, message and spam filtering, encryption, advanced firewalls, threat detection, and URL filtering. Despite these preventive and detective actions, our efforts may be insufficient to repel a major cyberattack or network disruption in the future.

Some of the most significant risks to our information technology systems, networks, and infrastructure include:

- Cyberattacks that disrupt, damage, and gain unauthorized access to our network and computer systems including data breaches caused by criminal or terrorist activities;
- Undesired human actions including intentional or accidental errors;
- Malware (including viruses, worms, cryptoware, and Trojan horses), software defects, unsolicited mass advertising, denial of service, ransomware, and other malicious or abusive attacks by third parties; and,
- Unauthorized access to our information technology, billing, customer care, and provisioning systems and networks and those of our vendors and other providers.

If hackers or cyberthieves gain improper access to our technology systems, networks, or infrastructure, they may be able to access, steal, publish, delete, misappropriate, modify or otherwise disrupt access to confidential customer data. Moreover, additional harm to customers could be perpetrated by third parties who are given access to the confidential customer data. A network disruption (including one resulting from a cyberattack) could cause an interruption or degradation of service as well as permit access, theft, publishing, deletion, misappropriation, or modification to or of confidential customer data. Due to the evolving techniques used in cyberattacks to disrupt or gain unauthorized access to technology networks, we may not be able to anticipate or prevent such disruption or unauthorized access.

The costs imposed on us as a result of a cyberattack or network disruption could be significant. Among others, such costs could include increased expenditures on cyber security measures, litigation, fines, and sanctions, lost revenues from business interruption, and damage to the public’s perception regarding our ability to provide a secure service. As a result, a cyberattack or network disruption could have a material adverse effect on our business, financial condition, and operating results.

Increases in data usage on our wired and wireless networks may cause network capacity limitations, resulting in service disruptions, reduced capacity or slower transmission speeds for our customers.

Video streaming services and peer-to-peer file sharing applications use significantly more bandwidth than traditional Internet activity such as web browsing and email. As use of these newer services continues to grow, our customers will likely use more bandwidth than in the past. Additionally, new wireless handsets and devices may place a higher demand for data on our wireless network. If this occurs, we could be required to make significant capital expenditures to increase network capacity in order to avoid service disruptions, service degradation or slower transmission speeds for our customers. Alternatively, we could choose to implement network management practices to reduce the network capacity available to bandwidth-intensive activities during certain times in market areas experiencing congestion, which could negatively affect our ability to retain and attract customers in affected areas. While we believe demand for these services may drive customers to pay for faster speeds, competitive or regulatory constraints may preclude us from recovering the costs of the necessary network investments which could result in an adverse impact to our business, financial condition, and operating results.

Prolonged service interruptions or system failures could affect our business.

We rely heavily on our network equipment, communications providers, data and software to support all of our functions. We rely on our networks and the networks of others for substantially all of our revenues. We are able to deliver services and serve our customers only to the extent that we can protect our network systems against damage from power or communication failures, computer viruses, natural disasters, unauthorized access and other disruptions. While we endeavor to provide for failures in the network by providing back-up systems and procedures, we cannot guarantee that these back-up systems and procedures will operate satisfactorily in an emergency. Disruption to our billing systems due to a failure of existing hardware and backup protocols could have an adverse effect on our revenue and cash flow. Should we experience a prolonged failure, it could seriously jeopardize our ability to continue operations. In particular, should a significant service interruption occur, our ongoing customers may choose a different provider, and our reputation may be damaged, reducing our attractiveness to new customers.

If failures occur in our undersea fiber optic cable systems or our TERRA facilities and its extensions, our ability to immediately restore the entirety of our service may be limited and we could incur significant costs.

Our communications facilities include undersea fiber optic cable systems that carry a large portion of our traffic to and from the contiguous lower 48 states, one of which provides an alternative geographically diverse backup communication facility to the other. Our facilities also include TERRA and its extensions which are unringed, operating in a remote environment and are at times difficult to access for repairs. If a failure of both sides of the ring of our undersea fiber optic facilities or of our unringed TERRA facility and its extensions occurs and we are not able to secure alternative facilities, some of the communications services we offer to our customers could be interrupted which could have a material adverse effect on our business, financial position, results of operations or liquidity. Damage to an undersea fiber optic cable system or TERRA and its extensions could result in significant unplanned expense which could have a material adverse effect on our business, financial position, results of operations or liquidity.

If a failure occurs in our satellite communications systems, our ability to immediately restore the entirety of our service may be limited.

Our communications facilities include satellite transponders that we use to serve many rural and remote Alaska locations. Each of our C-band and Ku-band satellite transponders is backed up using on-board transponder redundancy. In the event of a complete spacecraft failure the services are restored using capacity on other spacecraft that are held in reserve. If a failure of our satellite transponders occurs and we are not able to secure alternative facilities, some of the communications services we offer to our customers could be interrupted which could have a material adverse effect on our business, financial position, results of operations or liquidity.

We depend on a limited number of third-party vendors to supply communications equipment. If we do not obtain the necessary communications equipment, we will not be able to meet the needs of our customers.

We depend on a limited number of third-party vendors to supply wireless, Internet, video and other telephony-related equipment. If our providers of this equipment are unable to timely supply the equipment necessary to meet our needs or provide them at an acceptable cost, we may not be able to satisfy demand for our services and competitors may fulfill this demand. Due to the unique characteristics of the Alaska communications markets (i.e., remote locations, rural, satellite-served, low density populations, and our leading edge services and products), in many situations we deploy and utilize specialized, advanced technology and equipment that may not have a large market or demand. Our vendors may not succeed in developing sufficient market penetration to sustain continuing production and may fail. Vendor bankruptcy, or acquisition without continuing product support by the acquiring company, may require us to replace technology before its otherwise useful end of life due to lack of on-going vendor support and product development.

The suppliers and vendors on which we rely may also be subject to litigation with respect to technology on which we depend, including litigation involving claims of patent infringement. Such claims have been growing rapidly in the communications industry. We are unable to predict whether our business will be affected by any such litigation. We expect our dependence on key suppliers to continue as they develop and introduce more advanced generations of technology.

We do not have insurance to cover certain risks to which we are subject, which could lead to the occurrence of uninsured liabilities.

As is typical in the communications industry, we are self-insured for damage or loss to certain of our transmission facilities, including our buried, undersea and above-ground fiber optic cable systems. If we become subject to substantial uninsured liabilities due to damage or loss to such facilities, our financial position, results of operations or liquidity may be adversely affected.

We are in the process of transferring our customer billing systems to a new third-party vendor. Any unanticipated difficulties, disruption or significant delays could have adverse operational, financial and reputational effects on our business.

We are currently implementing a new customer billing system, which involves moving to a new third-party billing services vendor and platform in 2018. The implementation may cause major system or business disruptions or we may fail to implement the new billing system in a timely or effective manner. In addition, the third-party billing services vendor may experience errors, cyber-attacks or other operational disruptions that could negatively impact us and over which we may have limited control. Interruptions and/or failure of this new billing services system could disrupt our operations and impact our ability to provide or bill for our services, retain customers, or attract new customers, and negatively impact overall customer experience. Any occurrence of the foregoing could cause material adverse effects on our operations and financial condition, material weaknesses in our internal control over financial reporting and reputational damage.

Our significant debt and lease obligations could adversely affect our business.

We have and will continue to have a significant amount of debt and lease obligations including capital, operating, and the tower obligation (see Note 2 included in "Part II - Item 8 - Consolidated Financial Statements and Supplementary Data" for additional information). Our high level of debt and lease obligations could have important consequences, including the following:

- Increasing our vulnerability to adverse economic, industry, or competitive developments;
- Requiring a substantial portion of our cash flows from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flows to fund operations, capital expenditures, and future business opportunities;
- Exposing us to the risk of increased interest rates to the extent of any future borrowings at variable rates of interest;
- Making it more difficult for us to satisfy our obligations with respect to our indebtedness. Any failure to comply with the obligations of any of our debt instruments, including restrictive covenants and borrowing conditions, could result in an event of default;
- Restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;
- Limiting our ability to obtain additional financing for working capital, capital expenditures, product and service development, debt service requirements, acquisitions, and general corporate or other purposes; and
- Limiting our flexibility in planning for, or reacting to, changes in our business or market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged and who, therefore, may be able to take advantage of opportunities that our leverage may prevent us from exploiting.

We will require a significant amount of cash to service our debt and to meet other obligations. Our ability to generate cash depends on many factors beyond our control. If we are unable to meet our future capital needs it may be necessary for us to curtail, delay or abandon our business growth plans. If we incur significant additional indebtedness to fund our plans, it could cause a decline in our credit rating and could increase our borrowing costs or limit our ability to raise additional capital.

We will continue to require a significant amount of cash to satisfy our debt service requirements and to meet other obligations. Our ability to make payments on and to refinance our debt and to fund planned capital expenditures and acquisitions will depend on our ability to generate cash and to arrange additional financing in the future. These abilities are subject to, among other factors, our credit rating, our financial performance, general economic conditions, prevailing market conditions, the state of competition in our market, the outcome of certain legislative and regulatory issues and other factors that may be beyond our control. Our business may not generate sufficient cash flow from operations and future borrowings may not be available to us in an amount sufficient to enable us to pay our debt or to fund our other liquidity needs. We may need to refinance all or a portion of our debt on or before maturity. We may not be able to refinance any of our debt on commercially reasonable terms or at all.

The terms of our debt obligations impose restrictions on us that may affect our ability to successfully operate our business and our ability to make payments on the debt obligations.

The indentures governing our Senior Notes and/or the credit agreements governing our Senior Credit Facility and other loans contain various covenants that could materially and adversely affect our ability to finance our future operations or capital needs and to engage in other business activities that may be in our best interest.

All of these covenants may restrict our ability to expand or to pursue our business strategies. Our ability to comply with these covenants may be affected by events beyond our control, such as prevailing economic conditions and changes in regulations, and if such events occur, we cannot be sure that we will be able to comply. A breach of these covenants could result in a default under the indentures and/or the credit agreements. If there were an event of default under the indentures and/or the credit agreements, holders of such defaulted debt could cause all amounts borrowed under these instruments to be due and payable immediately. Additionally, if we fail to repay the debt under the Senior Credit Facility when it becomes due, the lenders under the Senior Credit Facility could proceed against certain of our assets and capital stock of our subsidiaries that we have pledged to them as security. Our assets or cash flow may not be sufficient to repay borrowings under our outstanding debt instruments in the event of a default thereunder.

When our Senior Credit Facility and Senior Notes mature, we may not be able to refinance or replace one or both.

When our Senior Credit Facility and Senior Notes mature, we will likely need to refinance them and may not be able to do so on favorable terms or at all. If we are able to refinance maturing indebtedness, the terms of any refinancing or alternate credit arrangements may contain terms and covenants that restrict our financial and operating flexibility.

Variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Our borrowings under our Senior Credit Facility are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness could increase even though the amount borrowed remained the same, and our net income and cash flow could decrease.

In order to manage our exposure to interest rate risk, in the future, we may enter into derivative financial instruments, typically interest rate swaps and caps, involving the exchange of floating for fixed rate interest payments. If we are unable to enter into interest rate swaps, it may adversely affect our cash flow and may impact our ability to make required principal and interest payments on our indebtedness.

Any significant impairment of our indefinite-lived intangible assets would lead to a decrease in our assets and a reduction in our net operating performance.

We had $526.3 million of indefinite-lived intangible assets at December 31, 2016, consisting of goodwill of $239.3 million, cable certificates of $191.6 million, wireless licenses of $92.3 million and broadcast licenses of $3.1

million. Our cable certificates represent agreements with government entities to construct and operate a video business. Our wireless licenses are from the FCC and give us the right to provide wireless service within a certain geographical area. Our broadcast licenses represent permission to use a portion of the radio frequency spectrum in a given geographical area for broadcasting purposes. Goodwill represents the excess of cost over fair value of net assets acquired in connection with business acquisitions.

If we make changes in our business strategy or if market or other conditions adversely affect our operations, we may be forced to record an impairment charge, which would lead to a decrease in our assets and a reduction in our net operating performance. Our indefinite-lived intangible assets are tested annually for impairment during the fourth quarter and at any time upon the occurrence of certain events or substantive changes in circumstances that indicate the assets might be impaired. If the testing performed indicates that impairment has occurred, we are required to record an impairment charge for the difference between the carrying value and the fair value of the goodwill and/or the indefinite-lived intangible assets, as appropriate, in the period in which the determination is made. The testing of goodwill and indefinite-lived intangible assets for impairment requires us to make significant estimates about our future performance and cash flows, as well as other assumptions. These estimates can be affected by numerous factors, including changes in economic, industry or market conditions, changes in underlying business operations, future operating performance, changes in competition, or changes in technologies. Any changes to key assumptions, or actual performance compared with those assumptions, about our business and its future prospects or other assumptions could affect the fair value, resulting in an impairment charge.

Our ability to use net operating loss carryforwards to reduce future tax payments could be negatively impacted if there is an “ownership change” as defined under Section 382 of the Internal Revenue Code.

At December 31, 2016, we have tax net operating loss carryforwards of $272.1 million for U.S. federal income tax purposes and, under the Internal Revenue Code, we may carry forward these net operating losses in certain circumstances to offset any current and future taxable income and thus reduce our federal income tax liability, subject to certain requirements and restrictions. If we experience an “ownership change,” as defined in Section 382 of the Internal Revenue Code and related Treasury regulations at a time when our market capitalization is below a certain level, our ability to use the net operating loss carryforwards could be substantially limited. This limit could impact the timing of the usage of the net operating loss carryforwards, thus accelerating cash tax payments or causing net operating loss carryforwards to expire prior to their use, which could affect the ultimate realization of that deferred tax asset.

Concerns about health/safety risks associated with wireless equipment may reduce the demand for our wireless services.

We do not manufacture devices or other equipment sold by us, and we depend on our suppliers to provide defect-free and safe equipment. Suppliers are required by applicable law to manufacture their devices to meet certain governmentally imposed safety criteria. However, even if the devices we sell meet the regulatory safety criteria, we could be held liable with the equipment manufacturers and suppliers for any harm caused by products we sell if such products are later found to have design or manufacturing defects. We cannot guarantee that we will be fully protected against all losses associated with a product that is found to be defective.

Portable communications devices have been alleged to pose health risks, including cancer, due to radio frequency emissions from these devices. Purported class actions and other lawsuits have been filed from time to time against other wireless companies seeking not only damages but also remedies that could increase the cost of doing business. We cannot be sure of the outcome of any such cases or that the industry will not be adversely affected by litigation of this nature or public perception about health risks. The actual or perceived risk of mobile communications devices could adversely affect us through a reduction in subscribers. Further research and studies are ongoing, with no linkage between health risks and mobile phone use established to date by a credible public source. However, we cannot be sure that additional studies will not demonstrate a link between radio frequency emissions and health concerns.

Additionally, there are safety risks associated with the use of wireless devices while operating vehicles or equipment. Concerns over any of these risks and the effect of any legislation, rules or regulations that have been and may be adopted in response to these risks could limit our ability to sell our wireless services.

A significant percentage of our voting securities are owned by a small number of shareholders and these shareholders can control shareholder decisions on very important matters.

As of December 31, 2016, our executive officers and directors and their affiliates owned 16% of our combined outstanding Class A and Class B common stock, representing 25% of the combined voting power of that stock. These shareholders can significantly influence, if not control, our management policy and all fundamental corporate actions, including mergers, substantial acquisitions and dispositions, and election of directors to the Board.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties

Our properties do not lend themselves to description by location of principal units. The majority of our properties are located in Alaska.

We lease most of our executive, corporate and administrative facilities and business offices. Our operating, executive, corporate and administrative properties are in good condition. We consider our properties suitable and adequate for our present needs and they are being fully utilized.

Our Wireline and Wireless segments have properties that consist primarily of undersea and terrestrial fiber optic cable networks, switching equipment, satellite transponders and earth stations, microwave radio, cable and wire facilities, cable head-end equipment, wireless towers and equipment, coaxial distribution networks, connecting lines (aerial, underground and buried cable), routers, servers, transportation equipment, computer equipment, general office equipment, land, land improvements, landing stations and other buildings. See Note 5 included in “Part II — Item 8 — Consolidated Financial Statements and Supplementary Data” for more information on our properties. Substantial amounts of our properties are located on or in leased real property or facilities. Substantially all of our properties secure our Senior Credit Facility. See Note 7 included in “Part II — Item 8 — Consolidated Financial Statements and Supplementary Data” for more information on our Senior Credit Facility.

Item 3. Legal Proceedings

We are 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 our financial position, results of operations or liquidity.

Item 4. Mine Safety Disclosures

Not Applicable.

Part II

Item 5. Market for the Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information for Common Stock

Shares of GCI’s Class A common stock are traded on the Nasdaq Global Select Market SM under the symbol GNCMA.

Shares of GCI’s Class B common stock are traded on the OTCQX market under the symbol GNCMB. Each share of Class B common stock is convertible, at the option of the holder, into one share of Class A common stock.

The following table sets forth the high and low sales price for our common stock for the periods indicated. Market price data for Class A shares was obtained from the Nasdaq Stock Market System quotation system. Market price data for Class B shares was obtained from reported Over-the-Counter Bulletin Board service market transactions. The prices represent prices between dealers, do not include retail markups, markdowns, or commissions, and do not necessarily represent actual transactions.

	Class A		Class B	
	High	Low	High	Low
2016				
First Quarter	$ 19.81	16.81	18.50	17.38
Second Quarter	$ 18.58	14.28	17.70	16.95
Third Quarter	$ 16.96	12.45	16.95	13.55
Fourth Quarter	$ 19.45	14.13	16.50	13.55
2015				
First Quarter	$ 16.22	12.92	16.11	13.73
Second Quarter	$ 17.05	14.78	17.00	15.50
Third Quarter	$ 19.06	16.15	19.15	15.71
Fourth Quarter	$ 21.68	16.38	17.38	16.40

Holders
As of December 31, 2016, there were 2,199 holders of record of our Class A common stock and 271 holders of record of our Class B common stock (amounts do not include the number of shareholders whose shares are held of record by brokers, but do include the brokerage house as one shareholder).

Dividends
We have never paid cash dividends on our common stock, and we have no present intention of doing so. Payment of cash dividends in the future, if any, will be determined by our Board of Directors in light of our earnings, financial condition and other relevant considerations. Our existing debt agreements contain provisions that limit payment of dividends on common stock, other than stock dividends (see Note 7 included in “Part II — Item 8 — Consolidated Financial Statements and Supplementary Data” for more information).

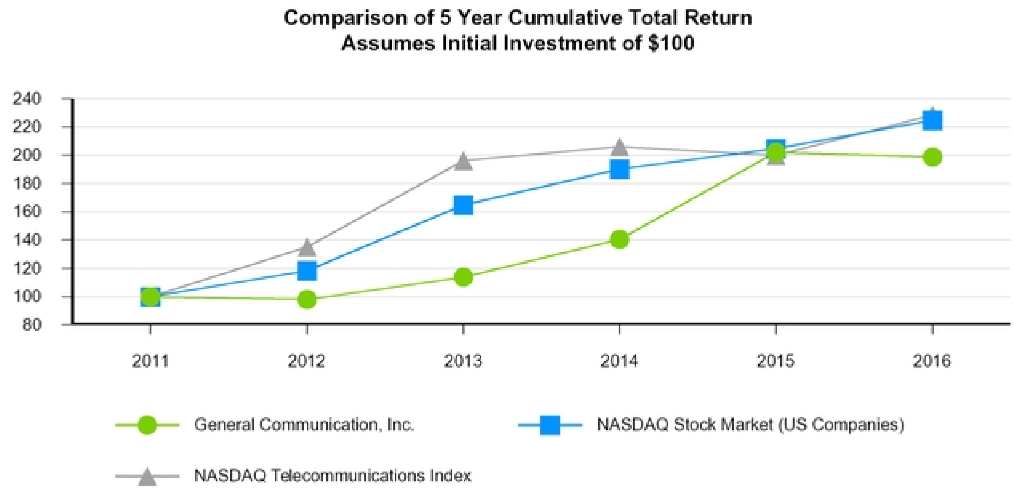
Stock Transfer Agent and Registrar
Computershare is our stock transfer agent and registrar.

Performance Graph
The following graph includes a line graph comparing the yearly percentage change in our cumulative total shareholder return on our Class A common stock during the five-year period 2012 through 2016. This return is measured by dividing (1) the sum of (a) the cumulative amount of dividends for the measurement period (assuming dividend reinvestment, if any) and (b) the difference between our share price at the end and the beginning of the measurement period, by (2) the share price at the beginning of that measurement period. This line graph is compared in the following graph with two other line graphs during that five-year period, i.e., a market index and a peer index.

The market index is the Center for Research in Securities Price Index for the Nasdaq Stock Market for United States companies. It presents cumulative total returns for a broad based equity market assuming reinvestment of dividends and is based upon companies whose equity securities are traded on the Nasdaq Stock Market. The peer index is the Center for Research in Securities Price Index for Nasdaq Telecommunications Stock. It presents cumulative total returns for the equity market in the telecommunications industry segment assuming reinvestment of dividends and is based upon companies whose equity securities are traded on the Nasdaq Stock Market. The line graphs represent annual index levels derived from compounding daily returns.

In constructing each of the line graphs in the following graph, the closing price at the beginning point of the five-year measurement period has been converted into a fixed investment, stated in dollars, in our Class A common stock (or in the stock represented by a given index, in the cases of the two comparison indexes), with cumulative returns for each subsequent fiscal year measured as a change from that investment. Data for each succeeding fiscal year during the five-year measurement period are plotted with points showing the cumulative total return as of that point. The value of a shareholder's investment as of each point plotted on a given line graph is the number of shares held at that point multiplied by the then prevailing share price.

Our Class B common stock is traded on the OTCQX Market on a more limited basis. Therefore, comparisons similar to those previously described for the Class A common stock are not directly available. However, the performance of Class B common stock may be analogized to that of the Class A common stock in that the Class B common stock is readily convertible into Class A common stock upon request to us.



Prepared by Zacks Investment Research, Inc. All indexes used with permission.

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURNS PERFORMANCE GRAPH FOR GENERAL COMMUNICATION, INC., NASDAQ STOCK MARKET INDEX FOR UNITED STATES COMPANIES, AND NASDAQ TELECOMMUNICATIONS STOCK[1,2,3,4]

Measurement Period (Fiscal Year Covered)	Company ($)	Nasdaq Stock Market Index for U.S. Companies ($)	Nasdaq Telecommunications Stock ($)
FYE 12/31/11	100.00	100.00	100.00
FYE 12/31/12	97.96	118.26	135.11
FYE 12/31/13	113.89	164.83	196.03
FYE 12/31/14	140.45	190.07	206.02
FYE 12/31/15	202.04	204.70	199.84
FYE 12/31/16	198.67	224.75	228.53

[1] The lines represent annual index levels derived from compounded daily returns that include all dividends.

[2] The indexes are reweighted daily, using the market capitalization on the previous trading day.

[3] If the annual interval, based on the fiscal year-end, is not a trading day, the preceding trading day is used.

[4] The index level for all series was set to $100.00 on December 31, 2011.

Issuer's Purchases of Equity Securities

(a) Not applicable.

(b) Not applicable.

(c) The following table provides information about repurchases of shares of our Class A common stock during the quarter ended December 31, 2016 (amounts rounded to hundreds, except per share amounts):

	(a) Total Number of Shares Purchased[1]	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[2]	(d) Maximum Number (or approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plan or Programs[3]
October 1, 2016 to October 31, 2016	327,182	$14.66	327,148	$64,168,859
November 1, 2016 to November 30, 2016	342,407	$16.34	206,237	$60,869,590
December 1, 2016 to December 31, 2016	36,596	$17.26	35,869	$60,251,982
Total	706,185			

1 Consists of 569,254 shares from open market purchases made under our publicly announced repurchase plan and136,931 shares from private purchases made to settle the minimum statutory tax-withholding requirements pursuant to restricted stock award vesting.

2 The repurchase plan was publicly announced on November 3, 2004. Our plan does not have an expiration date, however transactions pursuant to the plan are subject to periodic approval by our Board of Directors. We expect to continue the repurchases for an indefinite period dependent on leverage, liquidity, company performance, market conditions and subject to continued oversight by our Board of Directors.

3 The total amount approved by our Board of Directors for repurchase under our publicly announced repurchase plan was$399.1 million through December 31, 2016, consisting of $394.1 million through September 30, 2016, and an additional$5.0 million during the three months ended December 31, 2016. We have made total repurchases under the program of $338.8 million through December 31, 2016. If stock repurchases are less than the total approved quarterly amount the difference may be carried forward and used to repurchase additional shares in future quarters, subject to board approval.

Item 6. Selected Financial Data

The following table presents selected historical information relating to financial condition and results of operations over the past five years.

	Years Ended December 31,				
(Amounts in thousands except per share amounts)	2016	2015	2014	2013	2012
Revenues	$ 933,812	978,534	910,198	811,648	710,181
Income (loss) before income taxes	$ 1,069	(27,213)	69,273	42,684	21,250
Net income (loss)	$ (4,136)	(25,866)	59,244	31,727	9,162
Net income (loss) attributable to non-controlling interest	$ (469)	159	51,687	22,321	(511)
Net income (loss) attributable to GCI common stockholders	$ (3,667)	(26,025)	7,557	9,406	9,673
Basic net income (loss) attributable to GCI per common share	$ (0.10)	(0.69)	0.18	0.23	0.23
Diluted net income (loss) attributable to GCI per common share	$ (0.15)	(0.69)	0.18	0.23	0.23
Total assets[1]	$ 2,065,939	1,966,940	1,992,761	1,961,536	1,483,415
Long-term debt, including current portion and net of unamortized discount and deferred loan fees[1]	$ 1,336,772	1,332,738	1,027,061	1,037,462	866,811
Obligations under capital leases, including current portion	$ 59,647	68,359	76,456	74,605	80,612
Tower obligation	$ 87,653	—	—	—	—
Total GCI stockholders' equity	$ 22,719	88,263	167,356	157,144	157,178
Dividends declared per common share	$ —	—	—	—	—

[1] Total assets and long-term debt, including current portion and net of unamortized discount and deferred loan fees have been recast as if we had adopted Accounting Standards Update 2015-03 as of December 31, 2012. See Note 1 included in "Part II - Item 8 - Consolidated Financial Statements and Supplementary Data" for additional information on ASU 2015-03.

The Selected Financial Data should be read in conjunction with "Part II — Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations."

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

In the following discussion, General Communication, Inc. ("GCI") and its direct and indirect subsidiaries are referred to as "we," "us" and "our."

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, we evaluate our estimates and judgments, including those described in Note 1 in the "Notes to Consolidated Financial Statements" included in Part IV of of this annual report on Form 10-K. We base our estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. See also our "Cautionary Statement Regarding Forward-Looking Statements."

The following discussion and analysis of financial condition and results of operations should be read in conjunction with our consolidated financial statements and supplementary data as presented in Part IV of this Form 10-K.

Update on Economic Conditions
We offer wireless and wireline telecommunication services, data services, video services, and managed services to customers primarily throughout Alaska. Because of this geographic concentration, growth of our business and operations depends upon economic conditions in Alaska. The economy of Alaska is dependent upon the oil industry, state government spending, United States military spending, investment earnings and tourism. Prolonged periods of low oil prices will adversely impact the Alaska economy, which in turn could have an adverse impact on the demand for our products and services and on our results of operations and financial condition.

Oil prices have continued to remain low which has put significant pressure on the Alaska state government budget since the majority of its revenues come from the oil industry. While the Alaska state government has significant reserves that we believe will help fund the state government for the next couple of years, major structural budgetary reforms will need to be implemented in order to offset the impact of declining oil prices. The State of Alaska failed to pass a workable long-term fiscal plan during the 2016 legislative session. As a result, we plan to reduce our 2017 Alaska capital expenditure budget by 20% to 25% of the 2016 target of $210.0 million due substantially to the continued uncertainty of the ability of the State of Alaska to adopt and implement a workable long-term fiscal plan.

The Alaska economy is officially in a recession. If the recession continues, it could negatively affect our business including our financial position, results of operations, or liquidity, as well as our ability to service debt, pay other obligations and enhance shareholder returns. While it is difficult for us to predict the impact of the recession on our business, these conditions could adversely affect the affordability of and demand for some of our products and services and could cause customers to shift to lower priced products and services or to delay or forgo purchases of our products and services. One or more of these circumstances could cause our revenue to decline. Also, our customers may not be able to obtain adequate access to credit, which could affect their ability to make timely payments to us. If that were to occur, we could be required to increase our allowance for doubtful accounts, and the number of days outstanding for our accounts receivable could increase.

General Overview
Through our focus on long-term results, acquisitions, and strategic capital investments, we strive to consistently grow our Adjusted EBITDA, as defined in Note 12 in the "Notes to Consolidated Financial Statements" included in Part IV of this annual report on Form 10-K. We have historically met our cash needs for operations, regular capital expenditures and maintenance capital expenditures through our cash flows from operating activities. Historically, cash requirements for significant acquisitions and major capital expenditures have been provided largely through our financing activities.

Major Developments
In the third quarter of 2016, we received $90.8 million for the initial closing to sell the majority of our urban wireless rooftop and tower sites to Vertical Bridge ("Tower Transaction"). Additionally, we entered into a Master Lease Agreement with Vertical Bridge to lease collocation space on communications towers and facilities that were sold to Vertical Bridge.

In December 2012, the FCC created the Healthcare Connect Fund to supplement the existing Telecommunications Program of the RHC Program of the USF. Healthcare providers can choose to participate under the existing Telecommunications Program and/or the new Healthcare Connect Fund. In January 2017, USAC announced that current projections for the funding year ending June 30, 2017 show that the total dollar value of all qualifying funding requests will for the first time either meet or exceed the program’s $400 million annual cap. We cannot predict the impact of this change at this time.

In August 2016, the FCC published the Alaska High Cost Order which was a significant program change that required a reassessment of our high cost support revenue recognition. See Note 1 in "Part I - Item 1 - Condensed Notes to Interim Consolidated Financial Statements" for additional information. As a result of the Alaska High Cost Order, our 2016 high cost support revenue under the USF program was $2.5 million less than the $66.2 million of high cost support revenue recognized in 2015. Additionally, we expect high cost support revenue under the USF program to be less than the 2015 level by approximately $5.0 million in each of 2017 and 2018, and $14.8 million annually from 2019 through 2026, the date the Alaska High Cost Order ends.

In February 2015, we purchased ACS' interest in The Alaska Wireless Network, LLC ("AWN") and substantially all the assets of ACS and its affiliates related to ACS's wireless operations ("Acquired ACS Assets") (collectively the "Wireless Acquisition"). Under the terms of the agreement, we transfered to ACS a cash payment of $293.2 million excluding working capital adjustments and agreed to terminate or amend certain agreements related to the use of ACS network assets that were included as part of the original transaction that closed in July 2013. The Acquired ACS Assets include substantially all of ACS's wireless subscriber assets, including subscriber contracts, and certain of ACS's CDMA network assets, including fiber strands and associated cell site electronics and microwave facilities and associated electronics. We assumed from ACS post-closing liabilities of ACS and its affiliates under contracts assumed by us and liabilities with respect to the ownership by ACS of its equity interest in AWN to the extent accruing and related to the period after closing. All other liabilities were retained by ACS and its affiliates. Following the close of the Wireless Acquisition, AWN is a wholly owned subsidiary and we are entitled to 100% of the future cash flows from AWN. We funded the purchase with a $275.0 million Term Loan B under our Senior Credit Facility and a $75.0 million unsecured promissory note from Searchlight Capital, L.P. ("Searchlight").

Results of Operations

The following table sets forth selected financial data as a percentage of total revenues for the periods indicated (underlying data rounded to the nearest thousand):

	Year Ended December 31,			Percentage Change[1] 2016 vs. 2015	Percentage Change[1] 2015 vs. 2014
	2016	2015	2014		
Statements of Operations Data:					
Revenues:					
Wireless segment	22%	27%	30%	(22)%	(1)%
Wireline segment	78%	73%	70%	2%	11%
Total revenues	100%	100%	100%	(5)%	8%
Selling, general and administrative expenses	38%	35%	32%	6%	15%
Depreciation and amortization expense	21%	19%	19%	7%	7%
Software impairment charge	—%	3%	—%	(100)%	100%
Operating income	8%	11%	16%	(26)%	(26)%
Other expense, net	8%	14%	8%	(42)%	80%
Income (loss) before income taxes	—%	(3)%	8%	104%	(140)%
Net income (loss)	—%	(3)%	7%	84%	(144)%
Net income (loss) attributable to non-controlling interests	—%	—%	6%	(395)%	(100)%
Net income (loss) attributable to GCI	—%	(3)%	1%	86%	(444)%

[1] Percentage change in underlying data

We evaluate performance and allocate resources based on Adjusted EBITDA, which is defined as earnings plus imputed interest on financed devices before:

- Net interest expense,
- Income taxes,
- Depreciation and amortization expense,
- Loss on extinguishment of debt,
- Software impairment charge,
- Derivative instrument unrealized income (loss),
- Share-based compensation expense,
- Accretion expense,
- Loss attributable to non-controlling interest resulting from NMTC transactions,
- Gains and impairment losses on equity and cost method investments,

- Gain recorded for adjusting to fair value assets that were included as consideration paid to acquire a fiber system, and
- Other non-cash adjustments.

Management believes that this measure is useful to investors and other users of our financial information in understanding and evaluating operating performance as an analytical indicator of income generated to service debt and fund capital expenditures. In addition, multiples of current or projected Adjusted EBITDA are used to estimate current or prospective enterprise value.

Overview of Revenues and Cost of Goods Sold
Total revenue, cost of goods sold (exclusive of depreciation and amortization expense)("Cost of Goods Sold"), and Adjusted EBITDA for 2016, 2015, and 2014 are as follows (amounts in thousands):

	Year Ended December 31,			Percentage Change 2016 vs. 2015	Percentage Change 2015 vs. 2014
	2016	2015	2014		
Revenue	933,812	978,534	910,198	(5)%	8%
Cost of Goods Sold	302,578	322,338	302,704	(6)%	6%
Adjusted EBITDA	288,044	330,351	323,116	(13)%	2%

See the discussion below for more information by segment. See Note 12 in the "Notes to Consolidated Financial Statements" included in Part IV of this annual report on Form 10-K for a reconciliation of consolidated Adjusted EBITDA, a non-GAAP financial measure, to consolidated income (loss) before income taxes.

Wireless Segment Overview
The Wireless segment was impacted by the Wireless Acquisition discussed above in the General Overview section. During 2014 and to the close of the Wireless Acquisition on February 2, 2015, AWN provided wholesale services to GCI and ACS and roaming services to other wireless carriers. During that time, AWN received a portion of revenue from GCI and ACS' retail wireless customers. Additionally, AWN paid an incentive to GCI and ACS for the sale of wireless handsets to their respective retail customers. Following the close of the Wireless Acquisition, the Wireless segment continues to provide roaming services to other wireless carriers and provides wholesale services to the Wireline segment for which it receives a portion of revenue from wireless retail customers. Additionally, the Wireless segment started recording a portion of the wireless equipment costs to encourage the Wireline segment to transition customers from our CDMA network to our GSM network.

Wireless segment revenue, Cost of Goods Sold, and Adjusted EBITDA are as follows (amounts in thousands):

	2016	2015	2014	Percentage Change 2016 vs. 2015	Percentage Change 2015 vs. 2014
Revenue	$ 208,109	267,676	269,977	(22)%	(1)%
Cost of Goods Sold	$ 62,487	70,899	90,920	(12)%	(22)%
Adjusted EBITDA	$ 129,435	179,199	158,159	(28)%	13 %

See Note 12 in the "Notes to Consolidated Financial Statements" included in Part IV of this annual report on Form 10-K for a reconciliation of consolidated Adjusted EBITDA, a non-GAAP financial measure, to consolidated income (loss) before income taxes.

Wireless Segment Revenues
The decrease in revenue for 2016 is primarily due to the following:
- A $53.2 million or 48% decrease in roaming revenue due to long-term roaming agreements we have entered into with our largest roaming partners (please see "Liquidity and Capital Resources" below for additional discussion of the long-term roaming agreements), and
- a $15.9 million or 19% decrease in plan fee revenue primarily due to a decrease in subscribers and discounts given to customers who finance or bring their own device.

The decrease in revenue for 2015 is primarily due to a $26.2 million or 24% decrease in plan fee revenue due to our transition to a fixed percentage allocation of plan fee revenue from the Wireline segment following the February 2, 2015 close of the Wireless Acquisition. The decrease is partially offset by the following:

- A $14.2 million or 15% increase in roaming revenue primarily due to increased traffic from our roaming partners, and
- A $8.6 million or 95% decrease in the contra-revenue wireless handset cash incentives to ACS for the sale of wireless handsets to their retail customers prior to the February 2, 2015 close of the Wireless Acquisition.

Wireless Segment Cost of Goods Sold

The decrease in Cost of Goods Sold for 2016 and 2015 is primarily due to the following:

- A $9.8 million or 55% and $10.1 million or 36% decrease in roaming costs for 2016 and 2015, respectively, primarily due to renegotiated roaming agreements and better management of our roaming customers,
- A $7.7 million or 100% and $9.6 million or 55% decrease in wireless equipment costs for 2016 and 2015, respectively. The Wireless segment gave a wireless equipment subsidy to the Wireline segment in accordance with the AWN agreements in 2014. This subsidy was discontinued following the February 2, 2015 close of of the Wireless Acquisition, but the Wireless segment started recording a portion of the wireless equipment costs to encourage the Wireline segment to transition customers from our CDMA network to our GSM network which partially offset the decrease. The Wireless segment did not incur any wireless equipment costs in 2016 as all such costs were recorded in the Wireline segment in 2016, and
- A $4.8 million or 23% decrease in distribution and capacity costs for 2015 primarily because we were able to extend an agreement with a vendor which resulted in the resolution of certain issues and the release of the related reserve and a reduction in capacity costs and costs to terminate long distance traffic. The decrease for 2016 was partially offset by the absence of the reserve that was released in 2015.

The decrease in Cost of Goods Sold for 2016 and 2015 is partially offset by the following:

- A $4.5 million or 100.0% increase in non-cash wireless spectrum leasing costs in 2016 due to a non-cash exchange with a wireless carrier, and
- A $4.2 million or 17% increase in network maintenance costs in 2015 primarily due to the the expansion of our network and an increase in the utility and operating costs.

We primarily control our roaming costs through multi-year contracts with our roaming partners that allow our retail wireless customers to roam on their networks.

Wireless Segment Adjusted EBITDA

The decrease in Adjusted EBITDA in 2016 is primarily due to decreased revenue as described above in “Wireless Segment Revenues.” These decreases were partially offset by decreased Cost of Goods Sold as described above in "Wireless Segment Cost of Goods Sold" and a decrease in selling, general and administrative expense.

The increase in Adjusted EBITDA in 2015 is primarily due to decreases in Cost of Goods Sold as described above in "Wireless Segment Cost of Goods Sold" and selling, general and administrative expense partially offset by a decrease in revenue as described above in “Wireless Segment Revenues.”

Wireline Segment Overview

Please see "Part I - Item 1. Business - Description of our Business by Reportable Segment - Overview" for a description of our Wireline segment services and products by major customer group.

The components of Wireline segment revenue are as follows (amounts in thousands):

	2016	2015	2014	Percentage Change 2016 vs. 2015	Percentage Change 2015 vs. 2014
Consumer					
Wireless	$ 66,225	75,799	30,998	(13)%	145 %
Data	140,196	130,213	113,306	8 %	15 %
Video	107,305	115,074	111,175	(7)%	4 %
Voice	26,734	30,110	32,535	(11)%	(7)%
Business Services					
Wireless	8,822	8,097	2,749	9 %	195 %
Data	296,202	269,472	249,949	10 %	8 %
Video	20,102	18,819	33,259	7 %	(43)%
Voice	60,117	63,274	66,250	(5)%	(4)%
Total Wireline segment revenue	$ 725,703	710,858	640,221	2 %	11 %

Wireline segment Cost of Goods Sold and Adjusted EBITDA are as follows (amounts in thousands):

	2016	2015	2014	Percentage Change 2016 vs. 2015	Percentage Change 2015 vs. 2014
Wireline segment Cost of Goods Sold	$ 240,091	251,439	211,784	(5)%	19 %
Wireline segment Adjusted EBITDA	$ 158,609	151,152	164,957	5 %	(8)%

See Note 12 in the "Notes to Consolidated Financial Statements" included in Part IV of this annual report on Form 10-K for a reconciliation of consolidated Adjusted EBITDA, a non-GAAP financial measure, to consolidated income (loss) before income taxes.

Selected key performance indicators for our Wireline segment follow:

	2016	2015	2014	Percentage Change 2016 vs. 2015	Percentage Change 2015 vs. 2014
Consumer					
Data:					
Cable modem subscribers[1]	127,600	127,300	119,100	— %	7 %
Video:					
Basic subscribers[2]	107,700	114,000	116,400	(6)%	(2)%
Digital programming tier subscribers[3]	52,000	59,500	63,800	(13)%	(7)%
HD/DVR converter boxes[4]	115,900	114,000	108,400	2 %	5 %
Homes passed	250,800	251,900	248,200	— %	1 %
Video ARPU[5]	$ 80.87	$ 83.95	$ 79.29	(4)%	6 %
Voice:					
Total local access lines in service[6]	48,600	50,400	54,600	(4)%	(8)%
Business Services					
Data:					
Cable modem subscribers[1]	13,200	12,700	14,100	4 %	(10)%
Voice:					

Total local access lines in service [6]	45,900	46,600	47,400	(2)%	(2)%
Combined Consumer and Business Services					
Wireless					
Consumer Lifeline wireless lines in service [7]	27,200	28,100	25,000	(3)%	12 %
Consumer prepaid wireless lines in service [8]	28,500	23,800	10,600	20 %	125 %
Consumer postpaid wireless lines in service [9]	139,200	146,300	95,800	(5)%	53 %
Business Services postpaid wireless lines in service [9]	27,600	29,600	18,200	(7)%	63 %
Total wireless lines in service	222,500	227,800	149,600	(2)%	52 %
Wireless ARPU[10]	$ 38.41	$ 45.82	$ 49.97	(16)%	(8)%
Cable modem ARPU[11]	$ 88.37	$ 85.03	$ 78.87	4 %	8 %

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

[2] A basic subscriber is defined as one basic tier of service delivered to an address or separate subunits thereof regardless of the number of outlets purchased.

[3] A digital programming tier subscriber is defined as one digital programming tier of service delivered to an address or separate subunits thereof regardless of the number of outlets or digital programming tiers purchased. Digital programming tier subscribers are a subset of basic subscribers.

[4] A high-definition/digital video recorder ("HD/DVR") converter box is defined as one box rented by a digital programming or basic tier subscriber. A digital programming or basic tier subscriber is not required to rent an HD/DVR converter box to receive service.

[5] Applicable average monthly video revenues divided by the average number of basic subscribers at the beginning and end of each month in 2016, 2015, and 2014.

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

[7] A Lifeline wireless line in service is defined as a revenue generating wireless device that is eligible for Lifeline support. The Universal Service Fund's Lifeline program is administered by the Universal Service Administrative Company and is designed to ensure that quality telecommunications services are available to low-income customers at affordable rates.

[8]A prepaid wireless line in service is defined as a revenue generating wireless device where service is purchased in advance of use. The purchased credit is used to pay for wireless services at the point the service is accessed or consumed.

[9] A postpaid wireless line in service is defined as a revenue generating wireless device where service is provided by a prior arrangement with a subscriber and the subscriber is billed after the fact according to their use of wireless services at the end of each month.

[10] Average monthly wireless revenues, excluding those from common carrier customers, divided by the average of wireless subscribers at the beginning and end of each month in 2016 and 2014. Average monthly wireless revenues, excluding those from common carrier customers, divided by the number of wireless subscribers at the end of each month for each of the months in 2015. This calculation includes applicable revenue from the Wireline segment - Consumer - Wireless and Wireline segment - Business Services - Wireless and wholesale wireless revenues earned from GCI retail subscribers included in the Wireless segment.

[11] Applicable average monthly cable modem revenues divided by the average number of subscribers at the beginning and end of each month in 2016, 2015, and 2014.

Wireline Segment Revenues

Consumer
The items contributing to the decrease in wireless revenue for 2016 include:

- A $5.3 million or 31% decrease in plan fee revenue primarily due to a decrease in the number of postpaid subscribers and discounts given to customers who finance or bring their own device partially offset by an increase in revenue from prepaid subscribers, and
- A $2.4 million or 7% decrease in equipment sales revenue due to a decrease in the number of wireless devices sold. The decrease in equipment sales revenue was partially offset by a $4.1 million adjustment to lower the guarantee liability for our Upgrade Now program (please see Note 1 in the "Notes to Consolidated Financial Statements" included in Part IV of this annual report on Form 10-K for additional information on

the guarantee liability) that was recorded in the third quarter of 2016. Based on a review of historical information, we determined that our customers were not trading their devices in as early and frequently as originally estimated. Additionally, we found that we were able to resell the used handsets for prices higher than originally estimated. Based on this new information, we determined that it was appropriate to reduce the guarantee liability recorded for financed devices in our Upgrade Now program.

The items contributing to the increase in wireless revenue for 2015 include:

- A $14.7 million or 548% increase in plan fee revenue primarily due to the acquisition of ACS' wireless subscribers following the February 2, 2015 close of the Wireless Acquisition. The increase was off-set by decreasing plan fee revenue due to discounts given to customers who finance or bring their own device, and
- A $27.2 million or 446% increase in equipment sales revenue due to an increase in the number of financed devices. In late 2014, we began encouraging our customers to purchase wireless devices through our financing program instead of subsidizing their device purchases. We offer a discount on the monthly plan fee for customers who choose to finance their device rather than buying a subsidized device. The transition from subsidized devices to more financed devices will result in higher revenues when a contract is signed and a decrease in the monthly Wireless ARPU going forward.

The increase in data revenue is primarily due to a $12.8 million or 11% and $20.3 million or 20% increase in cable modem revenue for 2016 and 2015, respectively, due to an increase in the average number of subscribers and our subscribers' selection of plans that offer higher speeds and higher usage limits in 2016 and 2015.

Consumer video revenue faces challenges as more customers choose to have their video content delivered via the Internet. However, as a major Internet-provider ourselves, this selection may result in additional data service revenue to the extent we grow average Internet revenue per subscriber.

We expect Consumer voice revenue to continue to decrease due to a growing number of customers using wireless service as their primary voice phone service for local and long distance calling.

Business Services

Business Services data revenue is comprised of monthly recurring charges for data services and charges billed on a time and materials basis largely for personnel providing on-site customer support. This latter category can vary significantly based on project activity. This revenue faces challenges due to the continued decline of oil prices which negatively impacts certain of our customers. Additionally, we face rate compression for data transport and storage services. As discussed above in the General Overview section, USAC announced that current projections for the funding year ending June 30, 2017 show that the total dollar value of all qualifying funding requests will for the first time either meet or exceed the program's $400 million annual cap. We cannot predict at this time the impact of this change but we do not expect it to have an immediate material adverse impact on our operations.

The increase in data revenue in 2016 and 2015 is primarily due to a $32.4 million or 15% and $20.5 million or 10.3% increase, respectively, in data transport and storage revenue due to new customers and increased purchases by our existing customers partially offset by decreases due to rate compression. The increase in data revenue was partially offset by a $5.3 million or 11% and $1.3 million or 3% decrease in time and materials revenue due to a decrease in special project work for 2016 and 2015, respectively.

Advertising is the primary driver for video revenue, therefore, we can see large variations in revenue due to the election cycle or other major televised events such as the Olympics. The variations may be more extreme in years when there are highly contested political elections or ballot initiatives. The $14.4 million or 43% decrease in video revenue in 2015 is primarily due to a decrease in advertising after the completion of the highly contested political elections in 2014.

Business Services voice revenue continues to face competition and rate compression and to a lesser extent the substitution of wireless devices.

Wireline Segment Cost of Goods Sold

The individually significant items contributing to the 2016 decrease in Wireline segment Cost of Goods Sold include:

- A 16% or $7.9 million decrease in wireless device Cost of Goods Sold primarily due to a decrease in the number of handsets sold partially offset by the absence of a wireless equipment subsidy from the Wireless

segment as a portion of the wireless equipment costs were recorded in the Wireless segment in 2015,
- A 11% or $4.6 million decrease in time and materials Cost of Goods Sold related to the decreased special project work described above in "Wireline Segment Revenues - Business Services", and
- A 11% or $3.3 million decrease in voice Cost of Goods Sold primarily due to a decrease in minutes and the movement of more traffic to our own facilities.

The decrease in 2016 is partially offset by a 11% or $4.0 million increase in transport and storage Cost of Goods Sold primarily due to an increase in circuit costs in satellite served locations related to the increased data transport and storage revenue described above in "Wireline Segment Revenues - Business Services."

The individually significant items contributing to the 2015 increase in Wireline segment Cost of Goods Sold include:
- A 82% or $22.5 million increase in wireless device Cost of Goods Sold primarily due to an increase in the number of handsets sold and and a change in the allocation between the Wireline and Wireless segments following the February 2, 2015 close of the Wireless Acquisition. The Wireline segment received a wireless equipment subsidy from the Wireless segment in accordance with the AWN agreements during 2014. Following the close of the Wireless Acquisition this subsidy was discontinued except the Wireless segment started recording a portion of the wireless equipment costs to encourage the Wireline segment to transition customers from our CDMA network to our GSM network which partially offset the increase,
- A 16% or $4.9 million increase in transport and storage Cost of Goods Sold primarily due to an increase in circuit costs in satellite served locations related to the increased data transport and storage revenue described above in "Wireline Segment Revenues - Business Services", and
- A 8% or $5.5 million increase in video Cost of Goods Sold primarily due to increased rates paid to programmers partially offset by a decrease in basic video subscribers.

We expect to face continued increases in programming costs that may require us to drop certain channels or increase the rates paid by our customers that may result in a loss of additional video customers.

Wireline Segment Adjusted EBITDA
The increase in Adjusted EBITDA for 2016 is primarily due to an increase in revenues as described above in "Wireline Segment Revenues" and a decrease in Cost of Goods Sold as described above in "Wireline Segment Cost of Goods Sold" partially offset by an increase in selling, general and administrative expense. The decrease in Adjusted EBITDA for 2015 is primarily due to an increase in Cost of Goods Sold as described above in "Wireline Segment Cost of Goods Sold" and selling, general and administrative expense partially offset by an increase in revenues as described above in "Wireline Segment Revenues."

Selling, General and Administrative Expenses
Selling, general and administrative expenses are as follows (amounts in thousands):

	2016	2015	2014	Percentage Change 2016 vs. 2015	Percentage Change 2015 vs. 2014
Selling, general and administrative expenses	$ 358,356	338,379	293,647	6%	15%

Individually significant items contributing to the increases in selling, general and administrative expenses include:
- A $11.5 million and $17.9 million increase in labor and health insurance costs for 2016 and 2015, respectively,
- A $4.0 million and $3.3 million increase in software contracts with subscription licenses instead of perpetual licenses for 2016 and 2015, respectively,
- A $8.0 million and $3.1 million increase in the use of contract labor for 2016 and 2015, respectively,
- A $2.0 million and $2.3 million increase in bad debt expense for 2016 and 2015, respectively,
- A $2.4 million increase to support a campaign to encourage public action related to the State of Alaska budget in 2016,
- A $15.8 million increase in costs related to the acquisition of ACS' wireless subscribers and its non-controlling interest in AWN in 2015,
- A $2.9 million increase for 2015 due to liquidated damages accrued for a contract,
- A $2.5 million increase in share-based compensation expense for 2015 due to an increase in our stock price, and

- A $2.3 million increase in inventory adjustments for 2015 primarily due to the write-off of obsolete wireless handsets.

The increases discussed above for 2016 are partially offset by the following items:
- The absence of $9.0 million for costs related to the acquisition of ACS' wireless subscribers and its non-controlling interest in AWN, and
- The absence of $2.9 million for liquidated damages accrued for a contract in 2015.

As a percentage of total revenues, selling, general and administrative expenses were 38%, 35%, and 32% of revenue for 2016, 2015, and 2014, respectively. The 2016 increase in selling, general and administrative expenses as percentage of total revenues is primarily due to increases in labor and contract labor costs without corresponding increases in revenue due to spending on our billing system conversion. The 2015 increase in selling, general, and administrative expenses as a percentage of total revenues is primarily due to the costs related to the acquisition of ACS' wireless subscribers and its non-controlling interest in AWN.

Depreciation and Amortization Expense
Depreciation and amortization expense follows (amounts in thousands):

		2016	2015	2014	Percentage Change 2016 vs. 2015	Percentage Change 2015 vs. 2014
Depreciation and amortization expense	$	193,775	181,767	170,285	7%	7%

The increases in 2016 and 2015 are primarily due to new assets placed in service in those years partially offset by assets which became fully depreciated during those years.

Software Impairment Charge
Software impairment charge decreased $29.8 million in 2016 primarily due to the absence of an impairment charge recorded in 2015 as discussed below.

During the years ended December 31, 2013 and 2014, we internally developed computer software to replace our wireless, Internet, video, local service, and long distance customer billing systems. During the first quarter of 2015, we completed a detailed assessment of our progress to date and determined it was no longer probable that the computer software being developed would be completed and placed in service. Our assessment concluded that the cost of continuing the development would be much higher than originally estimated, and the timing and scope risks were substantial. We identified development work, hardware, and software recorded as Construction in Progress through the first quarter of 2015, that may be applicable to our replacement customer billing solution, future internally developed software, and other system needs and therefore should remain capital assets. We considered the remaining capital expenditures for this billing system to have a fair value of $0 and recorded an impairment charge of $20.7 million during 2015 by recording an expense which is included in Software Impairment Charge in our Consolidated Statements of Operations. We have signed a contract with an established billing solution provider and have begun the multi-year implementation.

During the first quarter of 2015, we reassessed our plans for our internally developed machine-to-machine billing system and decided to no longer market this system to third parties. Accordingly we recognized an impairment of $7.1 million during 2015 by recording an expense which is included in Software Impairment Charge in our Consolidated Statements of Operations.

During the third quarter of 2015, we evaluated user management software we purchased in 2014 and determined that we would not be able to use the software. Accordingly we recognized an impairment of $1.0 million during 2015 by recording an expense which is included in Software Impairment Charge in our Consolidated Statement of Operations.

Other Expense, Net

Other expense, net of other income, follows (amounts in thousands):

	2016	2015	2014	Percentage Change 2016 vs. 2015	Percentage Change 2015 vs. 2014
Other expense, net	$ 78,034	133,924	74,289	(42)%	80%

Items contributing to the decrease in 2016 include:

- A $27.1 million decrease in loss on extinguishment of debt primarily due to the retirement of our 2019 Notes in 2015 (please see Part II - Item 7 - "Liquidity and Capital Resources" for additional information),
- The absence of a $12.6 million impairment charge recorded in 2015 to reflect an other than temporary decline in fair value of an equity investment,
- A $3.2 million gain recorded for adjusting to fair value assets that were included in the consideration paid to acquire a fiber system, and
- A $3.1 million unrealized gain recorded for adjusting to fair value a derivative instrument where we issued 3.0 million stock appreciation rights to an affiliate of Searchlight.

Items contributing to the increase in 2015 include:

- A $27.7 million loss on extinguishment of debt due to the retirement of our 2019 Notes in 2015,
- A $12.9 million increase in interest expense primarily attributable to increased borrowing on our Senior Credit Facility and the Searchlight note,
- A $12.6 million impairment charge recorded to reflect an other than temporary decline in fair value of an equity investment,
- A $11.2 million unrealized loss recorded for adjusting to fair value a derivative instrument where we issued 3.0 million stock appreciation rights to an affiliate of Searchlight,
- A $4.7 million gain recorded upon the sale of a cost method investment, and
- A $2.6 million net loss for adjusting to fair value the assets included in the consideration transfered in the Wireless Acquisition and adjusting to fair value amendments to certain agreements related to the right to use ACS network assets.

Income Tax (Expense) Benefit

Income tax (expense) benefit totaled $(5.2) million, $1.8 million, and $(10.0) million in 2016, 2015, and 2014, respectively. Our effective income tax rate was 487%, 7%, and 14% in 2016, 2015, and 2014, respectively. Our effective tax rate is impacted by the volatility of our income (loss) before income taxes and permanent differences. The primary driver of our permanent difference volatility in 2016 and 2015 was the unrealized gain (loss) recorded for adjusting to fair value a derivative instrument where we issued 3.0 million stock appreciation rights to an affiliate of Searchlight.

Our 2014 effective tax rate was impacted by the inclusion of income attributable to the non-controlling interest in AWN in income before income taxes and the exclusion of income taxes on income attributable to the non-controlling interest in AWN. We completed the Wireless Acquisition on February 2, 2015, after which ACS no longer has a non-controlling interest in AWN.

At December 31, 2016, we have income tax net operating loss carryforwards of $272.1 million that will begin expiring in 2022 if not utilized, and alternative minimum tax credit carryforwards of $1.7 million available to offset regular income taxes payable in future years.

We have recorded deferred tax assets of $111.2 million associated with income tax net operating losses that were generated from 2002 to 2015 and that expire from 2022 to 2035, respectively, and with charitable contributions that were converted to net operating losses in 2004 through 2009, 2011, and 2012 and that expire in 2024 through 2029, 2031, and 2032, respectively.

Tax benefits associated with recorded deferred tax assets are considered to be more likely than not realizable through future reversals of existing temporary differences and future taxable income exclusive of reversing temporary differences and carryforwards. The amount of deferred tax assets considered realizable, however, could be reduced if estimates of future taxable income during the carryforward period are reduced which would result in additional income tax expense. We estimate that our effective annual income tax rate for financial statement purposes will be 60% to 65% in the year ending December 31, 2017. The effective tax rate is expected to be much higher due to an increase in the pretax book income amount and the relative impact that the expected tax adjustments have on that pretax income amount.

Liquidity and Capital Resources

Our principal sources of current liquidity are cash and cash equivalents. We believe, but can provide no assurances, that we will be able to meet our current and long-term liquidity, capital requirements and fixed charges through our cash flows from operating activities, existing cash, cash equivalents, credit facilities, and other external financing and equity sources. Should operating cash flows be insufficient to support additional borrowings and principal payments scheduled under our existing credit facilities, capital expenditures will likely be reduced, which would likely reduce future revenues.

In the fourth quarter of 2016, we amended our Senior Credit Facility. The amended Senior Credit Facility provides a $215.0 million Term Loan A, a $245.9 million Term Loan B, and a $200.0 million revolving credit facility, with a $50.0 million sub-limit for standby letters of credit. The borrowings under the Term Loan A and revolving credit facility are scheduled to mature on November 17, 2021, and the Term Loan B is scheduled to mature on February 2, 2022; provided that, if the 2021 Senior Notes are not refinanced by December 3, 2020, then all of the loans under the Senior Credit Facility become due on such date. We paid $4.1 million in fees associated with the amendment.

As discussed above in the General Overview section, in the third quarter of 2016 we received $90.8 million for the Tower Transaction.

In the first quarter of 2016, we entered into new long-term roaming and backhaul agreements with our largest roaming partners. The revenue recognized for these contracts was determined by calculating the cumulative minimum cash payments and recognizing the amount evenly over the life of the contracts. In the early years of the contracts, the cash received is in excess of the revenue recognized resulting in a significant increase in long-term deferred revenue; in the later years the cash received will be less than the revenue recognized and will lower long-term deferred revenue.

In the first quarter of 2015, we completed the Wireless Acquisition to purchase ACS' wireless subscriber base and its one-third ownership interest in AWN for $293.2 million excluding working capital adjustments and the termination or amendment of certain agreements related to the use of ACS network assets that were included as part of the original transaction that closed in July 2013. Following the close of the transaction, AWN is our wholly owned subsidiary and we are entitled to 100% of the future cash flows from AWN.

To fund the purchase from ACS, we used proceeds from our Senior Credit Facility. We also sold an unsecured promissory note to Searchlight in the principal amount of $75.0 million that will mature on February 2, 2023 and will bear interest at a rate of 7.5% per year ("Searchlight Note"). A portion of the proceeds from the Searchlight Note were used to finance the Wireless Acquisition and the remainder was used for general corporate purposes. Additionally, we entered into a stock appreciation rights agreement pursuant to which we issued to Searchlight three million stock appreciation rights which entitles Searchlight to receive, upon exercise, an amount payable at our election in either cash or shares of GCI's Class A common stock equal in value to the excess of the fair market value of a share of GCI Class A common stock on the date of exercise over the price of $13.00.

In the second quarter of 2015, we closed on the issuance of $450.0 million of new 6.875% Senior Notes due 2025 ("2025 Notes") at an issue price of 99.105% issued by our wholly owned subsidiary, GCI, Inc. The net proceeds of the offering were used to retire our existing 2019 Notes. We paid closing costs totaling $7.9 million in connection with the offering, which were recorded as deferred loan costs and will be amortized over the term of the 2025 Notes. We recorded a $27.7 million loss on extinguishment of debt during 2015.

While our short-term and long-term financing abilities are believed to be adequate as a supplement to internally generated cash flows to fund capital expenditures and acquisitions as opportunities arise, turmoil in the global financial markets may negatively impact our ability to further access the capital markets in a timely manner and on attractive terms, which may have a negative impact on our ability to grow our business.

We monitor the third-party depository institutions that hold our cash and cash equivalents. Our emphasis is primarily on safety of principal and secondarily on maximizing yield on those funds.

Investing Activities
Net cash used for investing activities consists primarily of cash paid for capital expenditures. Our most significant recurring investing activity has been capital expenditures and we expect that this will continue in the future. A significant portion of our capital expenditures is based on the level of customer growth and the technology being deployed.

Our cash expenditures for property and equipment, including construction in progress, totaled $194.5 million and $176.2 million during 2016 and 2015, respectively. Depending on available opportunities and the amount of cash flow we generate during 2017, we expect our 2017 capital expenditures to total approximately $165.0 million. This estimate is based on purchases in 2017 regardless of the timing of cash payments.

Financing Activities
Net cash provided by financing activities in 2016 consists primarily of cash received from the Tower Transaction partially offset by repurchases of our stock, payments on our Senior Credit Facility, net of borrowings, and costs paid for the amendment to our Senior Credit Facility. Net cash used for financing activities in 2015 consists primarily of our payment to complete the Wireless Acquisition, costs paid to retire our 2019 Notes, costs paid for the 2025 Notes, and repurchases of our stock partially offset by borrowings on our Senior Credit Facility and Searchlight Note to fund the Wireless Acquisition. Our borrowings fluctuate from year to year based on our liquidity needs. We may use excess cash to make optional repayments on our debt or repurchase our common stock depending on various factors, such as market conditions.

Available Borrowings Under Senior Credit Facility
We had a $55.0 million outstanding balance and $21.0 million in letters of credit under the $200.0 million Senior Credit Facility Revolver at December 31, 2016, which leaves $124.0 million available for borrowing as of December 31, 2016.

Debt Covenants
We are subject to covenants and restrictions applicable to our $325.0 million in aggregate principal amount of 6.75% Senior Notes due 2021 (“2021 Notes”), our 2025 Notes, Senior Credit Facility, and Wells Fargo note payable. We are in compliance with the covenants, and we believe that neither the covenants nor the restrictions in our indentures or loan documents will limit our ability to operate our business.

Share Repurchases
GCI’s Board of Directors has authorized a common stock buyback program for the repurchase of GCI Class A and Class B common stock in order to reduce the outstanding shares of Class A and Class B common stock. Under this program, we are currently authorized to make up to $60.3 million of repurchases as of December 31, 2016. We are authorized to increase our repurchase limit $5.0 million per quarter indefinitely and to use stock option exercise proceeds to repurchase additional shares. If stock repurchases are less than the total approved quarterly amount the difference may be carried forward and applied against future stock repurchases. During 2016 we repurchased 3.5 million shares of GCI common stock under the stock buyback program at a cost of $55.2 million. The common stock buyback program is expected to continue for an indefinite period dependent on leverage, liquidity, company performance, and market conditions and subject to continued oversight by GCI’s Board of Directors. The open market repurchases have and will continue to comply with the restrictions of Securities Exchange Act of 1934 Rule 10b-18.

Schedule of Certain Known Contractual Obligations

The following table details future projected payments associated with certain known contractual obligations as of December 31, 2016 (amounts in thousands):

	Payments Due by Period				
	Total	Less Than 1 Year	1 to 3 Years	4 to 5 Years	More Than 5 Years
Long-term debt	$ 1,373,783	3,326	6,706	601,779	761,972
Interest on long-term debt	476,414	76,036	151,706	139,275	109,397
Capital lease obligations, including interest	73,531	13,433	26,890	25,503	7,705
Tower obligations, including interest	186,526	6,996	14,415	14,998	150,117
Operating lease commitments	185,503	46,249	63,347	38,844	37,063
Purchase obligations	54,471	54,471	—	—	—
Total contractual obligations	$ 2,350,228	200,511	263,064	820,399	1,066,254

Long-term debt listed in the table above includes principal payments on our 2021 and 2025 Notes, Senior Credit Facility, Searchlight Note, and the Wells Fargo note payable. Interest on the amounts outstanding under our Senior Credit Facility and Wells Fargo note payable are based on variable rates. We used the current rate paid on our Senior Credit Facility to estimate our future interest payments. Our 2021 Notes require semi-annual interest payments of $11.0 million through June 2021 and our 2025 Notes require semi-annual interest payments of $15.5 million through April 2025. Our Searchlight Note requires annual interest payments of $5.6 million through February 2023. For a discussion of our long-term debt see Note 7 in the accompanying “Notes to Consolidated Financial Statements.”

Capital lease obligations consist primarily of our obligation to lease transponder capacity on Galaxy 18. For a discussion of our capital and operating leases, see Note 15 in the accompanying “Notes to Consolidated Financial Statements.”

Tower obligations consist of our obligation to Vertical Bridge for the Master Lease Agreement that we entered into as part of the Tower Transaction.

Purchase obligations include cancelable open purchase orders for goods and services for capital projects and normal operations, which are not included in our Consolidated Balance Sheets at December 31, 2016, because the goods had not been received or the services had not been performed at December 31, 2016.

Off-Balance Sheet Arrangements

We have not created, and are not party to, any special-purpose and off-balance sheet entities for the purpose of raising capital, incurring debt or operating parts of our business that are not consolidated into our financial statements. We do not have any arrangements or relationships with entities that are not consolidated into our financial statements that are reasonably likely to materially affect our liquidity or the availability of our capital resources.

Recently Issued Accounting Pronouncements

See Note 1 included in “Part II — Item 8 — Consolidated Financial Statements and Supplementary Data” for recently issued accounting pronouncements.

Critical Accounting Policies and Estimates

Our accounting and reporting policies comply with GAAP. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. Our financial position and results of operations can be affected by these estimates and assumptions, which are integral to understanding reported results. Critical accounting policies are those policies that management believes are the most important to the portrayal of our financial condition and results, and require management to make estimates that are difficult, subjective or complex. Most accounting policies are not considered by management to be critical accounting policies. Several factors are considered in determining whether or not a policy is critical in the preparation of financial statements. These factors include, among other things, whether the estimates are significant to the financial statements, the nature of the estimates, the ability to readily validate the estimates with other information including third parties or available prices, and sensitivity of the estimates to changes in economic conditions and whether alternative accounting methods may be utilized under GAAP. For all of these policies, management cautions that future events rarely develop exactly as forecast, and the best estimates routinely require adjustment. Management has discussed the development and the selection of critical accounting policies with our Audit Committee.

Those policies and estimates considered to be critical for the year ended December 31, 2016 are described below.

Allowance for Doubtful Receivables

We record expense to maintain an allowance for doubtful receivabless for estimated losses that result from the failure or inability of our customers to make required payments. When determining the allowance, we consider the probability of recoverability based on past experience, economic data, and changes in our collections processes. Credit risks are assessed based on historical write-offs, net of recoveries, as well as an analysis of the aged accounts and installment receivable balances with reserves generally increasing as the receivable ages. Accounts receivable may be fully reserved when specific collection issues are known to exist, such as pending bankruptcy or catastrophes.

Valuation of Derivative Stock Appreciation Rights

In connection with the $75.0 million unsecured promissory note issued to Searchlight on February 2, 2015, we entered into a stock appreciation rights agreement pursuant to which we issued to Searchlight three million stock appreciation rights. Each stock appreciation right entitles Searchlight to receive, upon exercise, an amount payable at our election in either cash or shares of GCI's Class A common stock equal in value to the excess of the fair market value of a share of GCI Class A common stock on the date of exercise over the price of $13.00. The instrument is exercisable on the fourth anniversary of the grant date and will expire eight years from the date of grant. We have determined that the stock appreciation rights are required to be separately accounted for as a derivative instrument and are subject to fair value liability accounting under ASC 815-10.

We use a lattice-based valuation model to value the stock appreciation rights liability at each reporting date. The model incorporates transaction details such as our stock price, instrument term and settlement provisions, as well as highly complex and subjective assumptions about volatility, risk-free interest rates, issuer behavior and holder behavior. The lattice model uses highly subjective assumptions and the use of other reasonable assumptions could provide different results that could have a material effect on our results of operations.

Impairment and Useful Lives of Intangible Assets

We had $526.3 million of indefinite-lived intangible assets at December 31, 2016, consisting of goodwill of $239.3 million, cable certificates of $191.6 million, wireless licenses of $92.3 million and broadcast licenses of $3.1 million.

Goodwill represents the excess of cost over fair value of net assets acquired in connection with a business acquisition. We have determined that our reporting units are the same as our reportable segments. Our cable certificates represent agreements with government entities to construct and operate a video business. The value of our cable certificates is derived from the economic benefits we receive from the right to solicit new customers and to market new services. The amount we have recorded for cable certificates is from cable system acquisitions. Our wireless licenses are from the FCC and give us the right to provide wireless service within a certain geographical area. The amount we have recorded is from acquisitions of wireless companies and auctions of wireless spectrum. Our broadcast licenses are from the FCC and give us the right to broadcast television stations within a certain geographical area. The amount we have recorded for broadcast licenses is from broadcast television station acquisitions.

We assess our indefinite-lived intangible assets including goodwill for impairment on an annual basis during the fourth quarter using October 31 as a measurement date unless circumstances require a more frequent measurement. When evaluating our indefinite-lived intangible assets for impairment, we may first perform an assessment qualitatively to determine whether it is more likely than not that the carrying amount exceeds its fair value, referred to as a “step zero” approach. If, based on the review of the qualitative factors, we determine it is not more likely than not that the fair value of one of our indefinite-lived intangible assets is less than its carrying value, we would bypass the two-step impairment test. Events and circumstances we consider in performing the “step zero” qualitative assessment include macro-economic conditions, market and industry conditions, internal forecasts, share price fluctuations, and operational stability and overall financial performance.

For goodwill, if we conclude that it is more likely than not that a reporting unit's fair value is less than its carrying amount, we would perform the first step ("step one") of the two-step impairment test and calculate the estimated fair value of the reporting unit by using discounted cash flow valuation models and by comparing our reporting units to guideline publicly-traded companies. These methods require estimates of our future revenues, profits, capital expenditures, working capital, and other relevant factors, as well as selecting appropriate guideline publicly-traded companies for each reporting unit. We estimate these amounts by evaluating historical trends, current budgets, operating plans, industry data, and other relevant factors. Using assumptions that are different from those used in our estimates, but in each case reasonable, could produce significantly different results and materially affect the determination of fair value and/or impairment for our indefinite-lived intangible assets.

For 2016, we performed a step zero qualitative analysis for our annual assessment of impairment for goodwill and our indefinite-lived intangible assets. After evaluating and weighing all relevant events and circumstances, we concluded that it is not more likely than not that the fair value of any of our reporting units or indefinite-lived intangible assets were less than their carrying amounts. Consequently, we did not perform a step one quantitative analysis in 2016. For 2015, we elected to proceed directly to the step one quantitative analysis rather than perform the step zero qualitative assessment. There was a substantial excess of fair value over carrying value for each of our reporting units and indefinite-lived intangible assets and we determined they were not impaired.

Valuation Allowance for Net Operating Loss Deferred Tax Assets
Our income tax policy provides for deferred income taxes to show the effect of temporary differences between the recognition of revenue and expenses for financial and income tax reporting purposes and between the tax basis of assets and liabilities and their reported amounts in the financial statements. Significant management judgment is required in developing our provision for income taxes, including the determination of deferred tax assets and liabilities and any valuation allowances that may be required against the deferred tax assets. We have not recorded a valuation allowance on the deferred tax assets as of December 31, 2016, based on management's belief that future reversals of existing temporary differences and estimated future taxable income exclusive of reversing temporary differences and carryforwards will, more likely than not, be sufficient to realize the benefit of these assets over time. In the event that actual results differ from these estimates or if our historical trends change, we may be required to record a valuation allowance on deferred tax assets, which could have a material adverse effect in our consolidated financial position or results of operations.

Other significant accounting policies, not involving the same level of measurement uncertainties as those discussed above, are nevertheless important to an understanding of the financial statements. A complete discussion of our significant accounting policies can be found in Note 1 in the accompanying "Notes to Consolidated Financial Statements."

Regulatory Developments
See "Part I — Item 1. Business — Regulation" for more information about regulatory developments affecting us.

Inflation
We do not believe that inflation has a significant effect on our operations.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk
We are exposed to various types of market risk in the normal course of business, including the impact of interest rate changes and adjustments to the fair value of our derivative stock appreciation rights liability. Market risk is the potential loss arising from adverse changes in market rates and prices. We do not hold or issue financial instruments for trading purposes.

Interest Rate Risk
Our Senior Credit Facility and Wells Fargo note payable carry interest rate risk. Our Senior Credit Facility consists of a term loan, Term Loan B, and revolving credit facility. Amounts borrowed under the term loan bear interest at London Interbank Offered Rate ("LIBOR") plus 3.00% or less depending upon our Total Leverage Ratio (as defined in the Senior Credit Facility agreement). Amounts borrowed under the Term Loan B bear interest at LIBOR plus 3.00%. Amounts borrowed under the Wells Fargo note payable bear interest at LIBOR plus 2.25%. Should the LIBOR rate change, our interest expense will increase or decrease accordingly. As of December 31, 2016, we have borrowed $523.8 million subject to interest rate risk. On this amount, each 1% increase in the LIBOR interest rate

would result in $5.2 million of additional gross interest cost on an annualized basis. All of our other material borrowings have a fixed interest rate.

Other Market Risk
As our derivative stock appreciation rights are subject to fair value liability accounting, we revalue the instrument at each reporting date and recognize changes in the fair value of the derivative liability as a component of Other Income (Expense) included in our Consolidated Statements of Operations. The earnings effect of the fair value adjustment at each reporting date is sensitive to changes in our stock price volatility. At December 31, 2016, a 1% increase in our stock price volatility used to determine the fair value of our stock appreciation rights would result in recognition of $0.3 million of additional derivative instrument unrealized loss.

Item 8. Consolidated Financial Statements and Supplementary Data

Our consolidated financial statements are filed under this Item, beginning on page 76. Our supplementary data is filed under Item 7, beginning on page 29.

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 (“Exchange Act”) is recorded, processed, summarized, accumulated and communicated to our management, including our principal executive and financial officers, to allow timely decisions regarding required financial disclosure, and reported as specified in the SEC’s rules and forms. As of the end of the period covered by this Annual Report on Form 10-K, we carried out an evaluation of the effectiveness of the design and operation of our “disclosure controls and procedures” (as defined in Exchange Act Rule 13a - 15(e)) under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer. Based on that evaluation and as described below under “Management’s Report on Internal Control Over Financial Reporting," our management, including our Chief Executive Officer and our Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of December 31, 2016.

The certifications attached as Exhibits 31 and 32 to this report should be read in conjunction with the disclosures set forth herein.

Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations (COSO) in 2013.

Based on our evaluation of the effectiveness of our internal control over financial reporting, our management concluded that as of December 31, 2016, we maintained effective internal control over financial reporting.

Grant Thornton LLP, our independent registered public accounting firm, has issued an audit report on our internal control over financial reporting as of December 31, 2016, which is included in Item 8 of this Form 10-K.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) identified in connection with the evaluation of our controls performed during the quarter ended December 31, 2016, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Internal control over financial reporting has inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements will not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

We may enhance, modify, and supplement internal controls and disclosure controls and procedures based on experience.

Item 9B. Other Information

None.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

Identification

As of December 31, 2016, our board consisted of ten director positions, divided into three classes of directors serving staggered three-year terms.

A director on our board is elected at an annual meeting of shareholders and serves until the earlier of his or her resignation or removal, or his or her successor is elected and qualified. Our executive officers generally are appointed at our board's meeting immediately preceding each annual meeting of shareholders and serve at the discretion of the board.

The following table sets forth certain information about our directors and executive officers as of December 31, 2016:

Name	Age	Position
Stephen M. Brett[1]	76	Chairman, Director
Ronald A. Duncan[1]	64	President, Chief Executive Officer and Director
Peter J. Pounds	43	Senior Vice President, Chief Financial Officer, and Secretary
G. Wilson Hughes	71	Chief Executive Officer, The Alaska Wireless Network
William C. Behnke	59	Senior Vice President
Martin E. Cary	52	Senior Vice President and General Manager, GCI Business
Gregory F. Chapados	59	Executive Vice President and Chief Operating Officer
Paul E. Landes	58	Senior Vice President and General Manager, Consumer Services
Tina M. Pidgeon	48	Senior Vice President, Chief Compliance Officer, General Counsel and Government Affairs
Bridget L. Baker[1]	56	Director
Jerry A. Edgerton[1]	74	Director
Scott M. Fisher[1]	50	Director
William P. Glasgow[1]	58	Director
Mark W. Kroloff[1]	59	Director
Stephen R. Mooney[1]	57	Director
James M. Schneider[1]	64	Director
Eric L. Zinterhofer[1]	45	Director

[1]The present classification of our board is as follows: (1) Class I – Messrs. Edgerton and Kroloff and Ms. Baker, whose present terms expire at the time of our 2017 annual meeting; (2) Class II – Messrs. Brett, Duncan, Mooney and Zinterhofer whose present terms expire at the time of our 2018 annual meeting; and (3) Class III – Messrs. Fisher, Glasgow, and Schneider, whose present terms expire at the time of our 2019 annual meeting.

The board, when considering whether directors have the experience, qualifications, attributes or skills, taken as a whole, to enable the board to satisfy its oversight responsibilities effectively in light of the Company's business and structure, focused primarily on each person's background and experience. We believe that the Company's directors have backgrounds that, when combined, provide us with a board equipped to direct us through an ever challenging course in the segments of the telecommunication business in which we are involved. Attributes of members of our board include experience in entrepreneurial, video service, telecommunication, technological and financial aspects of companies similar to, as well as much larger than, us.

In particular, our board considered important the following regarding its members. With regard to Mr. Brett, our board considered his telecommunications and cable experience, as well as his over 40 year experience as a corporate lawyer. With regard to Ms. Baker, our board considered her experience with broadcast and cable networks. With regards to Messrs. Fisher and Glasgow, our board considered the broad backgrounds of these individuals in finance and their operational experience with cable companies. With regards to Messrs. Edgerton and Mooney, our board considered the extensive experience and expertise of these individuals in business development in the telecommunications industry and their financial knowledge. Our board also considered the broad perspective brought by Mr. Kroloff's experience in operating diverse businesses throughout Alaska as well as his experience as a lawyer. With regard to Mr. Schneider, our board considered his significant financial and accounting experience including his time spent as Chief Financial Officer of a large public company. With regard to Mr. Zinterhofer, our board considered his experience as an investor in cable, fiber, wireless, and satellite companies.

Our board also considered the many years of experience with the Company represented by Mr. Duncan, our President and Chief Executive Officer. He has been with the Company since he co-founded it.

Many of our directors, including Messrs. Edgerton, Glasgow, Kroloff, Mooney and Schneider, were initially proposed for nomination by (or, in the case of Mr. Kroloff, through a request from Mr. Duncan to) holders of significant amounts of Company shares. Our board has retained each of these directors, even after the shareholders have exited the Company or no longer have retained a right to nominate a director, due to the valued expertise our board feels they provide as members.

Stephen M. Brett. Mr. Brett has served as Chairman of our board since June 2005 and as a director on our board since January 2001. He has been of counsel to Sherman & Howard, L.L.C., a law firm, since January 2001. He was Senior Executive Vice President for AT&T Broadband from March 1999 to April 2000. In addition, Mr. Brett serves as director for Liberty Expedia Holdings, Inc. His present term as a director on our board expires at the time of our 2018 annual meeting.

***Ronald A. Duncan*.** Mr. Duncan is a co-founder of the Company and has served as a director on our board since 1979. Mr. Duncan has served as our President and Chief Executive Officer since January 1989. His present term as director on the board expires at the time of our 2018 annual meeting.

Peter J. Pounds. Mr. Pounds became our Chief Financial Officer and one of our Senior Vice Presidents effective January 1, 2014. Prior to that he served as Vice President, Finance since 2009.

***G. Wilson Hughes*.** Mr. Hughes has served as the Chief Executive Officer of The Alaska Wireless Network, LLC since July 22, 2013. Prior to that he served as our Executive Vice President – Wireless from June 4, 2012 to July 22, 2013. Prior to that, he served as our Executive Vice President and General Manager from June 1991 to June 4, 2012.

***William C. Behnke*.** Mr. Behnke has served as one of our Senior Vice Presidents since January 2001.

***Martin E. Cary*.** Mr. Cary has served as one of our Senior Vice Presidents and as General Manager, GCI Busines since April 2016. Prior to that, he served as our Vice President – General Manager, Managed Broadband Services from September 2004 to April 2016.

Gregory F. Chapados. Mr. Chapados has served as our Executive Vice President and Chief Operating Officer since June 2012. Prior to that, he served as one of our Senior Vice Presidents from June 2006 to June 2012.

Paul E. Landes. Mr. Landes has served as one of our Senior Vice Presidents and as General Manager, Consumer Services since December 2010. Prior to that, he served as our Vice President and General Manager, Consumer Services from September 2005 to December 2010.

Tina M. Pidgeon. Ms. Pidgeon has served as our Senior Vice President, Chief Compliance Officer, General Counsel and Government Affairs, since September 2010. Prior to that, she served as our Vice President, Federal Regulatory Affairs from January 2003 to September 2010.

Bridget L. Baker. Ms. Baker has served as a director on our board since July 2013. Since January 2013, she has been a Principal of Baker Media, Inc., an entertainment and media consulting firm that she founded. From 2006 to 2012, Ms. Baker was NBCUNIVERSAL's president of content distribution where she was responsible for the company's multi-billion dollar subscription revenue business across the cable, satellite, and telecommunications industry. Her present term as a director on our board expires at the time of our 2017 annual meeting.

***Jerry A. Edgerton*.** Mr. Edgerton has served as a director on our board since June 2004. Since January 2013, he has been Chief Executive Officer of Cumulus Solutions, Inc., a provider of visual collaboration tools. From September 2011 to December 2012, he was President of Global Services for iNETWORKS Group, Inc., a comprehensive telecommunications solutions provider. From July 2009 to August 2011, he was President of Government Markets for Core 180, a network integrator for large governmental and commercial customers. From November 2007 to May 2009, he was Chief Executive Officer for Command Information, Inc., a next generation Internet service company. From April 2007 to October 2007, Mr. Edgerton was an advisor on matters affecting the telecommunications industry as well as the U.S. government. Prior to that and from January 2006 to April 2007, he was Group President of Verizon Federal. Prior to that and from November 1996, he was Senior Vice President – Government Markets for MCI Communications Corporation, an affiliate of MCI, which was later acquired by Verizon Communications, Inc. His present term as a director on our board expires at the time of our 2017 annual meeting.

***Scott M. Fisher*.** Mr. Fisher has served on our board since December 2005. From 1998 to the present, he has been a partner of Fisher Capital Partners, Ltd., a private equity and real estate investment company located in Denver, Colorado. During that time, Fisher Capital owned and operated Peak Cablevision, a multiple system cable television operator with approximately 120,000 subscribers. At Peak Cablevision, Mr. Fisher was responsible for television programming and corporate development. Mr. Fisher serves on the advisory boards of several private companies. His present term as director on our board expires at the time of our 2019 annual meeting.

***William P. Glasgow*.** Mr. Glasgow has served as a director on our board since 1996. From 2000 to the present Mr. Glasgow has been acting as President for the operating and investing entities of Prime IX Investment's group of companies of which he has been involved for thirty years. His present term as a director on our board expires at the time of our 2019 annual meeting.

Mark W. Kroloff. Mr. Kroloff has served as a director on our board since February 2009. Since January 2010, he has been a principal at First Alaskan Capital Partners, LLC, an investment firm. From May 2005 to December 2009, he was Senior Executive Vice President and Chief Operating Officer of Arctic Slope Regional Corporation ("ASRC"), an Alaska Native regional corporation formed pursuant to the Alaska Native Claims Settlement Act. From 2001 to April 2005, Mr. Kroloff was Chief Operating Officer of Cook Inlet Region, Inc., also an Alaska Native regional corporation. He also serves on the board of managers for Trilogy International Partners, LLC. Mr. Kroloff's present term as a director on our board expires at the time of our 2017 annual meeting.

***Stephen R. Mooney*.** Mr. Mooney has served as a director on our board since January 1999. He has been a Partner at Chessiecap Securities, Inc., an investment bank specializing in technology and telecommunications services based in Maryland since 2012. From April 2010 to 2012, Mr. Mooney was a Managing Director with the McClean Group, LLC, a national financial advisory services firm. From February 2008 to November 2009, Mr. Mooney was Vice President, Business Development for Affiliated Computer Services, Inc., a global information technology and business process outsourcing company. From January 2006 to September 2007, he was Executive Director, Business Development of VerizonBusiness, a unit of Verizon. Prior to that, he was Vice President, Corporate Development and Treasury Services at MCI beginning in 2002. His present term as a director on our board expires at the time of our 2018 annual meeting.

***James M. Schneider*.** Mr. Schneider has served as a director on our board since July 1994. He has been Chairman of Frontier Bancshares, Inc. since February 2007. Prior to that, Mr. Schneider had been Senior Vice President and Chief Financial Officer for Dell, Inc. from March 2000 to February 2007. Prior to that, he was Senior Vice President – Finance for Dell Computer Corporation from September 1998 to March 2000. From 2012 to the present Mr. Schneider has been an Operating Partner for Lead Edge Capital. His present term as a director on our board expires at the time of our 2019 annual meeting.

Eric L. Zinterhofer. Mr. Zinterhofer has served as a director on our board since March 4, 2015. Mr. Zinterhofer is a Founding Partner of Searchlight Capital Partners. Prior to co-founding Searchlight, Mr. Zinterhofer was co-head of the media and telecommunications investment platform at Apollo Management, L.P. Mr. Zinterhofer has been an active cable investor over the last 15 years in companies such as Charter Communications, Liberty Cablevision Puerto Rico, Unity Media, Cablecom and Primacom. Mr. Zinterhofer is also an active investor in the fiber, wireless and satellite sectors, having invested in Integra Telecom, IPCS, Spectrasite and Dish TV India. In addition, Mr. Zinterhofer serves as a director for Charter Communications (Chairman), Hemisphere Media Group, and DISH TV India. His present term as a director on our board expires at the time of our 2018 annual meeting.

Section 16(a) Beneficial Ownership Reporting Compliance

We believe all transactions that require reporting under Section 16 of the Exchange Act were reported on a timely basis, except that one of our executives (Mr. Hughes) inadvertently failed to file a Form 4 with the SEC for transactions that occurred on April 2, 2015, April 6, 2015, and April 8, 2015. The filing to report those transactions was made on February 13, 2017.

Code of Business Conduct and Ethics

Our current Code of Business Conduct and Ethics ("Ethics Code"), was adopted by our board in 2013. It applies to all of our officers, directors and employees. The Ethics Code takes as its basis a set of business principles adopted by our board several years ago. It also builds upon the basic requirements for a code of ethics as required by federal securities law and rules adopted by the SEC.

Through our Ethics Code, we reaffirm our course of business conduct and ethics as based upon key values and characteristics and through adherence to a clear code of ethical conduct. Our Ethics Code promotes honest and ethical conduct, including ethical handling of actual or apparent conflicts of interest between personal and professional relationships of our employees. It also promotes full, fair, accurate, timely and understandable disclosure in our reports and documents filed with, or submitted to, the SEC and other public communications made by us. Our Ethics Code further promotes compliance with applicable governmental laws, rules and regulations, internal reporting of violations of the code to appropriate persons as identified in the code and accountability for adherence to the code.

A copy of our Ethics Code is displayed on our Internet website at www.gci.com. Except for the Ethics Code, and any other documents specifically incorporated herein, no information contained on the Company's website shall be incorporated by reference in this Form 10-K.

No Change in Nominating Procedure

There were no changes made during 2016 to the procedure by which our shareholders may recommend nominees to our board.

Litigation and Regulatory Matters

We were, as of December 31, 2016, involved in various lawsuits, billing disputes, legal proceedings, and regulatory matters that have arisen from time to time in the normal course of business. These actions are discussed in more detail elsewhere in this report. See "Part I – Item 3 – Legal Proceedings." However, as of that date, our board was unaware of any legal proceedings in which one or more of our directors, officers, affiliates or owners of record or beneficially of more than 5% of any class of our voting securities, or any associates of the previously listed persons were parties adverse to us or any of our subsidiaries. Furthermore, as of that date, our board was unaware of any events occurring during the past 10 years materially adverse to an evaluation of the ability or integrity of any director, person nominated to become a director or executive officer of the Company.

In December 2010, Mr. Schneider settled charges brought against him by the SEC for actions that allegedly took place when he was the chief financial officer at Dell, Inc. Mr. Schneider is no longer employed by Dell, Inc. He settled the charges and consented to the issuance of an SEC administrative order without admitting or denying the SEC's findings, with limited exceptions. The limited exceptions are acknowledgment of the SEC's jurisdiction over Mr. Schneider and the subject matter of the SEC proceedings brought against him, and the SEC findings with respect to litigation involving that company and certain of its senior executive officers including Mr. Schneider. The court in that litigation entered an order permanently enjoining Mr. Schneider, by consent, from future violations of specified provisions of federal securities law. Mr. Schneider paid, as specified in the court's order, $3.0 million as a civil money penalty and $83,096 in disgorgement of ill-gotten gains, as well as $38,640 in prejudgment interest. In the settlement with the SEC, Mr. Schneider consented to his suspension from appearing or practicing before the SEC as an accountant for at least five years. Mr. Schneider filed an application for reinstatement to appear or practice as an accountant before the Commission as a preparer or reviewer of a public company's financial statements. That application for reinstatement was approved by the Commission on July 22, 2016.

Audit Committee, Audit Committee Financial Expert

We have a board audit committee ("Audit Committee") comprised of several members of our board, i.e., Messrs. Mooney (Chair), Fisher, and Glasgow.

Our Audit Committee is governed by, and carries out its responsibilities under, an Audit Committee Charter, as adopted and amended from time to time by our board ("Audit Committee Charter"). The charter sets forth the purpose of the Audit Committee and its membership prerequisites and operating principles. It also requires our Audit Committee to select our independent, registered, public accounting firm to provide for us accounting and audit services ("External Accountant") and sets forth other primary responsibilities. A copy of our Audit Committee Charter is available to our shareholders on our Internet website: www.gci.com.

The Nasdaq corporate governance listing standards require that at least one member of our Audit Committee must have past employment experience in finance or accounting, requisite professional certification in accounting, or comparable experience or background which results in the individual's "financial sophistication." This financial sophistication may derive from the person being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

Our board believes that Messrs. Fisher, Glasgow and Mooney, are audit committee financial experts ("Audit Committee Financial Experts") and also meet the Nasdaq requirements for financial sophistication. Our board further believes that Messrs. Fisher, Glasgow and Mooney are each an independent director as the term is defined in the Nasdaq Stock Market corporate listing standards (to which the Company is subject), i.e., an individual other than one of our executive officers or employees or any other individual having a relationship which in the opinion of our board would interfere in carrying out the responsibilities of a director ("Independent Director") and are independent as defined by Rule 10A-3(b)(1) under the Exchange Act.

Under the SEC's rules, an Audit Committee Financial Expert is defined as a person who has all of the following attributes:

- Understanding of GAAP and financial statements.
- Ability to assess the general application of GAAP in connection with accounting for estimates, accruals and reserves.
- Experience in preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by our financial statements, or experience actively supervising one or more persons engaged in such activities.
- Understanding of internal control over financial reporting.
- Understanding of audit committee functions.

The Audit Committee Charter specifies how one may determine whether a person has acquired the attributes of an Audit Committee Financial Expert. They are one or more of the following:

- Education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involved the performance of similar functions.
- Experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions.
- Experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements.
- Other relevant experience.

Our Audit Committee acts on behalf of our board and generally carries out specific duties including the following, all of which are described in detail in our Audit Committee Charter:

- ***Principal Accountant Selection, Qualification –*** Is directly responsible for appointment, compensation, retention, oversight, qualifications and independence of our External Accountant.
- ***Financial Statements –*** Assists in our board's oversight of integrity of the Company financial statements.
- ***Financial Reports, Internal Control –*** Is directly responsible for oversight of the audit by our External Accountant of our financial reports and reports on internal control.
- ***Annual Reports –*** Prepares reports required to be included in our annual proxy statement.
- ***Complaints –*** Receives and responds to certain complaints relating to internal accounting controls, and auditing matters, confidential, anonymous submissions by our employees regarding questionable accounting or auditing matters, and certain alleged illegal acts or behavior-related conduct in violation of our Ethics Code. See "Part III – Item 10 – Code of Business Conduct and Ethics."
- ***Principal Accountant Disagreements –*** Resolves disagreements, if any, between our External Accountant and us regarding financial reporting.
- ***Non-Audit Services –*** Reviews and pre-approves any non-audit services (audit-related, tax and other non-audit related services) offered to us by our External Accountant ("Non-Audit Services").
- ***Attorney Reports –*** Addresses certain attorney reports, if any, relating to violation of securities law or fiduciary duty by one of our officers, directors, employees or agents.
- ***Related Party Transactions –*** Reviews certain related party transactions as described elsewhere in this report. See "Part III – Item 13 – Certain Transactions."
- ***Other –*** Carries out other assignments as designated by our board.

Item 11. Executive Compensation

Compensation Discussion and Analysis

Overview –

Compensation of our executive officers and directors during 2016 was subject to processes and procedures carried out through our Compensation Committee ("Compensation Program"). This compensation discussion and analysis ("Compensation Discussion and Analysis") addresses the material elements of our Compensation Program as applied to our Chief Executive Officer, our Chief Financial Officer, and to each of our three other most highly compensated executive officers other than the Chief Executive Officer and Chief Financial Officer who were serving as executive officers as of December 31, 2016. All five of these officers are identified in the Summary Compensation Table ("Named Executive Officers"). See "Part III – Item 11 – Executive Compensation: Summary Compensation Table."

Both the Compensation Committee and the Company believe that the compensation paid to the Named Executive Officers under our Compensation Program is fair, reasonable, competitive and consistent with our Compensation Principles. See "Part III – Item 11 – Compensation Discussion and Analysis: Principles of the Compensation Program."

Our Compensation Committee is composed of Messrs. Brett, Edgerton (Chair), Mooney, Schneider, and Ms. Baker. All of the members of the committee are considered by our board to be Independent Directors.

The charter of the Compensation Committee guides decisions regarding our Compensation Program, the aspects of which are described elsewhere in this report. See "Part III – Item 11 – Compensation Discussion and

Analysis: Process." A copy of our Compensation Committee Charter is available to our shareholders on our Internet website: www.gci.com.

Our Charter of the Compensation Committee sets forth the scope of authority of our Compensation Committee and requires the committee to carry out the following:

- Review, on an annual basis, plans and targets for executive officer and board member compensation, if any –
  - Review is specifically to address expected performance and compensation of, and the criteria on which compensation is based for, the Chief Executive Officer and such other of our executive officers as our board may designate for this purpose.
- Monitor the effect of ongoing events on, and the effectiveness of, existing compensation policies, goals, and plans –
  - Events specifically include but are not limited to the status of the premise that all pay systems correlate with our compensation goals and policies.
  - Report from time to time, its findings to our board.
- Administer our Amended and Restated 1986 Stock Option Plan ("Stock Option Plan") and approve grants of options and awards pursuant to the plan.
- Strive to make our compensation plans fair and structured so as to maximize shareholder value.

In carrying out its duties, our Compensation Committee may accept for review and inclusion in its annual review with our board, recommendations from our Chief Executive Officer as to expected performance and compensation of, and the criteria on which compensation is based for, executive officers. See "Part III – Item 11 – Compensation Discussion and Analysis: Process."

Principles of the Compensation Program –

Our Compensation Program is based upon the following principles ("Compensation Principles"):

- Compensation is related to performance and must cause alignment of interests of executive officers with the long-term interests of our shareholders.
- Compensation targets must take into consideration competitive market conditions and provide incentives for superior performance by the Company.
- Actual compensation must take into consideration the Company's and the executive officer's performance over the prior year and the long-term, and the Company's resources.
- Compensation is based upon both qualitative and quantitative factors.
- Compensation must enable the Company to attract and retain management necessary to cause the Company to succeed.

Process –

Overview. Our Compensation Committee reviews and approves the base salary, incentive and other compensation of our Chief Executive Officer and senior executive officers, including the Named Executive Officers. The analyses and recommendations of the Chief Executive Officer on these matters may be considered by our Compensation Committee in its deliberations and approvals.

Other elements of executive compensation and benefits as described in this section are also reviewed by our Compensation Committee on a regular basis.

Implementation. Discussions on executive compensation and benefits made by the Compensation Committee have been guided by our Compensation Principles. The elements of compensation as described later in this section are believed by the Compensation Committee to be integral and necessary parts of the Compensation Program.

Our Compensation Committee has concluded that each individual segment of each element of executive compensation continues generally to be consistent with one or more of our Compensation Principles. Our Compensation Committee has further concluded the amount of compensation provided by the segment is reasonable, primarily based upon a comparison of the compensation amounts and segments we provide when compared to those offered by other similar companies in our industry and in our market.

Our process for determining executive compensation and benefits does not involve a precise and identifiable formula or link between each element and our Compensation Principles. However, it takes into consideration market practice and information provided by our management. Furthermore, it is based upon the relationship of compensation as shall be paid and financial performance of the Company. It is also the result of discussion among our Compensation Committee members and management. Ultimately it is based upon the judgment of our Compensation Committee.

Each year our Compensation Committee reviews elements of compensation for each of our senior executive officers including, for 2016, the Named Executive Officers. The Compensation Committee believes it has created a framework for an effective Compensation Program. The Compensation Committee modifies the Compensation Program at its discretion to continue its effectiveness for motivating the senior executive officers and aligning their interests with the long-term interests of our shareholders. We have not compared our compensation to a peer group since 2010. We do not currently benchmark our executive compensation against other peer group companies.

Elements of Compensation –

Overview. For 2016, the elements of compensation in our Compensation Program were as follows:

- Base Salary.
- Incentive Compensation Bonus Plan ("Incentive Compensation Plan").
- Stock Option Plan.
- Perquisites.
- Retirement and Welfare Benefits.

As of December 31, 2016, there were no compensatory plans or arrangements providing for payments to any of the Named Executive Officers in conjunction with any termination of employment or other working relationship of such an officer with us (including without limitation, resignation, severance, retirement or constructive termination of employment of the officer). Furthermore, as of that date, there were no such plans or arrangements providing for payments to any of the Named Executive Officers in conjunction with a change of control of us or a change in such an officer's responsibilities to us. However, in the event of a change in control, the options and restricted stock of our Named Executive Officers could vest. See "Part III – Item 11 – Executive Compensation: Potential Payments upon Termination or Change-in-Control."

The Company has no requirements with respect to security ownership by its officers or directors, and it has no policies regarding hedging the economic risk of ownership of Company equity. Executive officers are invited to provide their input with respect to their compensation to the Compensation Committee primarily through our Chief Executive Officer.

A Named Executive Officer participating in the Compensation Program could, under terms of the corresponding Incentive Compensation Plan agreement with us and pursuant to our Deferred Compensation Plan, elect to defer a significant portion of that compensation. In this instance, the Named Executive Officer becomes our unsecured creditor. See "Part III – Item 11 – Nonqualified Deferred Compensation."

<u>Base Salary</u>. Effective January 1, 2016, based upon the process previously described in this section, the base salaries reported in the Summary Compensation Table (see "Part III – Item 11 – Executive Compensation: Summary Compensation Table") were approved by the Compensation Committee.

Mr. Duncan's base salary reflects cash compensation of $925,000 per year. Mr. Duncan's duties remained unchanged during 2016.

Mr. Pounds' base salary reflects cash compensation of $400,000 per year. Mr. Pounds' duties remained unchanged during 2016.

Mr. Cary's base salary reflects cash compensation of $160,000 per year. Mr. Cary was promoted to Senior Vice President and General Manager of GCI Business in 2016.

Mr. Chapados' base salary reflects cash compensation of $450,000 per year. His duties remained unchanged during 2016.

Mr. Landes' base salary reflects cash compensation of $300,000 per year. Mr. Landes' duties remained unchanged during 2016.

<u>Incentive Compensation Plan</u>. ***Overview –*** A portion of the Company's compensation to each Named Executive Officer relates to, and is contingent upon, the officer's performance and our financial performance and resources.

Messrs. Duncan, Pounds, Chapados, and Landes **– Overview.** Our board approved an Incentive Compensation Plan for four of our Named Executive Officers (Messrs. Duncan, Pounds, Chapados, and Landes, collectively referred to herein as the Four Named Executive Officers) to create a framework that aligns the interests of our executive officers with the long-term interests of our shareholders. The Incentive Compensation Plan does not apply to the fifth Named Executive Officer, Mr. Cary.

In the context of the Four Named Executive Officers, the Compensation Committee first determined the targeted annual incentive compensation for each of them. Incentive compensation is paid out in the form of 50% cash and 50% restricted stock grants that vest 100% at the end of three years, unless otherwise determined by the Compensation Committee based on the individual circumstances of each of the Four Named Executive Officers. Therefore, the incentive compensation is designed to encourage the focus of these executives on long-term performance. Discretionary annual cash bonuses are intended to reward short-term performance and to make our senior executive compensation packages competitive with comparable executive positions in other companies.

Incentive Compensation. The following table provides a summary of the 2016 incentive compensation targets for the Four Named Executive Officers:

Name	Adjusted EBITDA ($)	Discretionary ($)	Total 2016 Incentive Compensation Plan Target ($)
Ronald A. Duncan[1]	394,668	1,578,674	1,973,342
Peter J. Pounds[2]	91,000	364,000	455,000
Gregory F. Chapados[2]	225,000	900,000	1,125,000
Paul E. Landes	70,000	330,000	400,000

[1] Mr. Duncan's incentive compensation target is $498,342 higher than what was disclosed in the 2016 Proxy Statement filed with the SEC on May 17, 2016. As disclosed in the 2016 Proxy Statement, Mr. Duncan's final incentive compensation target is calculated by multiplying the sum of his base salary, director cash compensation, estimated value of the stock grant for service as a director, and incentive compensation ("Total Compensation") by the percentage increase in Adjusted EBITDA from Adjusted EBITDA in 2013 and adding that to his target incentive compensation.

[2] Incentive Compensation is paid out in the form of 50% cash and 50% restricted stock grants that vest at the end of three years. The number of shares issued to Mr. Pounds and Mr. Chapados are determined by dividing the 50% of Incentive Compensation for shares by the price of our Class A shares on December 31, 2012, which was $9.59. This arrangement is in place for Mr. Pounds and Mr. Chapados through 2017.

The following is a description of what each of these incentive compensation targets are and how they are measured.

Adjusted EBITDA. The Adjusted EBITDA goal is intended to focus the Four Named Executive Officers on increasing Adjusted EBITDA. Adjusted EBITDA for purposes of this goal is Adjusted EBITDA, as defined in Note 12 in "Part II - Item 8 - Consolidated Financial Statements and Supplementary Data" plus the cash received in excess of revenue recognized for long-term roaming arrangements. The goal is achieved by the Company recording Adjusted EBITDA that is equal to the Adjusted EBITDA target.

The target for this metric was $329.6 million in 2016 for the Four Named Executive Officers who would earn their Target Incentive Compensation for this goal if the metric was achieved. In the case of the Four Named Executive Officers, the incentive compensation earned is increased or decreased from the Target Incentive Compensation by 5% for each $1 million that the actual Adjusted EBITDA is above or below the Adjusted EBITDA metric.

Discretionary. The board will take various factors into account when deciding on the payout of the discretionary portion of the plan applying to the Four Named Executive Officers. These factors include, but are not limited to, leadership, crisis management, succession planning, strategic planning, risk management, special projects, and financial reporting.

The following table summarizes the 2016 incentive compensation achieved by the Four Named Executive Officers, each of whom participated in this plan. The 2016 incentive compensation was paid 50% in cash and 50% in the form of restricted stock grants that will vest at the end of three years after the grant date; the majority of the cash portion was paid in 2016:

Goals	Ronald A. Duncan	Peter J. Pounds	Gregory F. Chapados	Paul E. Landes
Adjusted EBITDA Goal – Target Incentive Compensation	$ 394,668	$ 91,000	$ 225,000	$ 70,000
Adjusted EBITDA Goal Achievement[1]	55.0 %	55.0 %	55.0 %	55.0 %
2016 Adjusted EBITDA Incentive Compensation Earned	$ 217,067	$ 50,050	$ 123,750	$ 38,500
Discretionary	$ 1,578,674	$ 364,000	$ 900,000	$ 330,000
Discretionary Achievement[2]	91.9 %	102.9 %	101.6 %	81.0 %
2016 Discretionary Incentive Compensation Earned	$ 1,450,197	$ 374,473	$ 914,411	$ 267,209
2016 Incentive Compensation Earned	$ 1,667,264	$ 424,523	$ 1,038,161	$ 305,709

[1] The Adjusted EBITDA for this 2016 goal was $329.6 million for the Company. The Named Executive Officers would earn their Target Incentive Compensation for this goal if the Company had Adjusted EBITDA equal to the metric. The Target Incentive Compensation is increased or decreased by 5% for each $1 million that the actual Adjusted EBITDA is above or below the metric. For 2016, the actual Adjusted EBITDA for purposes of this goal was $320.6 million resulting in actual Adjusted EBITDA that was $9.0 million below the metric, therefore, the earned Incentive Compensation for the Adjusted EBITDA goal was decreased by 45%.

[2] Our Compensation Committee considered the following factors regarding the Discretionary Achievement of the Named Executive Officers. With regard to Mr. Duncan, the Compensation Committee took into account his leadership during 2016, performance in developing a strategic plan for key components of our business, diversification and succession planning. With regard to Mr. Pounds, the Compensation Committee considered his leadership in regards to risk management, debt refinancing, succession planning, financial planning and management, and financial reporting. With regard to Mr. Chapados, the Compensation Committee considered, among other things, his leadership, his operating of the Wireline segment, his strategic and financial planning, and risk management. With regard to Mr. Landes, the Compensation Committee considered his leadership in succession planning, financial management and reporting, and his efforts meeting core corporate goals.

Mr. Cary - Mr. Cary's cash incentive compensation was paid in accordance with substantial growth in the former business line known as Mangaged Broadband. Additionally, Mr. Cary's incentive compensation rewarded him for his progress in restructuring the departments that serve our commercial customers. Mr. Cary's incentive plan for 2017 will be the same as the Four Named Executive Officers.

2017 Incentive Compensation Targets. Based on discussions with our CEO, management and the practices of other companies, our Compensation Committee approved the following incentive compensation targets for our Named Executive Officers for 2017:

Name	Adjusted EBITDA ($)	Discretionary ($)	Total 2017 Incentive Compensation Plan Target ($)
Ronald A. Duncan[1]	434,131	1,736,526	2,170,657
Peter J. Pounds[2]	102,375	352,625	455,000
Martin E. Cary	97,500	552,500	650,000
Gregory F. Chapados[2]	270,619	932,131	1,202,750
Paul E. Landes	79,500	450,500	530,000

[1] Mr. Duncan's incentive compensation target is calculated by multiplying the sum of his base salary, director cash compensation, estimated value of the stock grant for service as a director, and incentive compensation ("Total Compensation") by the percentage increase in Adjusted EBITDA from Adjusted EBITDA in 2013 and adding that to his target incentive compensation. Therefore, the exact amount of Mr. Duncan's 2016 Incentive Compensation Plan Target will not be known until the completion of fiscal year 2017.

[2] Incentive Compensation is paid out in the form of 50% cash and 50% restricted stock grants that vest at the end of three years. The number of shares issued to Mr. Pounds and Mr. Chapados are determined by dividing the 50% of Incentive Compensation for shares by the price of our Class A shares on December 31, 2012, which was $9.59. This arrangement is in place for Mr. Pounds and Mr. Chapados through 2017.

The Compensation Committee may change the incentive compensation amounts between the goals at its discretion.

Retention Incentives. Restricted stock grants are issued periodically to Named Executive Officers to encourage the executive to stay with the Company and to help the Named Executive Officers stay focused on the long-term performance of the Company. Messrs. Pounds and Cary received restricted stock grant of 75,000 shares each during 2016 as a retention incentive. Mr. Landes received restricted stock grant of 50,000 shares during 2016 as a retention incentive. Such shares will vest 100% on November 30, 2021.

Stock Option Plan. Awards, if granted to the Named Executive Officers, were granted pursuant to terms of our Stock Option Plan. Awards, if granted, were granted contemporaneously with the approval of the Compensation Committee, typically early in the year in question or late in the previous year as described above. See "Part III – Item 11 – Compensation Discussion and Analysis: Elements of Compensation – Incentive Compensation Plan."

We adopted our stock option plan in 1986. It has been subsequently amended from time to time and presently is our Stock Option Plan, i.e., our Amended and Restated 1986 Stock Option Plan. Under our Stock Option Plan, we are authorized to grant awards and options to purchase shares of Class A common stock to selected officers, directors and other employees of, and consultants or advisors to, the Company and its subsidiaries. We have not issued any stock options since 2010. The selection of grantees for awards under the plan is made by our Compensation Committee.

The number of shares of Class A common stock allocated to the Stock Option Plan is 15.7 million shares. The number of shares for which options or awards may be granted is subject to adjustment upon the occurrence of stock dividends, stock splits, mergers, consolidations and certain other changes in corporate structure or capitalization. As of December 31, 2016, 1.5 million shares had been granted subject to vesting, 6.0 million share grants had vested, 8.7 million shares had been issued upon the exercise of options under the plan, 2.0 million shares had been repurchased by the plan and 1.5 million shares remained available for additional grants under the plan.

Restricted stock awards granted under the Stock Option Plan may be subject to vesting conditions based upon service or performance criteria as the Compensation Committee may specify. These specifications may include attainment of one or more performance targets. Shares acquired pursuant to such an award may not be transferred by the participant until vested. Unless otherwise provided by the Compensation Committee, a participant will forfeit any shares of restricted stock where the restrictions have not lapsed prior to the participant's termination of service with us. Participants holding restricted stock will have the right to vote the shares and to receive dividends paid, if any. However, those dividends or other distributions paid in shares will be subject to the same restrictions as the original award.

Our Compensation Committee selects each grantee and the time of grant of an option or award and determines the terms of each grant, including the number of shares covered by each grant and the exercise price. In selecting a participant, as well as in determining these other terms and conditions of each grant, our Compensation Committee takes into consideration such factors as it deems, in its sole discretion, relevant in connection with accomplishing the purpose of the plan.

Under our Stock Option Plan, our authority to modify or amend the plan is subject to prior approval of our shareholders only in cases of increasing the number of shares of our stock allocated to, and available and reserved for, issuance under the plan, changing the class of persons eligible to receive incentive stock options or where shareholder approval is required under applicable law, regulation or rule. One such law requiring shareholder approval before the Company may rely on it is Section 162(m) of the Internal Revenue Code.

Subject to these limitations, the Company may terminate or amend the Stock Option Plan at any time. However, no termination or amendment may affect any outstanding option or award unless expressly provided by the Compensation Committee. In any event, no termination or amendment of the plan may adversely affect an outstanding option or award without the consent of the participant unless necessary to comply with applicable law, regulation or rule.

With limited exception, no maximum or minimum exists with regard to the amount, either in dollars or in numbers, of options that may be exercised in any year, either by a single optionee or by all optionees under our Stock Option Plan. At the 2002 annual meeting, our shareholders approved an amendment to the plan placing a limitation on accumulated grants of options of not more than 500,000 shares of Class A common stock per optionee per year.

With these exceptions, there are no fixed limitations on the number or amount of securities being offered, other than the practical limitations imposed by the number of employees eligible to participate in the plan and the total number of shares of stock authorized and available for granting under the plan. Shares covered by options which have terminated or expired for any reason prior to their exercise are available for grant of new options pursuant to the plan.

Perquisites. The Company provides certain perquisites to its Named Executive Officers. The Compensation Committee believes these perquisites are reasonable and appropriate and consistent with our awareness of perquisites offered by similar publicly traded companies. The perquisites assist in attracting and retaining the Named Executive Officers and, in the case of certain perquisites, promote health, safety and efficiency of our Named Executive Officers. These perquisites are as follows:

- ***Use of Company Aircraft –*** The Company permits employees, including the Named Executive Officers, to use Company aircraft for personal travel for themselves and their guests. Such travel generally is limited to a space available basis on flights that are otherwise business-related. Where a Named Executive Officer, or a guest of that officer, flies on a space available basis, the additional variable cost to the Company (such as fuel, catering, and landing fees) is de minimus. As a result, no amount is reflected in the Summary Compensation Table for that flight. Where the additional variable cost to the Company occurs on such a flight for solely personal purposes of that Named Executive Officer or guest, that cost is included in the Summary Compensation Table entry for that officer. Because it is rare for a flight to be purely personal in nature, fixed costs (such as hangar expenses, crew salaries and monthly leases) are not included in the Summary Compensation Table. In any case, in the event such a cost is non-deductible by the Company under the Internal Revenue Code, the value of that lost deduction is included in the Summary Compensation Table entry for that Named Executive Officer. When employees, including the Named Executive Officers, use Company aircraft for such travel they are attributed with taxable income in accordance with regulations pursuant to the Internal Revenue Code. The Company does not "gross up" or reimburse an employee for taxes he or she owes on such attributed income. The variable cost of the aircraft for personal travel, if any, is included in the respective entries in the Summary Compensation Table. See "Part III – Item 11 – Executive Compensation: Summary Compensation Table."

- ***Enhanced Long-Term Disability Benefit –*** The Company provides the Named Executive Officers and other senior executive officers of the Company with an enhanced long-term disability benefit. This benefit provides a supplemental replacement income benefit of 60% of average monthly compensation capped at $10,000 per month. The normal replacement income benefit applying to other of our employees is capped at $5,000 per month.

- ***Enhanced Short-Term Disability Benefit –*** The Company provides the Named Executive Officers and other senior executive officers of the Company with an enhanced short-term disability benefit. This benefit provides a supplemental replacement income benefit of 66 2/3% of average monthly compensation, capped at $2,300 per week. The normal replacement income benefit applying to other of our employees is capped at $1,150 per week.

- ***Miscellaneous –*** Aside from benefits offered to its employees generally, the Company provided miscellaneous other benefits to its Named Executive Officers including the following (see "Part III – Item 11 – Executive Compensation: Summary Compensation Table – Components of 'All Other Compensation'"):

    - Success Sharing – An incentive program offered to all of our employees that shares 15% of the excess Adjusted EBITDA over the highest previous year ("Success Sharing").

    - Board Fees – Provided to Mr. Duncan as one of our directors. The Compensation Committee believes that it is appropriate to provide such board fees to Mr. Duncan given the additional oversight responsibilities and the accompanying liability incumbent upon members of our board. In determining the appropriate amount of overall compensation payable to Mr. Duncan in his capacity as Chief Executive Officer, the Compensation Committee does take into account any such board fees that are payable to Mr. Duncan. This monitoring of Mr. Duncan's overall compensation package for services rendered as Chief Executive Officer and as a director is done to ensure that Mr. Duncan is not being doubly compensated for the same services rendered to the Company.

Retirement and Welfare Benefits ***– GCI 401(k) Plan.*** In January 1987, we adopted an Employee Stock Purchase Plan ("GCI 401(k) Plan") qualified under Section 401 of the Internal Revenue Code of 1986. The GCI 401(k) Plan provides for acquisition of GCI's Class A common stock at market value as well as various mutual funds. We may match a percentage of the employees' contributions up to certain limits. Named Executive Officers may, along with our employees generally, participate in our GCI 401(k) Plan in which we may provide matching contributions in accordance with the terms of the plan.

As of December 31, 2016, there remained 4.2 million shares of Class A and 0.5 million shares of Class B common stock allocated to our GCI 401(k) Plan and available for issuance by us or otherwise acquisition by the plan for the benefit of participants in the plan.

– Deferred Compensation Arrangements. The Company offers to our executive officers deferred compensation arrangements specifically fashioned to the needs of the officer and us ("Deferred Compensation Arrangements"). During 2016, none of our Named Executive Officers participated in Deferred Compensation Arrangements.

– Welfare Benefits. With the exception of the enhanced long-term and short-term disability benefits described previously, the Company provided to the Named Executive Officers the same health and welfare benefits provided generally to all other employees of the Company at the same general premium rates as charged to those employees. The cost of the health and welfare programs is subsidized by the Company for all eligible employees including the Named Executive Officers.

Performance Rewarded –

Our Compensation Program is, in large part, designed to reward individual performance. What constitutes performance varies from officer to officer, depending upon the nature of the officer's responsibilities. Consistent with the Compensation Program, the Company identified key business metrics and established defined targets related to those metrics for each Named Executive Officer. In the case of each Named Executive Officer, the targets were regularly reviewed by management, from time to time, and provided an immediate and clear picture of performance and enabled management to respond quickly to both potential problems as well as potential opportunities. The

Compensation Program also was used to establish and track corresponding applicable targets for individual management employees.

In 2016, the Compensation Program was used in the development of each Named Executive Officer's individual performance goals and established incentive compensation targets. The Compensation Committee evaluated the performance of each of the executive officers and the financial performance of the Company and awarded incentive compensation as described above. See "Part III – Item 11 – Compensation Discussion and Analysis: Elements of Compensation – Incentive Compensation Plan."

Our Compensation Committee determined to increase the cash component of Mr. Cary' base salary from $160,000 to $200,000 effective January 1, 2017 and establish a total incentive compensation plan target for 2017 of $650,000 for Mr. Cary. The increases to Mr. Cary's base salary and Incentive Compensation are to compensate him for the additional responsibilities resulting from combination of our business and managed broadband business lines. In addition, the Compensation Committee increased Mr. Chapados' total incentive compensation plan target for 2017 from $1,125,000 to $1,202,750 and Mr. Landes' total incentive compensation plan target for 2017 from $400,000 to $530,000. The increases to Mssrs. Chapados' and Landes' Incentive Compensation are to compensate them for the additional responsibilities resulting from the growth of the company. The amounts disclosed under "Part III – Item 11 – Incentive Compensation – Incentive Compensation Targets" reflect the increase to Messrs. Cary's, Chapados' and Landes' 2017 incentive compensation targets.

Timing of Equity Awards –

Overview. Timing of equity awards under our Director Compensation Plan and equity awards under our Compensation Program varies with the plan or portion of that program. However, the Company does not, and has not in the past, timed its release of material nonpublic information for purposes of affecting the value of equity compensation. Timing issues and our grant policy are described further below.

Director Compensation Plan. As a part of the Director Compensation Plan, we grant awards of our common stock to board members, including those persons who may also be serving as one or more of our executive officers. Mr. Duncan, a board member and Named Executive Officer, has been granted such awards in the past. These awards are made annually in June of each year in accordance with the terms of the Director Compensation Plan. The awards are made through our Stock Option Plan. See "Part III – Item 11 – Compensation Discussion and Analysis: Elements of Compensation – Stock Option Plan."

Incentive Compensation Plan. As a part of our Compensation Program, from time to time, we grant awards in our Class A common stock to our executive officers, including the Named Executive Officers. In particular, awards are granted in conjunction with the agreements that we enter into with Named Executive Officers pursuant to our Incentive Compensation Plan. The grants of such awards are typically made early in the year at the time our board finalizes the prior year incentive compensation plan payouts for each of the Named Executive Officers. All such awards are granted through the Stock Option Plan. See "Part III – Item 11 – Compensation Discussion and Analysis: Elements of Compensation – Incentive Compensation Plan" and "– Elements of Compensation – Stock Option Plan."

Stock Option Plan. As a part of our Compensation Program, from time to time, we grant stock awards in our Class A common stock to our executive officers. In all cases, regardless of the identity of the grantee, the timing, amount and other terms of the grant of awards under our Stock Option Plan are determined in the sole discretion of our Compensation Committee. See "Part III – Item 11 – Compensation Discussion and Analysis: Elements of Compensation – Stock Option Plan."

Grant Policy. Under our grant policy, all approved grants are granted effective the date they were approved by the committee and are priced at the market value at the close of trading on that date. The terms of the award are then communicated to the recipient within a reasonable time period.

Tax and Accounting Treatment of Executive Compensation –

In determining the amount and form of compensation granted to executive officers, including the Named Executive Officers, the Company takes into consideration both tax treatment and accounting treatment of the compensation. Tax and accounting treatment for various forms of compensation is subject to changes in, and changing interpretations of, applicable laws, regulations, rulings and other factors not within the Company's control. As a result, tax and accounting treatment is only one of several factors that the Company takes into account in designing the previously described elements of compensation.

Compensation Policies and Practices in Relation to Our Risk Management –

At the direction of our board, Company management has reviewed our compensation policies, plans and practices to determine whether they create incentives or encourage behavior that is reasonably likely to have a materially adverse effect on the Company. This effort included a review of our various employee compensation plans and practices as described elsewhere in this report. See "Part III – Item 11 – Compensation Discussion and Analysis: Process."

The purpose of the review was to evaluate risks and the internal controls we have implemented to manage those risks. The controls include multiple performance metrics, corporate-wide financial measures, statutory clawbacks on equity awards, and board and board committee oversight and approvals.

In completing this review, our board and management believe risks created by our compensation policies, plans and practices that create incentives likely to have a material adverse effect on us are remote.

Shareholder Advisory Votes on Executive Compensation

At our 2014 annual meeting, our shareholders adopted a non-binding proposal pertaining to executive compensation of our Named Executive Officers. Our board anticipates placing before our shareholders a proposal on executive compensation at our 2017 annual shareholder meeting.

Our board views decisions as to compensation of Company named executive officers, including but not limited to those for 2014, as its responsibility. Our board takes this responsibility seriously and has gone to considerable effort to establish and implement a process for determining executive compensation as described elsewhere in this report. See "Part III – Item 11 – Compensation Discussion and Analysis."

Our board carefully considers all proposals from our shareholders. However, in light of its responsibilities to the Company, our board may or may not follow the advice of those shareholder votes.

Our board contemplates next placing before our shareholders a proposal dealing with the frequency of shareholder advisory votes on executive compensation of our named executive officers during our 2017 annual shareholder meeting.

Executive Compensation

Summary Compensation Table –

As of December 31, 2016, the Company did not have employment agreements with any of the Named Executive Officers. The following table summarizes total compensation paid or earned by each Named Executive Officer for fiscal years 2016, 2015 and 2014. The process followed by the Compensation Committee in establishing total compensation for each Named Executive Officer as set forth in the table is described elsewhere in this report. See "Part III – Item 11 – Compensation Discussion and Analysis."

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)[1]	Nonequity Incentive Plan Compen-sation ($)	Stock Awards[2] ($)	Option Awards[2] ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)[3]	Total ($)
Ronald A. Duncan[4] President and Chief Executive Officer	2016	925,000	—	833,632	1,118,454[5]	—	—	83,000	2,960,086
	2015	925,000	—	1,096,999	1,269,909[6]	—	—	83,000	3,374,908
	2014	925,000	—	1,087,216	1,093,862[7]	—	—	86,228	3,192,306
Peter J. Pounds Senior Vice President, Chief Financial Officer and Secretary	2016	400,000	5,280	206,982	1,845,581[8]	—	—	18,279	2,476,122
	2015	400,000	6,417	235,888	365,456[8]	—	—	20,437	1,028,198
	2014	350,000	2,281	174,503	92,289[7]	—	—	21,426	640,499
Martin E. Cary Senior Vice President and General Manager - Business[9]	2016	160,000	115,858	711,699	1,754,254[10]	—	—	60,190	2,802,001
Gregory F. Chapados Executive Vice President and Chief Operating Officer	2016	450,000	7,313	511,768	1,020,883[5]	—	—	22,279	2,012,243
	2015	450,000	8,363	530,748	757,863[6]	—	—	24,437	1,771,411
	2014	450,000	—	499,172	2,010,889[11]	—	—	23,426	2,983,487
Paul E. Landes Senior Vice President and General Manager - Consumer Services	2016	300,000	—	152,855	1,568,690[12]	—	—	22,279	2,043,824
	2015	300,000	472,279	233,735	72,378[6]	—	—	21,046	1,099,438
	2014	250,000	—	291,318	55,043[7]	—	—	23,907	620,268

[1] The Bonus Compensation represents compensation paid pursuant to the Incentive Compensation Plan in excess of the target payment under the plan.

[2] This column reflects the grant date fair values of awards of Class A common stock, restricted stock awards or stock options granted in the fiscal year indicated which were computed in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 718, Compensation – Stock Options ("ASC Topic 718").

[3] See, "Components of 'All Other Compensation'" table displayed below for more detail.

[4] In 2014, Mr. Duncan received $148,625 in compensation for service on our board in the form of $65,000 in director fees and a stock award valued at $83,625. In 2015, Mr. Duncan received $183,650 in compensation for service on our board in the form of $65,000 in director fees and a stock award valued at $118,650. In 2016, Mr. Duncan received $176,300 in compensation for service on our board in the form of $65,000 in director fees and a stock award valued at $111,300.

[5] The Stock Awards granted during 2016 were for the Named Executive Officer's performance during 2015.

[6] The Stock Awards granted during 2015 were for the Named Executive Officer's performance during 2014.

[7] The Stock Awards granted during 2014 were for the Named Executive Officer's performance during 2013.

[8] In 2016, Mr. Pounds received a stock award with a grant date fair value of $458,831 for his performance during 2015, a stock award with a grant date fair value of $1,386,750 as a retention incentive. In 2015, Mr. Pounds received a stock award with a grant date fair value of $268,400 for his performance during 2014, a stock award with a grant date fair value of $48,528 for his performance related to the Wireless Acquisition, and a stock award with a grant date fair value of $48,528 as a retention incentive.

[9] Compensation for Mr. Cary is only provided for 2016 as he was not a Named Executive Officer in 2014 and 2015.

[10] In 2016, Mr. Cary received a stock award with a grant date fair value of $367,504 for his performance during 2015 and a stock award with a grant date fair value of $1,386,750 as a retention incentive.

[11] In 2014, Mr. Chapados received a stock award with a grant date fair value of $551,389 for his performance during 2013 and a stock award with a grant date fair value of $1,459,500 as a retention incentive.

[12] In 2016, Mr. Landes received a stock award with a grant date fair value of $644,190 for his performance during 2015 and a stock award with a grant date fair value of $924,500 as a retention incentive.

The amounts reported under the "All Other Compensation" column are comprised of the following:

Components of "All Other Compensation"

Name	Year	Stock Purchase Plan[1] ($)	Board Fees ($)	Success Sharing[2] ($)	Use of Company Leased Aircraft[3] ($)	Miscellaneous ($)	Total ($)
Ronald A. Duncan	2016	18,000	65,000	—	—	—	83,000
	2015	18,000	65,000	—	—	—	83,000
	2014	17,500	65,000	—	3,728	—	86,228
Peter J. Pounds	2016	18,000	—	279	—	—	18,279
	2015	18,000	—	2,437	—	—	20,437
	2014	17,500	—	1,926	—	2,000[4]	21,426
Martin E. Cary	2016	18,000		279	41,911	—	60,190
Gregory F. Chapados	2016	18,000	—	279	—	4,000[4]	22,279
	2015	18,000	—	2,437	—	4,000[4]	24,437
	2014	17,500	—	1,926	—	4,000[4]	23,426
Paul E. Landes	2016	18,000	—	279	—	4,000[4]	22,279
	2015	18,000	—	3,046	—	—	21,046
	2014	17,500	—	2,407	—	4,000[4]	23,907

[1] Amounts are contributions by us matching each employee's contribution. Matching contributions by us under our GCI 401(k) Plan are available to each of our full-time employees with over one year of service. During 2016 and 2015, the match was based upon the lesser of $18,000 ($17,500 for 2014) or 10% of the employee's salary and the total of the employee's pre-tax and post-tax contributions to the plan. See "Part III – Item 11 – Compensation Discussion and Analysis: Elements of Compensation – Retirement and Welfare Benefits – GCI 401(k) Plan."

[2] See "Part III – Item 11 – Compensation Discussion and Analysis: Elements of Compensation – Perquisites."

[3] The value of use of Company leased aircraft is shown at the variable cost to the Company.

[4] Compensation for attending certain management meetings.

Grants of Plan-Based Awards Table –

The following table displays specific information on grants of options, awards and non-equity incentive plan awards under our Compensation Program and, in addition, in the case of Mr. Duncan, our Director Compensation Plan, made to Named Executive Officers during 2016.

Grants of Plan-Based Awards

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards						
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards[1] ($)
Ronald A. Duncan	02/12/16	---	---	---	---	---	---	55,460[2]	---	---	1,007,154
	06/01/16	---	---	---	---	---	---	7,500[3]	---	---	111,300
Peter J. Pounds	02/12/16	---	---	---	---	---	---	25,266[2]	---	---	458,831
	12/10/16	---	---	---	---	---	---	75,000[4]	---	---	1,386,750
Martin E. Cary	02/12/16	---	---	---	---	---	---	20,237[2]	---	---	367,504
	12/10/16	---	---	---	---	---	---	75,000[5]	---	---	1,386,750
Gregory F. Chapados	02/12/16	---	---	---	---	---	---	56,216[2]	---	---	1,020,883
Paul E. Landes	02/12/16	---	---	---	---	---	---	35,473[2]	---	---	644,190
	12/10/16	---	---	---	---	---	---	50,000[6]	---	---	924,500

[1] Computed in accordance with FASB ASC Topic 718.

[2] Represents the 50% portion of the 2015 incentive compensation paid in the form of restricted stock grants under our Incentive Compensation Plan that were not granted until 2016. Restricted stock awards are included in the "Stock Awards" column of the Summary Compensation Table above.

[3] Mr. Duncan's stock award was granted pursuant to the terms of our Director Compensation Plan. See "Part III – Item 11 – Director Compensation."

[4] Mr. Pounds received a restricted stock award of 75,000 shares as a retention incentive.

[5] Mr. Cary received a restricted stock award of 75,000 shares as a retention incentive.

[6] Mr. Landes received a restricted stock award of 50,000 shares as a retention incentive.

Outstanding Equity Awards at Fiscal Year-End Table –

The following table displays specific information on unexercised options, stock that has not vested and equity incentive plan awards for each of the Named Executive Officers and outstanding as of December 31, 2016. Vesting of these options and awards varies for the Named Executive Officers as described in the footnotes to the table.

Outstanding Equity Awards at Fiscal Year-End

	Option Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock that Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Ronald A. Duncan	---	---	---	---	79,070 [1]	1,537,912 [1]	---	---
	---	---	---	---	55,460 [2]	1,078,697 [2]	---	---
Peter J. Pounds	---	---	---	---	50,000 [3]	972,500 [3]	---	---
	---	---	---	---	18,434 [1]	358,541 [1]	---	---
	---	---	---	---	1,666 [4]	32,404 [4]	---	---
	---	---	---	---	3,333 [5]	64,827 [5]	---	---
	---	---	---	---	25,266 [2]	491,424 [2]	---	---
	---	---	---	---	75,000 [6]	1,458,750 [6]	---	---
Martin E. Cary	---	---	---	---	7,795 [1]	151,613 [1]	---	---
	---	---	---	---	13,491 [7]	262,400 [7]	---	---
					75,000 [6]	1,458,750 [6]		
Gregory F. Chapados	---	---	---	---	90,000 [8]	1,750,500 [8]	---	---
	---	---	---	---	52,051 [1]	1,012,392 [1]	---	---
	---	---	---	---	56,216 [2]	1,093,401 [2]	---	---
Paul E. Landes	---	---	---	---	4,971 [1]	96,686 [1]	---	---
	---	---	---	---	35,473 [2]	689,950 [2]	---	---
	---	---	---	---	29,482 [3]	573,425 [3]	---	---
	---	---	---	---	50,000 [6]	972,500 [6]	---	---

[1] Restricted stock vests on November 30, 2017.

[2] Restricted stock vests on November 30, 2018.

[3] Restricted stock vests on December 7, 2017.

[4] Restricted stock vests on February 6, 2017.

[5] Restricted stock vests on February 6, 2018.

[6] Restricted stock vests on November 30, 2021.

[7] Restricted stock vests 6,746 shares on November 30, 2017 and 6,745 shares on November 30, 2018.

[8] Restricted stock vests 30,000 shares on January 1, 2017, 2018 and 2019, respectively.

Option Exercises and Stock Vested Table –

The following table displays specific information on each exercise of stock options, stock appreciation rights, and similar instruments, and each vesting of stock, including restricted stock, restricted stock units and similar instruments on an aggregate basis, for each of the Named Executive Officers during 2016:

Option Exercises and Stock Vested

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Ronald A. Duncan	---	---	103,827	1,750,523
	---	---	7,500 [1]	111,300
Peter J. Pounds	---	---	1,667	28,756
	---	---	9,485	159,917
Martin E. Cary	---	---	9,669	163,019
	---	---	7,796	131,441
	---	---	6,746	113,738
Gregory F. Chapados	---	---	100,000	1,469,000
	---	---	56,669	955,439
	---	---	30,000	585,000
Paul E. Landes	---	---	5,657	95,377

[1] This stock award relates to Mr. Duncan's service as one of our directors.

Potential Payments upon Termination or Change-in-Control –

As of December 31, 2016, there were no compensatory plans or arrangements providing for payments to any of the Named Executive Officers in conjunction with any termination of employment or other working relationship of such an officer with us (including without limitation, resignation, severance, retirement or constructive termination of employment of the officer). Furthermore, as of December 31, 2016, there were no such plans or arrangements providing for payments to any of the Named Executive Officers in conjunction with a change of control of us or a change in such an officer's responsibilities to us. However, the outstanding options and awards for each of our Named Executive Officers would vest upon his or her disability, planned retirement or death, or could vest upon a change-in-control of the Company.

Nonqualified Deferred Compensation

Deferred Compensation Arrangements –

We have, from time to time, entered into Deferred Compensation Arrangements with certain of our executive officers. These arrangements are negotiated with individual officers on a case-by-case basis. Our Named Executive Officers did not participate in a Deferred Compensation Arrangement with us during 2016.

Compensation Committee Interlocks and Insider Participation

Our Compensation Committee is composed of four members of our board as identified elsewhere in this report. All of these members served on the committee during all of 2016. See "Part III – Item 11 – Compensation Discussion and Analysis: Overview." The relationships of them to us are described elsewhere in this report. See "Part III – Item 10 – Identification," "Part III – Item 12 – Principal Shareholders" and "Part III – Item 13 – Certain Transactions."

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis. Based upon that review and discussion, the Compensation Committee recommended to our board that the Compensation Discussion and Analysis be included in our 2016 annual report.

Compensation Committee
Jerry A. Edgerton, Chair
Bridget L. Baker
Stephen M. Brett
Stephen R. Mooney
James M. Schneider

Director Compensation

The following table sets forth certain information concerning the cash and non-cash compensation earned by our directors ("Director Compensation Plan"), each for services as a director during the year ended December 31, 2016:

2016 Director Compensation[1]

Name	Fees Earned or Paid in Cash ($)	Stock Awards[2] ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Stephen M. Brett	65,000	111,300	—	—	—	—	176,300
Bridget L. Baker	65,000	111,300	—	—	—	—	176,300
Jerry A. Edgerton	65,000	111,300	—	—	—	—	176,300
Scott M. Fisher	65,000	111,300	—	—	—	—	176,300
William P. Glasgow	65,000	111,300	—	—	—	—	176,300
Mark W. Kroloff	65,000	111,300	—	—	—	—	176,300
Stephen R. Mooney	90,000	111,300	—	—	—	—	201,300
James M. Schneider	65,000	111,300	—	—	—	—	176,300
Eric L. Zinterhofer	65,000	111,300	—	—	—	—	176,300

[1] Compensation to Mr. Duncan as a director is described elsewhere in this report. See "Part III – Item 11 – Executive Compensation" and "Compensation Discussion and Analysis."

[2] Each director received a grant award of 7,500 shares of Company Class A common stock on June 1, 2016 (the grant date). The value of the shares on the date of grant was $14.84 per share, i.e., the closing price of the stock on Nasdaq on that date and as calculated in accordance with FASB ASC Topic 718.

Our initial Director Compensation Plan was adopted in 2004 by our board to acknowledge and compensate, from time to time, directors on the board for ongoing dedicated service. During 2016, the Director Compensation Plan provided for $65,000 per year for all Directors with the exception of Mr. Mooney, Audit Committee chair, who will receive an additional $25,000 per year (paid quarterly).

During 2016, the stock compensation portion of our Director Compensation Plan consisted of a grant of 7,500 shares of Class A common stock to a director for a year of service, or a portion of a year of service. Because the shares vest upon award, they are subject to taxation based upon the then fair market value of the vested shares.

Except for our Director Compensation Plan, during 2016 the directors on our board received no other direct compensation for serving on the board and its committees. However, they were reimbursed for travel and out-of-pocket expenses incurred in connection with attendance at meetings of our board and its committees.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth, as of the end of 2016, information on equity compensation plans approved by our shareholders and separately such plans not approved by our shareholders. The information is focused on outstanding options, warrants and rights; the only such plan is our Stock Option Plan as approved by our shareholders.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights ($)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the second column)
Equity compensation plans approved by security holders	3,000	6.74	1,517,940
Total:	3,000	6.74	1,517,940

Ownership of Company

Principal Shareholders –

The following table sets forth, as of December 31, 2016 (unless otherwise noted), certain information regarding the beneficial ownership of our Class A common stock and Class B common stock by each of the following:

- Each person known by us to own beneficially 5% or more of the outstanding shares of Class A common stock or Class B common stock.
- Each of our directors.
- Each of the Named Executive Officers.
- All of our executive officers and directors as a group.

All information with respect to beneficial ownership has been furnished to us by the respective shareholders.

Name of Beneficial Owner[1]	Title of Class[2]	Amount and Nature of Beneficial Ownership (#)		% of Class	% of Total Shares Outstanding (Class A & B)[2]	% Combined Voting Power (Class A & B)[2]
Stephen M. Brett	Class A	90,250		*	*	*
	Class B	—		—		
Ronald A. Duncan	Class A	1,035,792	3	3.2	6.2	19.9
	Class B	1,174,918	3	37.3		
Bridget L. Baker	Class A	27,500	4	*	*	*
	Class B	—		—		
Jerry A. Edgerton	Class A	54,250	5	*	*	*
	Class B	—		—		

Scott M. Fisher	Class A	590,550	6	1.8	1.6	*
	Class B	—		—		
William P. Glasgow	Class A	66,594	7	*	*	*
	Class B	—		—		
Mark W. Kroloff	Class A	58,600		*	*	*
	Class B	—		—		
Stephen R. Mooney	Class A	73,900		*	*	*
	Class B	—		—		
James M. Schneider	Class A	51,392		*	*	*
	Class B	—		—		
G. Wilson Hughes	Class A	721,448	8	2.2	2.0	1.2
	Class B	2,695	8	*		
Peter J. Pounds	Class A	208,027		*	*	*
	Class B	—		—		
Martin E. Cary	Class A	128,916		*	*	*
	Class B	—		—		
Gregory F. Chapados	Class A	522,974	9	1.6	1.5	*
	Class B	—		—		
Paul E. Landes	Class A	158,006	10	*	*	*
	Class B	—		—		
Black Rock, Inc. 40 East 52nd Street	Class A	4,221,965	11	12.9	11.8	6.6
New York, New York 10022	Class B	—		—		
Dimensional Fund Advisors LP Palisades West, Building One 6300 Bee Cave Road	Class A	2,308,248	12	7.1	6.4	3.6
Austin, Texas 78746	Class B	—		—		
GCI 401(k) Plan 2550 Denali St., Ste. 1000	Class A	2,184,252		6.7	6.2	3.8
Anchorage, Alaska 99503	Class B	28,152		*		
Gary Magness c/o Raymond L. Sutton, Jr. 303 East 17th Ave., Ste 1100	Class A	261,563		*	1.9	7.2
Denver, Colorado 80203-1264	Class B	433,924		13.8		
John W. Stanton and Theresa E. Gillespie 155 108th Avenue., N.E., Suite 450	Class A	1,242,627		3.8	7.5	24.3
Bellevue, Washington 98004	Class B	1,436,469		45.6		
The Vanguard Group, Inc. 100 Vanguard Blvd	Class A	3,015,221	14	9.2	8.4	4.7
Malvern, Pennsylvania 19355	Class B	—		—		
All Directors and Executive Officers As a Group	Class A	4,320,841	15	13.2	15.4	25.1
(17 Persons)	Class B	1,177,613	15	37.3		

* Represents beneficial ownership of less than 1% of the corresponding class or series of stock.

[1] Beneficial ownership is determined in accordance with Rule 13d-3 of the Exchange Act. Shares of our stock that a person has the right to acquire within 60 days of December 31, 2016 are deemed to be beneficially owned by such person and are included in the computation of the ownership and voting percentages only of such person. Each person has sole voting and investment power with respect to the shares indicated, except as otherwise stated in the footnotes to the table. Addresses are provided only for persons other than management who own beneficially more than 5% of the outstanding shares of Class A or B common stock. The Class A shares do not include the number of Class B shares owned although the Class B shares are convertible on a share-per-share basis into Class A shares.

[2] "Title of Class" includes our Class A common stock and Class B common stock. "Amount and Nature of Beneficial Ownership" and "% of Class" are given for each class of stock. "% of Total Shares Outstanding" and "% Combined Voting Power" are given for the combination of outstanding Class A common stock and Class B common stock, and the voting power for Class B common stock (10 votes per share) is factored into the calculation of that combined voting power.

[3] Includes 1,035,792 shares of Class A Common Stock and 1,174,918 shares of Class B Common Stock to which Mr. Duncan has a pecuniary interest (and for which 968,618 shares of Class A Common Stock and 1,116,917 shares of Class B Common Stock are pledged as security). Does not include the following (a) 20,000 shares of Class A Common Stock held by Missy, LLC, which is 25% owned by Mr. Duncan, 25% owned by Dani Bowman and 50% owned by a trust of which Mr. Duncan's daughter is the 50% beneficiary and for which Mr. Duncan is the General Manager and has voting and dispositive power; (b) 15,000 shares of Class A Common Stock owned by the Neoma Lowndes Trust which Ms. Miller is a 50% beneficiary and for which Mr. Duncan is the trustee with sole voting and dispositive power; (c) 55,560 shares of Class A Common Stock or 8,242 shares of Class B Common Stock held by the Amanda Miller Trust, with respect to which Mr. Duncan disclaims beneficial ownership (Ms. Miller is Mr. Duncan's daughter); (d) 63,186 shares of Class A Common Stock or 27,020 shares of Class B Common Stock held by Dani Bowman, Mr. Duncan's wife, of which Mr. Duncan disclaims beneficial ownership.

[4] Includes 5,000 shares of Class A common stock pledged as security.

[5] Includes 54,250 shares of Class A common stock pledged as security.

[6] Includes 525,200 shares of Class A common stock owned by Fisher Capital Partners, Ltd. of which Mr. Fisher is a partner.

[7] Does not include 158 shares owned by a daughter of Mr. Glasgow. Mr. Glasgow disclaims any beneficial ownership of the shares held by his daughter.

[8] Includes 23,916 shares of Class A common stock allocated to Mr. Hughes under the GCI 401(k) Plan, as of December 31, 2016. Includes 178,398 shares of Class A common stock pledged as security. Excludes 26,270 shares held by the Company pursuant to Mr. Hughes' Deferred Compensation Agreement.

[9] Includes 15,607 shares of Class A common stock allocated to Mr. Chapados under the GCI 401(k) Plan, as of December 31, 2016. Includes 304,413 shares of Class A common stock pledged as security.

[10] Includes 33,933 shares of Class A common stock allocated to Mr. Landes under the GCI 401(k) Plan, as of December 31, 2016.

[11] As disclosed in Schedule 13G filed with the SEC on January 12, 2017, Black Rock, Inc. has sole voting power for 4,152,366 shares of Class A common stock and sole dispositive power for 4,221,965 shares of Class A common stock.

[12] As disclosed in Schedule 13G filed with the SEC on February 9, 2017, Dimensional Fund Advisors LP has sole voting power for 2,212,028 shares of Class A common stock and sole dispositive power for 2,308,248 shares of Class A common stock.

[13] As disclosed in Schedule 13G filed with the SEC on January 31, 2017.

[14] As disclosed in Schedule 13G filed with the SEC on February 13, 2017, The Vanguard Group, Inc. has sole voting power of 53,353 shares of Class A common stock, shared dispositive power for 54,253 shares of Class A common stock and sole dispositive power for 2,960,968 shares of Class A common stock.

[15] Includes 109,938 shares of Class A common stock allocated to such persons under the GCI 401(k) Plan.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Certain Transactions

Transactions with Related Persons –

Stanton Shareholdings, Registration Rights Agreement. As of December 31, 2016, John W. Stanton and Theresa E. Gillespie, husband and wife (collectively, "Stantons"), continued to be significant shareholders of our

Class B common stock. As of that date, neither the Stantons nor the Stantons' affiliates were our directors, officers, nominees for election as directors, or members of the immediate family of such directors, officers, or nominees.

We are a party to a registration rights agreement ("Stanton Registration Rights Agreement") with the Stantons regarding all unregistered shares the Stantons hold in our Class B common stock and any shares of our Class A common stock resulting from conversion of that Class B common stock to Class A common stock. The basic terms of the Stanton Registration Rights Agreement are as follows. If we propose to register any of our securities under the Securities Act of 1933, as amended ("Securities Act") for our own account or for the account of one or more of our shareholders, we must notify the Stantons of that intent. In addition, we must allow the Stantons an opportunity to include the holder's shares ("Stanton Registerable Shares") in that registration.

Under the Stanton Registration Rights Agreement, the Stantons also have the right, under certain circumstances, to require us to register all or any portion of the Stanton Registerable Shares under the Securities Act. The agreement is subject to certain limitations and restrictions, including our right to limit the number of Stanton Registerable Shares included in the registration. Generally, we are required to pay all registration expenses in connection with each registration of Stanton Registerable Shares pursuant to this agreement.

The Stanton Registration Rights Agreement specifically states we are not required to effect any registration on behalf of the Stantons regarding Stanton Registerable Shares if the request for registration covers an aggregate number of Stanton Registerable Shares having a market value of less than $1.5 million. The agreement further states we are not required to effect such a registration for the Stantons where we have at that point previously filed two registration statements with the SEC, or where the registration would require us to undergo an interim audit or prepare and file with the SEC sooner than otherwise required financial statements relating to the proposed transaction. Finally, the agreement states we are not required to effect such a registration when in the opinion of our legal counsel a registration is not required in order to permit resale under Rule 144 as adopted by the SEC pursuant to the Exchange Act.

The Stanton Registration Rights Agreement provides that the first demand for registration by the Stantons must be for no less than 15% of the total number of Stanton Registerable Shares. However, the Stantons may take the opportunity to require us to include the Stanton Registerable Shares as incidental to a registered offering proposed by us.

Duncan Leases. We entered into a long-term capital lease agreement in 1991 with the wife of GCI's President and CEO for property occupied by us. The leased asset was capitalized in 1991 at the owner's cost of $900,000 and the related obligation was recorded. The lease agreement was amended in April 2008 and our existing capital lease asset and liability increased by $1.3 million to record the extension of this capital lease. The amended lease terminates on September 30, 2026. The property consists of a building presently occupied by us. As of December 31, 2016, the payments on the lease were $26,332 per month. They continue at that rate through September 2017 at which time they will increase to $27,132 per month.

In January 2001 we entered into an aircraft operating lease agreement with a company owned by GCI's President and CEO. The lease was amended several times, most recently in May 2011. The lease term of the aircraft may be terminated at any time by us upon 12 months' written notice. The monthly lease rate of the aircraft is $132,000. In 2001, we paid a deposit of $1.5 million in connection with the lease. The deposit will be repaid to us no later than six months after the agreement terminates.

Searchlight Note and Derivative Financial Instrument. On February 2, 2015 as part of the Wireless Acquisition, we sold an unsecured promissory note to an affiliate of Searchlight Capital, L.P. ("Searchlight") in the principal amount of $75.0 million at an issue price of 100% that will mature on February 2, 2023 and bears interest at a rate of 7.5% per year ("Searchlight Note"). We may not prepay the Searchlight Note prior to February 2, 2019. On July 13, 2015, we amended the Searchlight transaction documents to permit Searchlight to pledge the Searchlight Note and related stock appreciation rights, subject to our right to redeem the Searchlight Note for 50% of its then current outstanding balance in the event a lender attempts to enforce its rights with respect to such pledged collateral.

In conjunction with the Searchlight Note, we entered into a stock appreciation rights agreement pursuant to which we issued to Searchlight three million stock appreciation rights which entitles Searchlight to receive, upon exercise, an amount payable at our election in either cash or shares of GCI's Class A common stock equal in value to the excess of the fair market value of a share of GCI Class A common stock on the date of exercise over the price of $13.00.

Searchlight became a related party as of February 2, 2015, see Notes 6(d), 8, and 11 included in "Part II - Item 8 - Consolidated Financial Statements and Supplementary Data" for additional information.

Review Procedure for Transactions with Related Persons –

The following describes our policies and procedures for the review, approval or ratification of transactions in which we are to be a participant and where the amount involved in each instance exceeds $120,000 and in which any related person had or is to have a direct or indirect material interest ("Related Transactions"). Here, we use the term "related person" to mean any person who is one of our directors, a nominee for director, an immediate family member of one of our directors or executive officers, any person who is a holder of five percent or more of a class of our common stock, or any immediate family member of such a holder.

A related person who is one of our officers, directors or employees ("Employee") is subject to our Ethics Code. The Ethics Code requires the Employee to act in the best interest of the Company and to avoid situations which may conflict with this obligation. The code specifically provides that a conflict of interest occurs when an Employee's private interest interferes in any way with our interest. In the event an Employee suspects such a conflict, or even an appearance of conflict, he or she is urged by the Ethics Code to report the matter to an appropriate authority. The Ethics Code, Nominating and Corporate Governance Committee Charter and the Audit Committee Charter define that authority as being our Chief Financial Officer, the Nominating and Corporate Governance Committee, the Audit Committee (in the context of suspected illegal or unethical behavior-related violations pertaining to accounting, or internal controls on accounting or audit matters), or the Employee's supervisor within the Company, as the case may be.

The Ethics Code further provides that an Employee is prohibited from taking a personal interest in a business opportunity discovered through use of corporate position, information or property that properly belongs to us. The Ethics Code also provides that an Employee must not compete with, and in particular, must not use corporate position, information, or property for personal gain or to compete with, us.

The Ethics Code provides that any waiver of its provisions for our executive officers and directors may be made only by our board and must be promptly disclosed to our shareholders. This disclosure must include an identification of the person who received the waiver, the date of the grant of the waiver by our board, and a brief description of the circumstances and reasons under which it was given.

The Ethics Code is silent as to the treatment of immediate family members of our Employees, holders of five percent or more of a class of our stock, or the immediate family members of them. We consider such Related Transactions with such persons on a case-by-case basis, if at all, by analogy to existing procedures as above described pertaining to our Employees.

The leases described previously were entered into prior to the establishment of the Ethics Code.

Director Independence

The term Independent Director as used by us is an individual, other than one of our executive officers or employees, and other than any other individual having a relationship which in the opinion of our board would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. See "Part III – Item 10 – Audit Committee, Audit Committee Financial Expert."

Mr. Brett, our Chairman of the Board, while in that capacity an officer under our Bylaws and responsible for the conduct of our board meetings and shareholder meetings when present, is considered by our board to have no greater influence on our affairs or authority to act on behalf of us than any of the non-executive directors on our board.

Our board believes each of its members satisfies the definition of an Independent Director, with the exception of Mr. Duncan who is an officer and employee of the Company. That is, in the case of all other board members, our board believes each of them is an individual having a relationship which does not interfere with the exercise of independent judgment in carrying out the member's director responsibilities to us.

Item 14. Principal Accountant Fees and Services

Overview

On March 1, 2017, our Audit Committee approved the appointment of Grant Thornton as the Company's External Accountant for 2017. Also on that date, our board ratified that appointment by the Audit Committee.

Pre-Approval Policies and Procedures

We have established as policy, through the adoption of the Audit Committee Charter that, before our External Accountant is engaged by us to render audit services, the engagement must be approved by the Audit Committee.

Our Audit Committee Charter provides that our Audit Committee is directly responsible for appointment, compensation, retention, oversight, qualifications and independence of our External Accountant. Also under our Audit Committee Charter, all audit services provided by our External Accountant must be pre-approved by the Audit Committee.

Our pre-approval policies and procedures with respect to Non-Audit Services include as a part of the Audit Committee Charter that the Audit Committee may choose any of the following options for approving such services:

- ***Full Audit Committee –*** The full Audit Committee can consider each Non-Audit Service.
- ***Designee –*** The Audit Committee can designate one of its members to approve a Non-Audit Service, with that member reporting approvals to the full committee.
- ***Pre-Approval of Categories –*** The Audit Committee can pre-approve categories of Non-Audit Services. Should this option be chosen, the categories must be specific enough to ensure both of the following –
    - The Audit Committee knows exactly what it is approving and can determine the effect of such approval on auditor independence.
    - Management will not find it necessary to decide whether a specific service falls within a category of pre-approved Non-Audit Service.

The Audit Committee's pre-approval of Non-Audit Services may be waived under specific provisions of the Audit Committee Charter. The prerequisites for waiver are as follows: (1) the aggregate amount of all Non-Audit Services constitutes not more than 5% of the total amount of revenue paid by us to our External Accountant during the fiscal year in which those services are provided; (2) the service is originally thought to be a part of an audit by our External Accountant; (3) the service turns out to be a Non-Audit Service; and (4) the service is promptly brought to the attention of the Audit Committee and approved prior to completion of the audit by the committee or by one or more members of the committee who are members of our board to whom authority to grant such approvals has been delegated by the committee.

During 2016, there were no waivers of our Audit Committee pre-approval policy.

Fees and Services

The aggregate fees billed to us by our External Accountant in each of these categories for each of 2016 and 2015 are set forth as follows:

External Accountant Auditor Fees

Type of Fees	2016	2015
Audit Fees[1]	$ 1,406,817	1,521,063
Audit-Related Fees[2]	28,875	28,875
Tax Fees[3]	148,397	223,569
All Other Fees[4]	—	—
Total	$ 1,584,089	1,773,507

[1] Consists of fees for our annual financial statement audit, quarterly financial statement reviews, reviews of other filings by us with the SEC, audit of our internal control over financial reporting and for services that are normally provided by an auditor in connection with statutory and regulatory filings or engagements.

[2] Consists of fees for audit of the GCI 401(k) Plan and review of the related annual report on Form 11-K filed with the SEC.

[3] Consists of fees for review of our state and federal income tax returns and consultation on various tax advice and tax planning matters.

[4] Consists of fees for any services not included in the first three types of fees identified in the table.

All of the services described above were approved in conformity with the Audit Committee's pre-approval policy.

Part IV

Item 15. Exhibits, Consolidated Financial Statement Schedules

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
General Communication, Inc.

We have audited the accompanying consolidated balance sheets of General Communication, Inc. (an Alaska corporation) and subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of General Communication, Inc. and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2016, based on criteria established in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 2, 2017 expressed an unqualified opinion.

/s/ GRANT THORNTON LLP

Seattle, Washington
March 2, 2017

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
General Communication, Inc.

We have audited the internal control over financial reporting of General Communication, Inc. (an Alaska corporation) and subsidiaries (the “Company”) as of December 31, 2016, based on criteria established in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting (“Management’s Report”). Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in the 2013 Internal Control-Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended December 31, 2016, and our report, dated March 2, 2017, expressed an unqualified opinion on those financial statements.

/s/ GRANT THORNTON LLP

Seattle, Washington
March 2, 2017

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)		December 31,	
ASSETS		2016	2015
Current assets:			
Cash and cash equivalents	$	19,297	26,528
Receivables		219,794	208,384
Less allowance for doubtful receivables		4,407	3,630
Net receivables		215,387	204,754
Prepaid expenses		18,599	12,862
Inventories		11,945	11,322
Other current assets		167	3,129
Total current assets		265,395	258,595
Property and equipment		2,614,875	2,384,530
Less accumulated depreciation		1,452,957	1,290,149
Net property and equipment		1,161,918	1,094,381
Goodwill		239,263	239,263
Cable certificates		191,635	191,635
Wireless licenses		92,347	86,347
Other intangible assets, net of amortization		74,444	69,290
Other assets		40,937	27,429
Total other assets		638,626	613,964
Total assets	$	2,065,939	1,966,940

See accompanying notes to consolidated financial statements.

Continued

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Continued)

(Amounts in thousands)	December 31,	
LIABILITIES AND STOCKHOLDERS' EQUITY	2016	2015
Current liabilities:		
Current maturities of obligations under long-term debt, capital leases, and tower obligations	$ 13,229	12,050
Accounts payable	72,937	63,014
Deferred revenue	37,618	34,128
Accrued payroll and payroll related obligations	30,305	31,337
Accrued liabilities	14,729	22,822
Accrued interest (including $5,132 to a related party at December 31, 2016 and 2015)	13,926	13,655
Subscriber deposits	917	1,242
Total current liabilities	183,661	178,248
Long-term debt, net (including $56,640 and $54,810 due to a related party at December 31, 2016 and 2015, respectively)	1,333,446	1,329,396
Obligations under capital leases, excluding current maturities (including $1,769 and $1,824 due to a related party at December 31, 2016 and 2015, respectively)	50,316	59,651
Deferred income taxes	137,982	106,145
Long-term deferred revenue	135,877	93,427
Tower obligation	87,653	—
Other liabilities (including $29,700 and $32,820 for derivative stock appreciation rights with a related party at December 31, 2016 and 2015, respectively)	83,756	80,812
Total liabilities	2,012,691	1,847,679
Commitments and contingencies		
Stockholders' equity:		
Common stock (no par):		
Class A. Authorized 100,000 shares; issued 32,668 and 35,593 shares at December 31, 2016 and 2015, respectively; outstanding 32,642 and 35,567 shares at December 31, 2016 and 2015, respectively	—	—
Class B. Authorized 10,000 shares; issued and outstanding 3,153 and 3,154 shares at December 31, 2016 and 2015, respectively; convertible on a share-per-share basis into Class A common stock	2,663	2,664
Less cost of 26 Class A common shares held in treasury at December 31, 2016 and 2015	(249)	(249)
Paid-in capital	3,237	6,631
Retained earnings	17,068	79,217
Total General Communication, Inc. stockholders' equity	22,719	88,263
Non-controlling interests	30,529	30,998
Total stockholders' equity	53,248	119,261
Total liabilities and stockholders' equity	$ 2,065,939	1,966,940

See accompanying notes to consolidated financial statements.

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2016, 2015, AND 2014

(Amounts in thousands, except per share amounts)	2016	2015	2014
Revenues:			
Non-related party	$ 933,812	973,251	850,656
Related party	—	5,283	59,542
Total revenues	933,812	978,534	910,198
Cost of goods sold (exclusive of depreciation and amortization shown separately below):			
Non-related party	302,578	321,457	291,770
Related party	—	881	10,934
Total cost of goods sold	302,578	322,338	302,704
Selling, general and administrative expenses			
Non-related party	358,356	337,839	289,674
Related party	—	540	3,973
Total selling, general and administrative expenses	358,356	338,379	293,647
Depreciation and amortization expense	193,775	181,767	170,285
Software impairment charge	—	29,839	—
Operating income	79,103	106,211	143,562
Other income (expense):			
Interest expense (including amortization of deferred loan fees)	(78,628)	(78,786)	(72,496)
Related party interest expense	(7,455)	(6,602)	—
Derivative instrument unrealized income (loss) with related party	3,120	(11,160)	—
Loss on extinguishment of debt	(640)	(27,700)	—
Impairment of equity method investment	—	(12,593)	—
Other	5,569	2,917	(1,793)
Other expense, net	(78,034)	(133,924)	(74,289)
Income (loss) before income taxes	1,069	(27,713)	69,273
Income tax (expense) benefit	(5,205)	1,847	(10,029)
Net income (loss)	(4,136)	(25,866)	59,244
Net income attributable to non-controlling interests	(469)	159	51,687
Net income (loss) attributable to General Communication, Inc.	$ (3,667)	(26,025)	7,557
Basic net income (loss) attributable to General Communication, Inc. common stockholders per Class A common share	$ (0.10)	(0.69)	0.18
Basic net income (loss) attributable to General Communication, Inc. common stockholders per Class B common share	$ (0.10)	(0.69)	0.18
Diluted net income (loss) attributable to General Communication, Inc. common stockholders per Class A common share	$ (0.15)	(0.69)	0.18
Diluted net income (loss) attributable to General Communication, Inc. common stockholders per Class B common share	$ (0.15)	(0.69)	0.18

See accompanying notes to consolidated financial statements.

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

(Amounts in thousands)	Shares of Class A and B Common Stock	Class A Common Stock	Class B Common Stock	Class A and B Shares Held in Treasury	Paid-in Capital	Retained Earnings	Non-controlling Interests	Total Stockholders' Equity
Balances at January 1, 2014	40,464	$ 11,467	2,673	(866)	26,880	116,990	300,210	457,354
Net income	—	—	—	—	—	7,557	51,687	59,244
Common stock repurchases and retirements	(625)	(6,850)	—	—	—	—	—	(6,850)
Shares issued under stock option plan	51	466	—	—	—	—	—	466
Issuance of restricted stock awards	1,267	8,529	—	—	(8,529)	—	—	—
Share-based compensation expense	—	—	—	—	8,324	—	—	8,324
Issuance of treasury shares related to deferred compensation payment	—	—	—	617	98	—	—	715
Distribution to non-controlling interest	—	—	—	—	—	—	(50,000)	(50,000)
Adjustment to investment by non-controlling interest	—	—	—	—	—	—	(2,131)	(2,131)
Other	—	5	(5)	—	—	—	100	100
Balances at December 31, 2014	41,157	13,617	2,668	(249)	26,773	124,547	299,866	467,222
Net income (loss)	—	—	—	—	—	(26,025)	159	(25,866)
Common stock repurchases and retirements	(3,317)	(34,469)	—	—	—	(19,305)	—	(53,774)
Shares issued under stock option plan	219	474	—	—	—	—	—	474
Issuance of restricted stock awards	688	20,374	—	—	(20,374)	—	—	—
Share-based compensation expense	—	—	—	—	10,744	—	—	10,744
Distribution to non-controlling interest	—	—	—	—	—	—	(765)	(765)
Investment by non-controlling interest	—	—	—	—	—	—	3,209	3,209
Non-controlling interest acquisition	—	—	—	—	(10,282)	—	(271,521)	(281,803)
Other	—	4	(4)	—	(230)	—	50	(180)
Balances at December 31, 2015	38,747	—	2,664	(249)	6,631	79,217	30,998	119,261
Net loss	—	—	—	—	—	(3,667)	(469)	(4,136)
Common stock repurchases and retirements	(3,733)	(196)	—	—	—	(58,483)	—	(58,679)
Issuance of restricted stock awards	790	—	—	—	—	—	—	—
Share-based compensation expense	—	—	—	—	11,051	—	—	11,051
Non-controlling interest acquisition	—	—	—	—	(14,445)	—	—	(14,445)
Other	17	196	(1)	—	—	1	—	196
Balances at December 31, 2016	35,821	$ —	2,663	(249)	3,237	17,068	30,529	53,248

See accompanying notes to consolidated financial statements.

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

(Amounts in thousands)	2016	2015	2014
Cash flows from operating activities:			
Net income (loss)	$ (4,136)	(25,866)	59,244
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization expense	193,775	181,767	170,285
Share-based compensation expense	11,043	10,902	8,392
Deferred income tax expense (benefit)	5,205	(1,847)	10,029
Unrealized (gain) loss on derivative instrument with related party	(3,120)	11,160	—
Loss on extinguishment of debt	640	27,700	—
Software impairment charge	—	29,839	—
Impairment of equity method investment	—	12,593	—
Other noncash income and expense items	11,696	16,142	9,933
Change in operating assets and liabilities	(14,827)	(8,435)	320
Net cash provided by operating activities	200,276	253,955	258,203
Cash flows from investing activities:			
Purchases of property and equipment	(194,478)	(176,235)	(176,109)
Purchase of KKCC assets	(19,700)	—	—
Purchases of other assets and intangible assets	(17,486)	(13,955)	(11,018)
Note receivable payment from an equity method investee	3,000	—	—
Purchase of investments	(1,800)	—	(25,735)
Grant proceeds	1,527	14,007	1,136
Restricted cash	175	65	5,871
Proceeds from the sale of investment	—	7,551	6,180
Purchase of businesses, net of cash received	—	(12,736)	(2,514)
Note receivable issued to an equity method investee	—	(3,000)	—
Other	1,599	(4,760)	49
Net cash used for investing activities	(227,163)	(189,063)	(202,140)
Cash flows from financing activities:			
Repayment of debt, capital lease, and tower obligations	(132,205)	(494,982)	(118,585)
Borrowing on Senior Credit Facility	125,000	295,000	89,000
Proceeds from tower transaction	90,795	—	—
Purchase of treasury stock to be retired	(58,679)	(53,774)	(6,850)
Payment of debt issuance costs	(5,451)	(13,979)	(84)
Issuance of 2025 Notes	—	445,973	—
Purchase of non-controlling interests	—	(282,505)	—
Issuance of Searchlight note payable and derivative stock appreciation rights with related party	—	75,000	—
Payment of bond call premium	—	(20,244)	—
Distribution to non-controlling interest	—	(4,932)	(50,000)
Other	196	677	887
Net cash provided by (used for) financing activities	19,656	(53,766)	(85,632)
Net increase (decrease) in cash and cash equivalents	(7,231)	11,126	(29,569)
Cash and cash equivalents at beginning of period	26,528	15,402	44,971
Cash and cash equivalents at end of period	$ 19,297	26,528	15,402

See accompanying notes to consolidated financial statements.

(1) Business and Summary of Significant Accounting Principles

In the following discussion, General Communication, Inc. ("GCI") and its direct and indirect subsidiaries are referred to as "we," "us" and "our."

(a) Business

GCI, an Alaska corporation, was incorporated in 1979. We provide 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.

(b) Basis of Presentation and Principles of Consolidation

Our consolidated financial statements include the consolidated accounts of GCI and its wholly owned subsidiaries, The Alaska Wireless Network, LLC ("AWN") of which we owned a two-third interest through February 2, 2015 when we purchased the remaining one-third interest, and four variable interest entities ("VIEs") for which we are the primary beneficiary after providing certain loans and guarantees. These VIEs are Terra GCI Investment Fund, LLC ("TIF"), Terra GCI 2 Investment Fund, LLC ("TIF 2"), Terra GCI 2-USB Investment Fund, LLC ("TIF 2-USB") and Terra GCI 3 Investment Fund, LLC ("TIF 3"). We also include in our consolidated financial statements non-controlling interests in consolidated subsidiaries for which our ownership is less than 100 percent. All significant intercompany transactions between non-regulated affiliates of our company are eliminated. Intercompany transactions generated between regulated and non-regulated affiliates of our company are not eliminated in consolidation.

(c) Non-controlling Interests

Non-controlling interests represent the equity ownership interests in consolidated subsidiaries not owned by us. Non-controlling interests are adjusted for contributions, distributions, and income and loss attributable to the non-controlling interest partners of the consolidated entities. Income and loss is allocated to the non-controlling interests based on the respective governing documents.

(d) Acquisitions

Wireless Acquisition

On February 2, 2015, we purchased Alaska Communications Systems Group, Inc.'s ("ACS") interest in AWN ("AWN NCI Acquisition") and substantially all the assets of ACS and its affiliates related to ACS's wireless operations ("Acquired ACS Assets") (collectively the "Wireless Acquisition"). Under the terms of the agreement, we paid ACS $293.2 million, excluding working capital adjustments and agreed to terminate certain agreements related to the use of ACS network assets that were included as part of the original transaction that closed in July 2013. The Acquired ACS Assets include substantially all of ACS's wireless subscriber assets, including subscriber contracts, and certain of ACS's CDMA network assets, including fiber strands and associated cell site electronics and microwave facilities and associated electronics. We assumed from ACS post-closing liabilities of ACS and its affiliates under contracts assumed by us and liabilities with respect to the ownership by ACS of its equity interest in AWN to the extent accruing and related to the period after closing. All other liabilities were retained by ACS and its affiliates.

We have accounted for the AWN NCI Acquisition as the acquisition of a non-controlling interest in accordance with Accounting Standards Codification ("ASC") 810, Consolidation, and the Acquired ACS Assets as the acquisition of assets that do not constitute a business in accordance with ASC 805-50, Business Combinations - Related Issues. Total consideration transferred to ACS in the transaction consisted of the cash payment, settlement of working capital, and the fair market value of certain rights to receive future capacity terminated as part of the Wireless Acquisition agreement. The future capacity receivable assets transferred as consideration were adjusted to fair value as of the acquisition date resulting in a gain of $1.2 million recorded in Other Income (Expense) in our Consolidated Statement of Operations for the year ended December 31, 2015. We allocated the total consideration transferred to ACS between the AWN NCI Acquisition and the Acquired ACS Assets based on the relative fair values of the assets and non-controlling interest received.

The following table summarizes the allocation of total consideration transferred to ACS between the AWN NCI Acquisition and the Acquired ACS Assets excluding working capital adjustments (amounts in thousands):

Total consideration transferred to ACS	$	304,838
Allocation of consideration between wireless assets and non-controlling interest acquired:		
AWN non-controlling interest	$	303,831
Property and equipment		746
Other intangible assets		261
Total consideration	$	304,838

We have accounted for the AWN NCI Acquisition as an equity transaction, with the carrying amount of the non-controlling interest adjusted to reflect the change in ownership of AWN. The difference between the fair value of consideration paid and the total of the additional deferred taxes incurred as a result of the transaction and the carrying amount of the non-controlling interest has been recognized as additional paid-in capital in our Consolidated Statement of Stockholders' Equity. The impact of the AWN NCI Acquisition is summarized in the following table (amounts in thousands):

Reduction of non-controlling interest	$	268,364
Increase in deferred tax assets		9,583
Additional paid-in capital		25,884
Fair value of consideration paid for acquisition of equity interest	$	303,831

Pursuant to the accounting guidance in ASC 805-50, we determined that the Acquired ACS Assets did not meet the criteria necessary to constitute a business combination and was therefore accounted for as an asset purchase. We recognized the assets acquired in our Consolidated Balance Sheet at their allocated cost on the day of acquisition. The deferred tax assets and additional paid-in capital were adjusted in 2016 as a result of the reallocation of partnership tax basis as determined when preparing the 2015 federal tax return.

In conjunction with the Wireless Acquisition, we amended certain agreements related to the right to use ACS network assets. We adjusted the related right to use asset to fair value as of the acquisition date resulting in a loss of $3.8 million recorded in Other Income (Expense) in our Consolidated Statement of Operations for the year ended December 31, 2015.

Other Acquisitions
During the year ended December 31, 2015, we completed three additional business acquisitions for total cash consideration of $12.7 million, net of cash received. We accounted for the transactions using the acquisition method of accounting under ASC 805, Business Combinations. Accordingly, the assets received, liabilities assumed and any non-controlling interests were recorded at their estimated fair value as of the acquisition date. We determined the estimated fair values using a combination of the discounted cash flows method and estimates made by management.

(e) Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers. This standard provides guidance for the recognition, measurement and disclosure of revenue resulting from contracts with customers and will
supersede virtually all of the current revenue recognition guidance under GAAP. In August 2015, the FASB issued ASU 2015-14, which deferred the effective date to fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. In March 2016, the FASB issued ASU 2016-08, which amended the guidance in the new standard in order to clarify the principal versus agent assessment and is intended to make the guidance more operable and lead to more consistent application. In April 2016, the FASB issued ASU 2016-10, which clarifies the identification of performance obligations and the licensing implementation guidance in ASU 2014-09. In May 2016, the FASB issued ASU 2016-11, which

rescinds SEC paragraphs pursuant to SEC staff announcements regarding ASU 2014-09. These rescissions include changes to topics pertaining to accounting for shipping and handling fees and costs and accounting for consideration given by a vendor to a customer. In May 2016, the FASB issued ASU 2016-12, which provides clarifying guidance in certain narrow areas and adds some practical expedients to ASU 2014-09. Finally, ASU 2016-20 makes minor corrections or improvements to ASU 2014-09 that are not expected to have a significant effect on accounting practices under ASU 2014-09.

The standard permits the use of either the retrospective or cumulative effect transition method. We anticipate using the retrospective method to adopt this standard. Early adoption is permitted for annual periods beginning after December 15, 2016, however, we do not plan to early adopt this standard. We have assessed our material revenue streams and we do not anticipate significant changes to our revenue recognition as a result of this new standard.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Lease accounting by the lessor remains largely unchanged by the new standard. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and is required to be adopted using the modified retrospective approach. We are currently evaluating the impact of the provisions of this new standard on our financial position and results of operations, but we expect that adoption will have a material impact on our long-term assets and liabilities.

In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting, which amends ASC 718, Compensation - Stock Compensation. The update includes provisions intended to simplify various aspects related to how share-based payments are accounted for and presented in the financial statements. ASU 2016-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. Early adoption is permitted with any adjustments reflected as of the beginning of the fiscal year of adoption. We are currently evaluating the impact of the provisions of this new standard on our financial position and results of operations.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The update introduces a new forward-looking approach, based on expected losses, to estimate credit losses on certain types of financial instruments, including trade receivables. The estimate of expected credit losses will require entities to incorporate consideration of historical information, current information and reasonable and supportable forecasts. This ASU also expands the disclosure requirements to enable users of financial statements to understand the entity’s assumptions, models and methods for estimating expected credit losses. ASU 2016-13 is effective for annual and interim reporting periods beginning after December 15, 2019, and is required to be adopted using the modified retrospective approach. Early adoption is permitted for annual and interim reporting periods beginning after December 15, 2018. We are currently evaluating the impact of the provisions of this new standard on our financial position and results of operations.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This update addresses eight specific cash flow issues with the objective of reducing diversity in practice. The issues identified within the ASU include: debt prepayments or extinguishment costs; contingent consideration made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (including bank-owned life insurance policies); distributions received from equity method investees; beneficial interests in securitization transactions; and separately identified cash flows and application of the predominance principle. ASU 2016-15 is effective for annual and interim reporting periods beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted for annual and interim reporting periods. The adoption of this guidance is not expected to have a material effect on our statement of cash flows.

(f) Recently Adopted Accounting Pronouncements

In April 2015, the FASB issued ASU No. 2015-03, Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. ASU 2015-03 requires an entity to present debt issuance costs related to a recognized debt liability in the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. In August 2015, the FASB issued ASU No. 2015-15, Interest - Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements which clarifies that the guidance in ASU 2015-03 does not apply to line-of-credit arrangements. According to ASU 2015-15, line-of-credit arrangements will continue to defer and present debt issuance costs as an asset and subsequently amortize the deferred debt issue costs ratably over the term of the arrangement. We adopted ASU 2015-03 retrospectively as of January 1, 2016, and have reclassified $15.4 million of the December 31, 2015, Deferred Loan and Senior Note Costs, Net of Amortization balance included in Total Other Assets to Long-Term Debt, Net included in Total Liabilities.

In April 2015, the FASB issued ASU 2015-05, Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement. The ASU provides guidance in evaluating whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the software license element of the arrangement should be accounted for as an acquisition of a software license. If the arrangement does not contain a software license, it should be accounted for as a service contract. We adopted ASU 2015-05 prospectively as of January 1, 2016. The adoption of this standard did not have a significant effect on our financial position or results of operations.

In June 2015, the FASB issued ASU No. 2015-10, Technical Corrections and Updates. The amendments in this update cover a wide range of topics in the codification and are generally categorized as follows: Amendments Related to Differences between Original Guidance and the Codification; Guidance Clarification and Reference Corrections; Simplification; and, Minor Improvements. We adopted ASU 2015-10 as of January 1, 2016. The adoption of this standard did not have a significant effect on our financial position or results of operations.

In July 2015, the FASB issued ASU 2015-11, Simplifying the Measurement of Inventory. Under ASU 2015-11, inventory will be measured at the “lower of cost and net realizable value” and options that currently exist for “market value” will be eliminated. The ASU defines net realizable value as the “estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.” No other changes were made to the current guidance on inventory measurement. We adopted ASU 2015-11 prospectively as of April 1, 2016. The adoption of this standard did not have a significant effect on our financial position or results of operations.

In January 2017, the FASB issued an ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. This ASU clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. We adopted and applied ASU 2017-01 to a transaction that we closed in November 2016 (see Note 5 of this Form 10-K for information on the transaction).

(g) Regulatory Accounting

We account for the regulated operations of our incumbent local exchange carriers in accordance with the accounting principles for regulated enterprises. This accounting recognizes the economic effects of rate regulation by recording cost and a return on investment as such amounts are recovered through rates authorized by regulatory authorities. Accordingly, plant and equipment is depreciated over lives approved by regulators and certain costs and obligations are deferred based upon approvals received from regulators to permit recovery of such amounts in future years. Our cost studies and depreciation rates for our regulated operations are subject to periodic audits that could result in a change to recorded revenues.

(h) Earnings per Common Share

We compute net income (loss) attributable to GCI per share of Class A and Class B common stock using the “two class” method. Therefore, basic net income (loss) per share is computed by dividing net income (loss) applicable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted net income per share is computed by dividing net income by the weighted average number of common and dilutive common equivalent shares outstanding during the period. The computation of the dilutive net income per share of Class A common stock assumes the conversion of Class B common stock to Class A common stock, while the dilutive net income per share of Class B common stock does not assume the conversion of those shares. The computation of the dilutive net income per share of Class A common stock also assumes the conversion of our derivative financial instrument that may be settled in cash or shares (as described in Note 11 of this Form 10-K), shares associated with unexercised stock options and deferred compensation that may be settled in cash or shares if the effect of conversion is dilutive. Additionally, in applying the “two-class” method, undistributed earnings are allocated to both common shares and participating securities. Our restricted stock grants are entitled to dividends and meet the criteria of a participating security.

We allocate undistributed earnings in periods of net income based on the contractual participation rights of Class A common shares, Class B common shares, and participating securities as if the earnings for the period had been distributed. We do not allocate undistributed earnings to participating securities in periods in which we have a net loss. In accordance with our Articles of Incorporation, if and when dividends are declared on our common stock in accordance with Alaska corporate law, equivalent dividends shall be paid with respect to the shares of Class A and Class B common stock, including participating securities. Both classes of common stock have identical dividend rights and would therefore share equally in our net assets in the event of liquidation. As such, we have allocated undistributed earnings on a proportionate basis.

(i) Common Stock

We have a common stock buyback program to repurchase GCI's Class A and Class B common stock. The cost of the repurchased common stock reduces Common Stock and Retained Earnings in our Consolidated Balance Sheets and is constructively retired as of December 31, 2016, 2015 and 2014.

(j) Redeemable Preferred Stock

We have 1,000,000 shares of preferred stock authorized with no shares issued and outstanding at years ended December 31, 2016, 2015 and 2014.

(k) Treasury Stock

We account for treasury stock purchased for general corporate purposes under the cost method and include treasury stock as a component of Stockholders’ Equity.

(l) Cash Equivalents

Cash equivalents consist of certificates of deposit which have an original maturity of three months or less at the date acquired and are readily convertible into cash.

(m) Accounts Receivable and Allowance for Doubtful Receivables

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful receivables is our best estimate of the amount of probable credit losses in our existing accounts receivable. We base our estimates on the aging of our accounts receivable balances, financial health of specific customers, regional economic data, changes in our collections process, regulatory requirements and our customers’ compliance with Universal Service Administrative Company rules. We review our allowance for doubtful receivables methodology at least annually.

Depending upon the type of account receivable our allowance is calculated using a pooled basis with an allowance for all accounts greater than 120 days past due, a pooled basis using a percentage of related accounts, or a specific identification method. When a specific identification method is used, potentially uncollectible accounts due to bankruptcy or other issues are reviewed individually for collectability. Account balances are charged off against the allowance when we feel it is probable the receivable will not be recovered. We do not have any off-balance-sheet credit exposure related to our customers.

Wireless Equipment Installment Plan ("EIP") Receivables

We offer new and existing wireless customers the option to participate in Upgrade Now, a program that provides eligible customers with the ability to purchase certain wireless devices in installments over a period of up to 24 months. Participating customers have the right to trade-in the original equipment for a new device after making the equivalent of 12 monthly installment payments, provided their handset is in good working condition. Upon upgrade, the outstanding balance of the EIP is exchanged for the used handset.

At the time of sale, we impute interest on the receivables associated with Upgrade Now. We record the imputed interest as a reduction to the related accounts receivable. Interest income, which is included in Other Income and (Expense) in our Consolidated Statements of Operations, is recognized over the financed installment term.

We assess the collectability of our EIP receivables based upon a variety of factors, including payment trends and other qualitative factors. The credit profiles of our customers with a Upgrade Now plan are similar to those of our customers with a traditional subsidized plan. Customers with a credit profile which carries a higher risk are required to make a down payment for equipment financed through Upgrade Now.

(n) Inventories

Wireless handset inventories are stated at the lower of cost or net realizable value. Cost is determined using the average cost method. Handset costs in excess of the revenues generated from handset sales, or handset subsidies, are expensed at the time of sale. We do not recognize the expected handset subsidies prior to the time of sale because the promotional discount decision is made at the point of sale and/or because we expect to recover the handset subsidies through service revenue.

Inventories of other merchandise for resale and parts are stated at the lower of cost or net realizable value. Cost is determined using the average cost method.

(o) Property and Equipment

Property and equipment is stated at cost. Construction costs of facilities are capitalized. Equipment financed under capital leases is recorded at the lower of fair market value or the present value of future minimum lease payments at inception of the lease. Construction in progress represents transmission equipment and support equipment and systems not placed in service on December 31, 2016, that management intends to place in service during 2017 and 2018.

Depreciation is computed using the straight-line method based upon the shorter of the estimated useful lives of the assets or the lease term, if applicable, in the following ranges:

Asset Category	Asset Lives
Telephony transmission equipment and distribution facilities	5-20 years
Fiber optic cable systems	15-25 years
Cable transmission equipment and distribution facilities	5-30 years
Support equipment and systems	3-20 years
Transportation equipment	5-13 years
Property and equipment under capital leases	12-20 years
Buildings	25 years
Customer premise equipment	2-20 years
Studio equipment	10-15 years

Amortization of property and equipment under capital leases is included in Depreciation and Amortization Expense in our Consolidated Statements of Operations.

Repairs and maintenance are charged to expense as incurred. Expenditures for major renewals and betterments are capitalized. Accumulated depreciation is removed and gains or losses are recognized at the time of sales or other dispositions of property and equipment.

(p) Intangible Assets and Goodwill

Goodwill, cable certificates (certificates of convenience and public necessity), wireless licenses and broadcast licenses are not amortized. Cable certificates represent certain perpetual operating rights to provide cable services. Wireless licenses represent the right to utilize certain radio frequency spectrum to provide wireless communications services. Broadcast licenses represent the right to broadcast television stations in certain areas. Goodwill represents the excess of cost over fair value of net assets acquired in connection with a business acquisition.

All other amortizable intangible assets are being amortized over 2 to 20 year periods using the straight-line method.

(q) Impairment of Intangibles, Goodwill, and Long-lived Assets

Cable certificates, wireless licenses and broadcast licenses are treated as indefinite-lived intangible assets and are tested annually for impairment or more frequently if events and circumstances indicate that the asset might be impaired. We assessed qualitative factors (“Step Zero”) in our annual test over our cable certificate, wireless license and broadcast license assets as of October 31, 2016 to determine if it is more likely than not that those intangible assets are impaired and require further analysis. As part of our Step Zero analysis, we considered our own economic position, estimated future growth, and geographic and industry economic outlooks. These estimates and assumptions have a significant impact on our analysis.

The quantitative impairment test ("Step One") for identifiable indefinite-lived intangible assets other than goodwill consists of a comparison of the estimated fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. After an impairment loss is recognized, the adjusted carrying amount of the asset becomes its new accounting basis. Impairment testing of our cable certificate, wireless license and broadcast license assets as of October 31, 2015, used a direct discounted cash flow method. This approach requires us to make estimates and assumptions including projected cash flows and discount rates. These estimates and assumptions could have a significant impact on whether an impairment charge is recognized and also the magnitude of any such impairment charge.

Our goodwill is tested annually for impairment, and is tested for impairment more frequently if events and circumstances indicate that the assets might be impaired. We used a Step Zero analysis for goodwill impairment as of October 31, 2016 to determine whether it is more likely than not that goodwill is impaired. We considered qualitative factors such as our economic position, estimated future growth, geographic and industry economic outlooks, and the margin by which our fair value exceeded the book value in 2015. These estimates and assumptions have a significant impact on our analysis.

For goodwill impairment testing as of October 31, 2015, we used the quantitative two-step process. The first step of the quantitative goodwill impairment test is used to identify potential impairment by comparing the fair value of a reporting unit with its carrying amount. To determine our reporting units, we evaluated the components one level below the segment level and we aggregated the components if they had similar economic characteristics. As a result of this assessment, our reporting units were the same as our two reportable segments. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill that would be recognized in a business combination. We used an income approach to determine the fair value of our reporting units for purposes of our goodwill impairment test. In addition, a market-based approach is used where possible to corroborate the fair values determined by the income approach. The income approach requires us to make estimates and assumptions including projected cash flows and discount rates. These estimates and assumptions could have a significant impact on whether an impairment charge is recognized and also the magnitude of any such impairment charge.

We completed our annual goodwill and intangibles review and no impairment charge was recorded for the years ended December 31, 2016, 2015 and 2014.

Long-lived assets, such as property, plant, and equipment, and purchased or developed intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Recoverability of an asset group to be held and used is measured by a comparison of the carrying amount of an asset group to estimated undiscounted future cash flows expected to be generated by the asset group. If the carrying amount of an asset group exceeds its estimated undiscounted future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset group exceeds the fair value of the asset group.

During the year ended December 31, 2015, we recorded impairment charges related to our long-lived software assets (see Note 16 of this Form 10-K for detailed information). We recorded no impairment charges related to our long lived assets for the years ended December 31, 2016 and 2014.

(r) Amortization and Write-off of Loan Fees
Debt issuance costs are deferred and amortized using the effective interest method. If a refinancing or amendment of a debt instrument is a substantial modification, all or a portion of the applicable debt issuance costs are written off. If a debt instrument is repaid prior to the maturity date we will write-off the related unamortized amount of debt issuance costs.

(s) Other Assets
Other Assets primarily include broadcast licenses, equity investments that are accounted for using the equity or cost method, restricted cash, long-term deposits, prepayments, long-term EIP receivables and long-term non-trade accounts receivable.

(t) Investments
We hold investments in equity method and cost method investees. Investments in equity method investees are those for which we have the ability to exercise significant influence but do not control and are not the primary beneficiary. Significant influence typically exists if we have a 20% to 50% ownership interest in the venture unless persuasive evidence to the contrary exists. Under this method of accounting, we record our proportionate share of the net earnings or losses of equity method investees and a corresponding increase or decrease to the investment balances. Cash payments to equity method investees such as additional investments, loans and advances and expenses incurred on behalf of investees, as well as payments from equity method investees such as dividends, distributions and repayments of loans and advances are recorded as adjustments to investment balances. Investments in entities in which we have no control or significant influence are accounted for under the cost method.

We review our investment portfolio each reporting period to determine whether there are events or circumstances that would indicate there is a decline in the fair value that would be considered other than temporary. We recorded an impairment loss of $12.6 million related to one of our equity investments during the year ended December 31, 2015 (see "Equity Method Investment" section of Note 14 of this Form 10-K for additional information). We recorded no impairment charges to equity method or cost method investments for the years ended December 31, 2016 and 2014.

(u) Asset Retirement Obligations
We record the fair value of a liability for an asset retirement obligation in the period in which it is incurred in Other Liabilities on the Consolidated Balance Sheets. When the liability is initially recorded, we capitalize a cost by increasing the carrying amount of the related long-lived asset. In periods subsequent to initial measurement, changes in the liability for an asset retirement obligation resulting from revisions to either the timing or the amount of the original estimate of undiscounted cash flows are recognized. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, we either settle the obligation for its recorded amount or incur a gain or loss upon settlement.

The majority of our asset retirement obligations are the estimated cost to remove telephony transmission equipment and support equipment from leased property. Following is a reconciliation of the beginning and ending aggregate carrying amounts of our liability for asset retirement obligations (amounts in thousands):

Balance at December 31, 2014	$	31,940
Liability incurred		2,048
Accretion expense		1,121
Liability settled		(49)
Balance at December 31, 2015		35,060
Liability incurred		1,580
Revisions in estimated cash flows, including adjustment from tower transaction (Note 2)		3,368
Accretion expense		1,229
Liability settled		(82)
Balance at December 31, 2016	$	41,155

During the years ended December 31, 2016 and 2015, we recorded additional capitalized costs of $4.9 million and $2.0 million, respectively, in Property and Equipment.

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

(v) Derivative Financial Instrument

We account for our derivative instrument in accordance with ASC 815-10, Derivatives and Hedging. ASC 815-10 establishes accounting and reporting standards requiring that derivative instruments, including derivative instruments embedded in other contracts, be recorded on the balance sheet as either an asset or liability measured at its fair value. ASC 815-10 also requires that changes in the fair value of derivative instruments be recognized currently in results of operations unless specific hedge accounting criteria are met. We have not entered into any hedging activities to date. We recognize all derivative instruments as either assets or liabilities in our Consolidated Balance Sheets at their respective fair values. Our derivative instrument (as described in Note 9 of this Form 10-K) includes stock appreciation rights, which have been recorded as a liability at fair value, and will be revalued at each reporting date, with changes in the fair value of the instrument included in our Consolidated Statements of Operations as Derivative Instrument Unrealized Income (Loss) with Related Party.

(w) Revenue Recognition

All revenues are recognized when the earnings process is complete. Revenue recognition is as follows:

- Revenues generated from long-distance service usage and plan fees, Internet service excess usage, and managed services are recognized when the services are provided,
- We recognize unbilled revenues when the service is provided based upon minutes of use processed, and/or established rates, net of credits and adjustments,
- Video service package fees, local access and Internet service plan fees, and data network revenues are billed in advance, recorded as Deferred Revenue on the balance sheet, and are recognized as the associated service is provided,
- Certain of our wireless services offerings have been determined to be revenue arrangements with multiple deliverables. Revenues are recognized as each element is earned based on objective evidence regarding the relative fair value of each element and when there are no undelivered elements that are essential to the functionality of the delivered elements. Revenues generated from wireless service usage and plan fees are recognized when the services are provided. Revenues generated from the sale of wireless handsets and accessories are recognized when the amount is known and title to the handset and accessories passes to the customer. As the non-refundable, up-

front activation fee charged to the customer does not meet the criteria as a separate unit of accounting, we allocate the additional arrangement consideration received from the activation fee to the handset (the delivered item) to the extent that the aggregate handset and activation fee proceeds do not exceed the fair value of the handset. Any activation fees not allocated to the handset would be deferred upon activation and recognized as service revenue on a straight-line basis over the expected customer relationship period,

- We offer new and existing wireless customers the option to participate in Upgrade Now, a program that is described above in Note 1 of this Form 10-K. Upgrade Now is a multiple-element arrangement typically consisting of the trade-in right, handset, and one month of wireless service. At the inception of the arrangement, revenue is allocated between the separate units of accounting based upon each components' relative selling price on a standalone basis. This is subject to the requirement that revenue recognized is limited to the amounts already received from the customer that are not contingent on the delivery of additional products or services to the customer in the future. We recognize the full amount of the fair value of the trade-in right (not an allocated value) as a guarantee liability and the remaining allocable consideration is allocated to the handset and wireless service. We recognize revenue for the entire amount of the EIP receivable at the time of sale, net of the fair value of the trade-in right guarantee and imputed interest. See also in Note 1 of this Form 10-K additional information on guarantee liabilities and EIP receivables.
- The majority of our non-wireless equipment sale transactions involve the sale of communications equipment with no other services involved. Such equipment is subject to standard manufacturer warranties and we do not manufacture any of the equipment we sell. In such instances, the customer takes title to the equipment generally upon delivery. We recognize revenue for such transactions when title passes to the customer and the revenue is earned and realizable. On certain occasions we enter into agreements to sell and satisfactorily install or integrate telecommunications equipment for a fixed fee. Customers may have refund rights if the installed equipment does not meet certain performance criteria. We defer revenue recognition until we have received customer acceptance per the contract or agreement, and all other required revenue recognition elements have been achieved. Revenues from contracts with multiple element arrangements, such as those including installation and integration services, are recognized as each element is earned based on objective evidence regarding the relative fair value of each element and when there are no undelivered elements that are essential to the functionality of the delivered elements,
- Technical services revenues are derived primarily from maintenance contracts on equipment and are recognized on a prorated basis over the term of the contracts,
- We account for fiber capacity Indefeasible Right to Use ("IRU") agreements as an operating lease or service arrangement and we defer the revenue and recognize it ratably over the life of the IRU or as service is rendered,
- Access revenue is recognized when earned. We participate in an intrastate access revenue pool with other telephone companies. The pool is funded by access charges regulated by the Regulatory Commission of Alaska ("RCA") within the intrastate jurisdiction These revenues are subject to adjustment in future accounting periods as based upon adjustments made by all pool participants and Interexchange carrier customers. To the extent that a dispute arises over revenue settlements, our policy is to defer revenue recognition until the dispute is resolved,
- We receive grant revenue for the purpose of building or operating communication infrastructure in rural areas. We defer the revenue and recognize it over the life of the asset that was constructed using grant funds or the period of grant compliance,
- We offer sales incentives to new and existing customers as motivation to purchase our products and services. Cash incentives are recorded as an offset to revenue while noncash incentives are recorded as an operating expense. Sales incentives that relate to a customer contract over a specific period of time are recognized using the straight-line method over the contract term. For sales incentives that are earned by the customer over a specific period of time, we accrue an estimated offset to revenue or expense amount over the period that the incentive is earned by the customer,
- Other revenues are recognized when the service is provided.

<u>Universal Service Fund</u>
As an Eligible Telecommunications Carrier ("ETC"), we receive support from the Universal Service Fund ("USF") to support the provision of wireline local access and wireless service in high cost areas. On August 31, 2016, the FCC published a Report and Order to reform the methodology for distributing USF high cost support for both wireline and wireless voice and broadband service (“Alaska High Cost

Order"). The Alaska High Cost Order was a significant program change that required a reassessment of our high cost support revenue recognition.

Remote High Cost Support
Prior to the Alaska High Cost Order, we accrued estimated program revenue based on current line counts and the frozen per-line rates, reduced as needed by our estimate of the impact of the Statewide Support Cap. Additionally, we also considered our assessment of the impact of current FCC regulations and of the potential outcome of FCC proceedings.

As of January 1, 2017, Remote high cost support payments to Alaska High Cost participants will be frozen on a per-company basis at adjusted December 2014 levels for a ten-year term in exchange for meeting individualized performance obligations to offer voice and broadband services meeting the service obligations at specified minimum speeds by five-year and ten-year service milestones to a specified number of locations. Remote high cost support is no longer dependent upon line counts and line count filings are no longer required.

As a result of the Alaska High Cost Order, we apply the proportional performance revenue recognition method to account for the transition from accruals based on line counts to a fixed payment stream while our level of service provided and associated costs remain constant. Included in the calculation are the scheduled Remote high cost support payments from September 2016 through January 2027 net of our Remote accounts receivable balance at August 31, 2016. An equal amount of this result is recognized as Remote support revenue each period. In 2022, the FCC may redistribute support in areas with duplicative LTE service. We will account for any changes made by the FCC to redistribute support prospectively.

Urban High Cost Support
Prior to the Alaska High Cost Order, Urban high cost support payments were frozen and had phased down to 60% of the monthly average of the 2011 annual support. The Alaska High Cost Order mandates that as of January 1, 2017, Urban high cost support for 2017 and 2018 will be two-thirds and one-third of the December 2014 level of support received, respectively, with Urban high cost support ending effective December 31, 2018.

We apply the proportional performance revenue recognition method to account for the impact of the declining payments while our level of service provided and associated costs remain constant. Included in the calculation are the scheduled Urban high cost support payments from September 2016 through January 2018 net of our Urban accounts receivable balance at August 31, 2016. An equal amount of this result is recognized as Urban support revenue each period.

For both Remote and Urban high cost support revenue, our ability to collect our accrued USF support is contingent upon continuation of the USF program and upon our eligibility to participate in that program, which are subject to change by future regulatory, legislative or judicial actions. We adjust revenue and the account receivable in the period the FCC makes a program change or we assess the likelihood that such a change has increased or decreased revenue. We do not recognize revenue related to a particular service area until our ETC status has been approved by the RCA.

We recorded high cost support revenue under the USF program of $64.1 million, $66.2 million and $66.7 million for the years ended December 31, 2016, 2015 and 2014, respectively. At December 31, 2016, we have $43.9 million in high cost accounts receivable.

(x) Advertising
Expense
We expense advertising costs in the period during which the first advertisement appears. Advertising expenses were $7.0 million, $5.7 million and $5.7 million for the years ended December 31, 2016, 2015 and 2014, respectively.

(y) Leases
Scheduled operating lease rent increases are amortized over the expected lease term on a straight-line basis. Rent holidays are recognized on a straight-line basis over the operating lease term (including any rent holiday period).

Leasehold improvements are amortized over the shorter of their economic lives or the lease term. We may amortize a leasehold improvement over a term that includes assumption of a lease renewal if the renewal is reasonably assured. Leasehold improvements acquired in a business combination are amortized over the shorter of the useful life of the assets or a term that includes required lease periods and renewals that are deemed to be reasonably assured at the date of acquisition. Leasehold improvements that are placed in service significantly after and are not contemplated at or near the beginning of the lease term are amortized over the shorter of the useful life of the assets or a term that includes required lease periods and renewals that are deemed to be reasonably assured at the date the leasehold improvements are purchased. Leasehold improvements made by us and funded by landlord incentives or allowances under an operating lease are recorded as deferred rent and amortized as reductions to lease expense over the lease term.

(z) Interest Expense
Material interest costs incurred during the construction period of non-software capital projects are capitalized. Interest costs incurred during the development period of a software capital project are capitalized. Interest is capitalized in the period commencing with the first expenditure for a qualifying capital project and ending when the capital project is substantially complete and ready for its intended use. We capitalized interest costs of $3.7 million, $3.0 million and $3.6 million during the years ended December 31, 2016, 2015 and 2014, respectively.

(aa) Income Taxes
Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for their future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable earnings in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recognized if it is more likely than not that some portion or the entire deferred tax asset will not be realized.

(ab) Comprehensive Income (Loss)
Total comprehensive income (loss) was equal to net income (loss) during the years ended December 31, 2016, 2015 and 2014.

(ac) Share-based Payment Arrangements
Compensation expense is recognized in the financial statements for share-based awards based on the grant date fair value of those awards. Share-based compensation expense includes an estimate for pre-vesting forfeitures and is recognized over the requisite service periods of the awards on a straight-line basis, which is generally commensurate with the vesting term.

We are required to report the benefits associated with tax deductions in excess of recognized compensation cost as a financing cash flow rather than as an operating cash flow.

(ad) Use of Estimates
The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on our historical experience, terms of existing contracts, observance of trends, and other factors, as appropriate. Additionally, changes in accounting estimates are reasonably likely to occur from period to period. These factors could have a material impact on our financial statements.

Significant estimates include, but are not limited to, the following: revenue recognition, the valuation of the derivative stock appreciation rights, impairment and useful lives of intangible assets, and the valuation allowance for net operating loss deferred tax assets.

(ae) Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk are primarily cash and cash equivalents and accounts receivable. Excess cash is invested in high quality short-term liquid money instruments. At December 31, 2016, and 2015, substantially all of our cash and cash equivalents were invested in short-term liquid money instruments and the balances were in excess of Federal Deposit Insurance Corporation insured limits.

Our customers are located primarily throughout Alaska. Because of this geographic concentration, our growth and operations depend upon economic conditions in Alaska.

(af) Software Capitalization
Policy

Internally used software, whether purchased or developed, is capitalized and amortized using the straight-line method over an estimated useful life of three to five years. We capitalize certain costs associated with internally developed software such as payroll costs of employees devoting time to the projects and external direct costs for materials and services. Costs associated with internally developed software to be used internally are expensed until the point the project has reached the development stage. Subsequent additions, modifications or upgrades to internal-use software are capitalized only to the extent that they allow the software to perform a task it previously did not perform. Software maintenance and training costs are expensed in the period in which they are incurred. The capitalization of software requires judgment in determining when a project has reached the development stage.

(ag) Guarantees

Certain of our customers have guaranteed levels of service. If an interruption in service occurs, we do not recognize revenue for any portion of the monthly service fee that will be refunded to the customer or not billed to the customer due to these service level agreements.

Additionally, we have provided certain guarantees to U.S. Bancorp Community Development Corporation (“US Bancorp”), our tax credit investor in our four VIEs. We have guaranteed the delivery of $56.0 million of New Markets Tax Credits (“NMTC”) to US Bancorp, as well as certain loan and management fee payments between our subsidiaries and the VIEs, for which we are the primary beneficiary. In the event that the tax credits are not delivered or certain payments not made, we are obligated to provide prompt and complete payment of these obligations. See Note 14 of this Form 10-K for more information about our NMTC transactions.

EIP Trade-in Right

We offer a device trade-in program, "Upgrade Now", which provides eligible customers a specified-price trade-in right to upgrade their device. Participating customers must have purchased a financed device using an equipment installment plan from us and have a qualifying monthly wireless service plan. Upon qualifying for an Upgrade Now device trade-in, the customer's remaining EIP balance is settled provided they trade in their eligible used device in good working condition and purchase a new device from us on a new EIP.

For customers who enroll in Upgrade Now, we defer the portion of equipment sales revenue which represents the estimated value of the trade-in right guarantee. The estimated value of the guarantees are based on various economic and customer behavioral assumptions, including the customer's estimated remaining EIP balance at trade-in, the expected fair value of the used handset at trade-in and the probability and timing of a trade-in.

We assess facts and circumstances at each reporting date to determine if we need to adjust the guarantee liability. The recognition of subsequent adjustments to the guarantee liability as a result of these assessments are recorded as adjustments to revenue. When customers upgrade their devices, the difference between the trade-in credit to the customer and the fair value of the returned devices is recorded against the guarantee liabilities. Guarantee liabilities are included in Accrued Liabilities in our Consolidated Balance Sheets.

(ah) Classification of Taxes Collected from Customers

We report sales, use, excise, and value added taxes assessed by a governmental authority that is directly imposed on a revenue-producing transaction between us and a customer on a net basis in our Consolidated Statements of Operations. The following are certain surcharges reported on a gross basis in our Consolidated Statements of Operations (amounts in thousands):

	Years Ended December 31,		
	2016	2015	2014
Surcharges reported gross	$ 3,849	5,058	4,252

(ai) Reclassifications

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

(2) Tower Sale and Leaseback

In August 2016, we sold to Vertical Bridge Towers II, LLC (“Vertical Bridge”) 276 cell sites (“Tower Sites”) in exchange for net proceeds of $90.8 million (“Tower Transaction”). The sale included, where applicable, the towers, the land on which the towers were situated if owned by us, the obligation to pay land leases, and other executory costs.

We entered into a master lease agreement in which we lease back space at the Tower Sites for an initial term of ten years, followed by the option to renew for eight additional five year periods, for a total possible lease term of 50 years. Each lease is subject to a 2% annual increase in lease payments throughout the life of the initial lease and all subsequent lease renewals.

Prior to the Tower Transaction, we had the legal obligation to remove the towers upon termination of the land lease agreements. The obligation is now reduced to the removal of our equipment from the towers. Therefore, we have reduced our asset retirement obligation related to the Tower Sites by $3.4 million.

Per the master lease agreement, we have the right to cure land lease defaults on behalf of Vertical Bridge and have negotiated fixed rate lease renewals as described above. Due to this continuing involvement with the Tower Sites, we determined we were precluded from applying sale-leaseback accounting. We recorded a long-term financial obligation (“Tower Obligation”) in the amount of the net proceeds received and recognize interest on the Tower Obligation at a rate of 7.1% using the effective interest method. The Tower Obligation is increased by interest expense and amortized through contractual leaseback payments made by us to Vertical Bridge. Our historical tower site asset costs continue to be depreciated and reported in Net Property and Equipment.

The following table summarizes the impacts to the Consolidated Balance Sheets (amounts in thousands):

	December 31, 2016
Property and equipment [1]	$ 18,792
Tower obligation[2]	$ 87,653

[1] Property conveyed to Vertical Bridge as part of the Tower Transaction, but remains on our Consolidated Balance Sheets.

[2] Excluding current portion and net of deferred transaction costs.

Future minimum payments related to the Tower Obligation, including expected renewals and excluding deferred transaction costs, are summarized below (amounts in thousands):

Years ending December 31,		Total
2017	$	6,996
2018		7,136
2019		7,279
2020		7,425
2021		7,573
2022 and thereafter		150,117
Total minimum payments		186,526
Less amount representing interest		96,722
Tower obligation	$	89,804

(3) Consolidated Statements of Cash Flows Supplemental Disclosures

Changes in operating assets and liabilities consist of (amounts in thousands):

Year ended December 31,		2016	2015	2014
(Increase) decrease in accounts receivable, net	$	(8,045)	(4,230)	15,357
Increase in prepaid expenses		(6,180)	(632)	(4,454)
(Increase) decrease in inventories		(623)	5,710	(6,631)
(Increase) decrease in other current assets		(38)	24	88
Increase in other assets		(11,607)	(11,491)	(878)
Decrease in accounts payable		(135)	(5,579)	(4,648)
Increase in deferred revenues		2,446	1,743	1,728
Increase (decrease) in accrued payroll and payroll related obligations		(979)	(1,469)	2,997
Increase (decrease) in accrued liabilities		(8,031)	8,192	(242)
Increase (decrease) in accrued interest		271	7,001	(434)
Decrease in subscriber deposits		(325)	(448)	(114)
Increase (decrease) in long-term deferred revenue		18,649	(8,561)	(4,163)
Increase (decrease) in components of other long-term liabilities		(230)	1,305	1,714
Total change in operating assets and liabilities	$	(14,827)	(8,435)	320

The following items are for the years ended December 31, 2016, 2015 and 2014 (amounts in thousands):

Net cash paid or received:		2016	2015	2014
Interest paid, net of amounts capitalized	$	84,546	76,796	74,618

The following items are non-cash investing and financing activities for the years ended December 31, 2016, 2015 and 2014 (amounts in thousands):

		2016	2015	2014
Non-cash additions for purchases of property and equipment	$	36,854	26,799	42,958
Non-cash consideration for KKCC assets	$	13,993	—	—
Asset retirement obligation additions to property and equipment	$	4,948	2,048	4,268
Non-cash consideration for Wireless Acquisition	$	—	23,326	—
Net capital lease obligation	$	—	—	9,386
Distribution to non-controlling interest	$	—	—	4,167
Deferred compensation distribution denominated in shares	$	—	—	617

(4) Receivables and Allowance for Doubtful Receivables

Receivables consist of the following at December 31, 2016 and 2015 (amounts in thousands):

		2016	2015
Trade	$	218,491	205,645
Other		1,303	2,739
Total receivables	$	219,794	208,384

As described in Note 1 of this Form 10-K we receive support from each of the various USF programs: high cost, low income, rural health care, and schools and libraries. This support was 24%, 19%, and 19% of our revenue for the years ended December 31, 2016, 2015 and 2014, respectively. We had USF net receivables of $92.0 million and $98.1 million at December 31, 2016 and 2015, respectively.

Changes in the allowance for doubtful receivables during the years ended December 31, 2016, 2015 and 2014 are summarized below (amounts in thousands):

			Additions		Deductions	
Description		Balance at beginning of year	Charged to costs and expenses	Charged to other accounts	Write-offs net of recoveries	Balance at end of year
December 31, 2016	$	3,630	8,516	—	7,739	4,407
December 31, 2015	$	4,542	6,359	—	7,271	3,630
December 31, 2014	$	2,346	3,994	—	1,798	4,542

(5) Net Property and Equipment

Net property and equipment consists of the following at December 31, 2016 and 2015 (amounts in thousands):

	2016	2015
Land and buildings	$ 114,966	108,145
Telephony transmission equipment and distribution facilities	1,271,425	1,215,796
Cable transmission equipment and distribution facilities	231,539	218,259
Studio equipment	15,456	15,171
Support equipment and systems	290,209	251,302
Transportation equipment	23,674	17,398
Customer premise equipment	158,513	155,971
Fiber optic cable systems	351,460	309,217
Construction in progress	157,633	93,271
	2,614,875	2,384,530
Less accumulated depreciation	1,385,620	1,231,457
Less accumulated amortization on property and equipment under capital leases	67,337	58,692
Net property and equipment	$ 1,161,918	1,094,381
Gross property and equipment under capital leases	$ 112,495	112,495

KKCC Asset Acquisition

In November 2016, we acquired Kodiak-Kenai Cable Company, LLC ("KKCC") which through its wholly owned subsidiary owns the only low latency redundant fiber link between Anchorage, the Kenai Peninsula and Kodiak. We adopted ASU 2017-01, which allows us to treat the acquisition of KKCC as an asset acquisition.

Total consideration transferred to the previous owners of KKCC consisted of a cash payment of $19.7 million and the fair market value of $14.0 million for indefeasible right-to-use capacity that we owned on the KKCC fiber system ("IRU Capacity") that was terminated as a result of the acquisition. The IRU Capacity included as consideration was adjusted to fair value as of the acquisition date resulting in a $3.1 million gain recorded in Other Income (Expense) in our Consolidated Statement of Operations for the year ended December 31, 2016.

We allocated the total consideration transferred to the acquired assets and liabilities assumed based on the relative fair value. The following table summarizes the allocation of total consideration (amounts in thousands):

Allocation of consideration to assets acquired and liabilities assumed:	
Property and equipment	$ 49,794
Deferred taxes	(12,211)
Deferred revenue	(3,815)
Total consideration	$ 33,768

(6) Intangible Assets and Goodwill

As of October 31, 2016, cable certificates, wireless licenses, broadcast licenses and goodwill were tested for impairment and we determined that these intangible assets were not impaired at December 31, 2016. The remaining useful lives of our cable certificates, wireless licenses, broadcast licenses and goodwill were evaluated as of October 31, 2016, and events and circumstances continue to support an indefinite useful life. There are no indicators of impairment of our intangible assets subject to amortization as of December 31, 2016.

Other Intangible Assets subject to amortization include the following at December 31, 2016 and 2015 (amounts in thousands):

	2016	2015
Software license fees	$ 80,839	63,760
Rights to use	45,114	44,937
Customer relationships	1,530	1,530
Right-of-way	784	784
	128,267	111,011
Less accumulated amortization	53,823	41,721
Net other intangible assets	$ 74,444	69,290

Changes in Goodwill and Other Intangible Assets are as follows (amounts in thousands):

	Goodwill	Other Intangible Assets
Balance at December 31, 2014	$ 229,560	66,015
Goodwill addition from acquisitions - Wireline Segment	9,703	—
Asset additions	—	15,023
Software impairment	—	(1,306)
Amortization expense	—	(10,442)
Balance at December 31, 2015	239,263	69,290
Asset additions	—	17,601
Amortization expense	—	(12,447)
Balance at December 31, 2016	$ 239,263	74,444

Amortization expense for definite-life intangible assets for the years ended December 31, 2016, 2015 and 2014 follow (amounts in thousands):

	Years Ended December 31,		
	2016	2015	2014
Amortization expense	$ 12,447	10,442	9,715

Amortized intangible assets are definite-life assets, and as such, we record amortization expense based on a method that most appropriately reflects our expected cash flows from these assets. Intangible assets that have finite useful lives are amortized over their useful lives using the straight-line method with a weighted-average life of 13.3 years.

Amortization expense for definite-life intangible assets for each of the five succeeding fiscal years is estimated to be (amounts in thousands):

Years Ending December 31,	
2017	$ 11,213
2018	$ 9,191
2019	$ 6,686
2020	$ 4,904
2021	$ 3,150

(7) Long-Term Debt

Long-term debt consists of the following (amounts in thousands):

	Issue Date	Interest Rate	Principal Payments	Maturity Date	December 31, 2016	December 31, 2015
Senior Credit Facility - Term Loan B	November 17, 2016	LIBOR plus 3.00%	0.25% of the original principal due quarterly	February 2, 2022[1]	$ 245,187	272,937
Senior Credit Facility - Term Loan A	November 17, 2016	LIBOR plus applicable margin[2]	Due at maturity	November 17, 2021[1]	215,000	240,000
Senior Credit Facility - Revolver	November 17, 2016	LIBOR plus applicable margin[2]	Due at maturity	November 17, 2021[1]	55,000	—
2025 Notes	April 1, 2015	6.875%	Due at maturity	April 15, 2025[3]	450,000	450,000
2021 Notes	May 20, 2011	6.75%	Due at maturity	June 1, 2021[4]	325,000	325,000
Searchlight note	February 2, 2015	7.5%	Due at maturity	February 2, 2023[5]	75,000	75,000
Wells Fargo note	June 30, 2014	LIBOR plus 2.25%	Monthly installments	July 15, 2029	8,596	9,176
Total Debt					1,373,783	1,372,113
Less unamortized discount					21,878	24,007
Less unamortized deferred loan fees					15,133	15,368
Less current portion of long-term debt					3,326	3,342
Long-term debt, net					$ 1,333,446	1,329,396

[1]The Senior Credit Facility will mature on December 3, 2020 if our 2021 Notes are not refinanced prior to such date.

[2]Applicable margin is based on the company's leverage ratio and ranges from 2.00% to 3.00%. Our Senior Credit Facility Total Leverage Ratio (as defined) may not exceed 5.95 to one; the Senior Leverage Ratio (as defined) may not exceed 3.00 to one; and our Interest Coverage Ratio (as defined) must not be less than 2.50 to one at any time.

[3]The notes are redeemable at our option, in whole or in part, at a redemption price defined in the 2025 Notes agreement, and accrued and unpaid interest (if any) to the date of redemption.

[4]The notes are redeemable at our option, in whole or in part, at a redemption price defined in the 2021 Notes agreement, and accrued and unpaid interest (if any) to the date of redemption.

[5]We may repay the Searchlight note beginning February 2, 2019.

(a) Senior Credit Facility

In November 2016, we amended our Senior Credit Facility. We paid loan fees and other expenses of $0.2 million that were expensed immediately in our Consolidated Statement of Operations for the year ended December 31, 2016 and $3.9 million that were deferred and are being amortized over the life of the Senior Credit Facility. We recorded a $0.6 million loss on extinguishment of debt in our Consolidated Statement of Operations for the year ended December 31, 2016 as part of this amendment.

We had a $55.0 million outstanding balance and $21.0 million in letters of credit under the $200.0 million Senior Credit Facility Revolver at December 31, 2016, which leaves $124.0 million available for borrowing as of December 31, 2016.

(b) 2025 Notes and 2021 Notes

Interest on the notes is payable semi-annually in arrears.

Upon the occurrence of a change of control, each holder of the 2025 and 2021 Notes will have the right to require us to purchase all or any part of such holder's 2025 or 2021 Notes at a purchase price equal to 101% of the principal amount of such notes, plus accrued and unpaid interest on such notes, if any. If we or certain of our subsidiaries engage in asset sales, we must generally either invest the net cash proceeds from such sales in our business within a period of time, prepay debt under any outstanding credit facility, or make an offer to purchase a principal amount of the notes equal to the excess net cash proceeds, with the purchase price equal to 100% of their principal amount, plus accrued and unpaid interest, if any.

In conjunction with the issuance of our 2025 Notes and the repayment of our 2019 Notes, we recorded a $27.7 million loss on extinguishment of debt in our Consolidated Statement of Operations for the year ended December 31, 2015.

(c) Searchlight Note

In conjunction with the Searchlight Note, we entered into a stock appreciation rights agreement pursuant to which we issued to Searchlight three million stock appreciation rights which entitles Searchlight to receive, upon exercise, an amount payable at our election in either cash or shares of GCI's Class A common stock equal in value to the excess of the fair market value of a share of GCI Class A common stock on the date of exercise over the price of $13.00. We allocated the $75.0 million in total proceeds received to the stock appreciation rights based on the fair value of the stock appreciation rights on the day of issuance with the remainder allocated to the Searchlight Note. The allocation resulted in a $21.7 million discount for the Searchlight Note that is being amortized over the term of the note using the effective interest method. See Note 9 of this Form 10-K for additional information on the stock appreciation rights. Searchlight became a related party as of February 2, 2015, see Note 13 of this Form 10-K for additional information.

We have the option to pay the annual interest obligation on the Searchlight Note in cash or by capitalizing such interest and adding it to the outstanding principal amount of the note. If we elect to capitalize interest in a given year, we are also required to issue additional stock appreciation rights in the amount of four hundredths of a stock appreciation right for each dollar of interest being capitalized.

(d) Covenants

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 our wholly owned subsidiary, GCI Holdings, Inc. and the subsidiary guarantors, as defined in the Senior Credit Facility, and on the stock of GCI Holdings, Inc. The Wells Fargo note is subject to similar affirmative and negative covenants as the Senior Credit Facility and is secured by a security interest and lien on the building purchased with the funds.

The 2025 and 2021 Note covenants restrict our wholly owned subsidiary, GCI, Inc. and certain of its subsidiaries from incurring additional debt or entering into sale and leaseback transactions; paying dividends or distributions on capital stock or repurchase capital stock; issuing stock of subsidiaries; making certain investments; creating liens on assets to secure debt; entering into transactions with affiliates; merging or consolidating with another company; and transferring and selling assets. Limitations and exceptions to note covenants and events of default are described in the 2025 Notes and 2021 Notes indentures.

We were in compliance with all covenants required by our notes and Senior Credit Facility as of December 31, 2016.

Maturities of long-term debt as of December 31, 2016 are as follows (amounts in thousands):

Years ending December 31,		
2017	$	3,326
2018		3,344
2019		3,362
2020		3,380
2021		598,399
2022 and thereafter		761,972
Total debt		1,373,783
Less unamortized discount		21,878
Less unamortized deferred loan fees		15,133
Less current portion of long-term debt		3,326
Long-term debt, net	$	1,333,446

(8) Income Taxes

Total income tax (expense) benefit of $(5.2) million, $1.8 million and $(10.0) million for the years ended December 31, 2016, 2015 and 2014, respectively, was allocated to income (loss) in each year. Income tax (expense) benefit consists of the following (amounts in thousands):

	Years Ended December 31,		
	2016	2015	2014
Deferred tax (expense) benefit:			
Federal taxes	$ (4,452)	1,360	(9,081)
State taxes	(753)	487	(948)
	$ (5,205)	1,847	(10,029)

Total income tax (expense) benefit differed from the “expected” income tax (expense) benefit determined by applying the statutory federal income tax rate of 35% as follows (amounts in thousands):

	Years Ended December 31,		
	2016	2015	2014
“Expected” statutory tax (expense) benefit	$ (374)	9,699	(24,246)
Nondeductible officer compensation	(1,424)	(1,906)	(1,351)
Nondeductible lobbying expenses	(1,192)	(442)	(425)
Nondeductible entertainment expenses	(1,029)	(1,059)	(1,125)
State income taxes, net of federal (expense) benefit	(753)	487	(948)
Nondeductible unrealized loss on derivative instrument with related party	1,092	(3,906)	—
Nondeductible original issue discount	(773)	(660)	—
Impact of non-controlling interest attributable to non-tax paying entity	—	220	18,255
Other, net	(752)	(586)	(189)
	$ (5,205)	$ 1,847	$ (10,029)

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities at December 31, 2016 and 2015 are summarized below (amounts in thousands):

		2016	2015
Deferred tax assets:			
Net operating loss carryforwards	$	111,236	139,238
Deferred revenue for financial reporting purposes		59,993	41,151
Asset retirement obligations in excess of amounts recognized for tax purposes		16,808	14,338
Compensated absences accrued for financial reporting purposes		3,505	3,339
Share-based compensation expense for financial reporting purposes in excess of amounts recognized for tax purposes		3,393	2,773
Accounts receivable, principally due to allowance for doubtful receivables		1,965	1,912
Workers compensation and self-insurance health reserves, principally due to accrual for financial reporting purposes		1,705	1,795
Alternative minimum tax credits		1,735	1,735
Deferred compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes		1,687	1,603
Other		11,515	13,144
Total deferred tax assets	$	213,542	221,028
Deferred tax liabilities:			
Plant and equipment, principally due to differences in depreciation	$	245,118	246,172
Intangible assets		106,061	79,255
Other		345	1,746
Total deferred tax liabilities		351,524	327,173
Net deferred tax liabilities	$	137,982	106,145

At December 31, 2016, we have tax net operating loss carryforwards of $272.1 million that will begin expiring in 2022 if not utilized, and alternative minimum tax credit carryforwards of $1.7 million available to offset regular income taxes payable in future years. Our utilization of remaining acquired net operating loss carryforwards is subject to annual limitations pursuant to Internal Revenue Code section 382 which could reduce or defer the utilization of these losses.

Our tax net operating loss carryforwards are summarized below by year of expiration (amounts in thousands):

Years ending December 31,		Federal	State
2022		10,236	11,371
2023		3,968	3,903
2024		722	—
2025		737	—
2026		150	—
2027		1,010	—
2028		39,879	39,715
2029		48,370	47,558
2031		110,933	109,376
2033		5,031	4,927
2034		39,133	37,866
2035		11,885	11,290
Total tax net operating loss carryforwards	$	272,054	266,006

Tax benefits associated with recorded deferred tax assets are considered to be more likely than not realizable through taxable income earned in carryback years, future reversals of existing taxable temporary differences, and future taxable income exclusive of reversing temporary differences and carryforwards. The amount of deferred tax assets considered realizable, however, could be reduced if estimates of future taxable income during the carryforward period are reduced.

We file federal income tax returns in the U.S. and in various state jurisdictions. We are not subject to U.S. or state tax examinations by tax authorities for years 2012 and earlier except that certain U.S. federal income tax returns for years after 2001 are not closed by relevant statutes of limitations due to unused net operating losses reported on those income tax returns.

We recognize accrued interest on unrecognized tax benefits in interest expense and penalties in selling, general and administrative expenses. We did not have any unrecognized tax benefits as of December 31, 2016, 2015 and 2014, and accordingly, we did not recognize any interest expense. Additionally, we recorded no penalties during the years ended December 31, 2016, 2015 and 2014.

We did not record any excess tax benefit generated from stock options exercised during the years ended December 31, 2016, 2015 and 2014, since we are in a net operating loss carryforward position and the income tax deduction will not yet reduce income taxes payable. The cumulative excess tax benefits generated for stock options exercised that have not been recognized is $7.4 million at December 31, 2016.

(9) Fair Value Measurements and Derivative Instrument

Recurring Fair Value Measurements

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2016 and 2015 are as follows (amounts in thousands):

December 31, 2016		Level 1 (1)	Level 2 (2)	Level 3 (3)	Total
Assets:					
Deferred compensation plan assets (mutual funds)	$	1,477	—	—	1,477
Liabilities:					
Derivative stock appreciation rights	$	—	—	29,700	29,700

December 31, 2015		Level 1 (1)	Level 2 (2)	Level 3 (3)	Total
Assets:					
Deferred compensation plan assets (mutual funds)	$	1,728	—	—	1,728
Liabilities:					
Derivative stock appreciation rights	$	—	—	32,820	32,820

(1) Quoted prices in active markets for identical assets or liabilities

(2) Observable inputs other than quoted prices in active markets for identical assets and liabilities

(3) Inputs that are generally unobservable and not corroborated by market data

The fair value of our mutual funds is determined using quoted market prices in active markets utilizing market observable inputs.

The fair value of our derivative stock appreciation rights was determined using a lattice-based valuation model (see the section "Derivative Financial Instrument" below for more information).

Current and Long-Term Debt
The carrying amounts and approximate fair values of our current and long-term debt, excluding capital leases at December 31, 2016 and 2015 are as follows (amounts in thousands):

	December 31, 2016		December 31, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Current and long-term debt	$ 1,336,772	1,393,865	1,332,738	1,390,743

The following methods and assumptions were used to estimate fair values:
- The fair values of the 6.75% Senior Notes due 2021 and the 6.875% Senior Notes due 2025 both issued by GCI, Inc. are based upon quoted market prices for the same or similar issues (Level 2).
- The fair value of our Searchlight Note is based on the current rates offered to us for similar remaining maturities plus an additional premium to reflect its subordination to our 2021 and 2025 Notes (Level 3).
- The fair value of our Senior Credit Facility and Wells Fargo note payable are estimated to approximate their carrying value because the instruments are subject to variable interest rates (Level 2).

Derivative Financial Instrument
In connection with the $75.0 million unsecured promissory note issued to Searchlight on February 2, 2015, we entered into a stock appreciation rights agreement pursuant to which we issued to Searchlight three million stock appreciation rights. Each stock appreciation right entitles Searchlight to receive, upon exercise, an amount payable at our election in either cash or shares of GCI's Class A common stock equal in value to the excess of the fair market value of a share of GCI Class A common stock on the date of exercise over the price of $13.00. The instrument is exercisable on the fourth anniversary of the grant date and will expire eight years from the date of grant. We have determined that the stock appreciation rights are required to be separately accounted for as a derivative instrument and are subject to fair value liability accounting under ASC 815-10.

We use a lattice-based valuation model to value the stock appreciation rights liability at each reporting date. The model incorporates transaction details such as our stock price, instrument term and settlement provisions, as well as highly complex and subjective assumptions about volatility, risk-free interest rates, issuer behavior and holder behavior. The lattice model uses highly subjective assumptions and the use of other reasonable assumptions could provide different results. The following table shows our significant assumptions and inputs used in the lattice-based valuation model to value the stock appreciation right liability at December 31, 2016 and 2015:

	2016	2015
Contractual term (in years)	2.1 - 6.1	4 - 8
Volatility	37.5 %	40.0 %
Risk-free interest rate	2.1 %	2.1 %

We revalue our derivative liability at each reporting period and recognize gains or losses in our Consolidated Statements of Operations attributable to the change in the fair value of the instrument. The derivative liability is included within Other Liabilities in our Consolidated Balance Sheets and is classified as Level 3 within the fair value hierarchy.

The following table summarizes the changes in fair value of all financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended December 31, 2016:

Fair Value Measurement Using Level 3 Inputs

		Derivative Stock Appreciation Rights
Balance at January 1, 2015	$	—
Issuance		21,660
Fair value adjustment at end of period, included in Other Income (Expense)		11,160
Balance at December 31, 2015	$	32,820
Fair value adjustment at end of period, included in Other Income (Expense)		(3,120)
Balance at December 31, 2016	$	29,700

(10) Stockholders' Equity

Common Stock
GCI's Class A and Class B common stock are identical in all respects, except that each share of Class A common stock has one vote per share and each share of Class B common stock has ten votes per share. Each share of Class B common stock outstanding is convertible, at the option of the holder, into one share of Class A common stock.

GCI's Board of Directors has authorized a common stock buyback program for the repurchase of GCI's Class A and Class B common stock in order to reduce the outstanding shares of Class A and Class B common stock. We are authorized to increase our repurchase limit $5.0 million per quarter indefinitely and to use stock option exercise proceeds to repurchase additional shares. If stock repurchases are less than the total approved quarterly amount, the difference may be carried forward and used to repurchase additional shares in future quarters.

During the years ended December 31, 2016, 2015 and 2014 we repurchased 3.5 million, 3.0 million, and 0.4 million shares, respectively, of our Class A common stock under the stock buyback program at a cost of $55.2 million, $47.4 million and $4.2 million, respectively. Under this program we are currently authorized to make up to $60.3 million of repurchases as of December 31, 2016.

We expect to continue the repurchases for an indefinite period dependent on leverage, liquidity, company performance, and market conditions and subject to continued oversight by GCI's Board of Directors.

Shared-Based Compensation
Our Amended and Restated 1986 Stock Option Plan ("Stock Option Plan"), provides for the grant of restricted stock awards for a maximum of 15.7 million shares of GCI Class A common stock, subject to adjustment upon the occurrence of stock dividends, stock splits, mergers, consolidations or certain other changes in corporate structure or capitalization. If an award expires or terminates, the shares subject to the award will be available for further grants of awards under the Stock Option Plan. The Compensation Committee of GCI's Board of Directors administers the Stock Option Plan. Substantially all restricted stock awards granted vest over periods of up to three years. The requisite service period of our awards is generally the same as the vesting period. New shares are issued when restricted stock awards are granted. We have 1.5 million shares available for grant under the Stock Option Plan at December 31, 2016.

The fair value of restricted stock awards is determined based on the number of shares granted and the quoted price of our common stock. We record share-based compensation expense only for those awards expected to vest using an estimated forfeiture rate based on our historical pre-vesting forfeiture data. We review our forfeiture estimates annually and adjust our share-based compensation expense in the period our estimate changes.

A summary of nonvested restricted stock award activity under the Stock Option Plan for the year ended December 31, 2016, follows (share amounts in thousands):

	Shares	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2016	1,495	$ 11.08
Granted	790	$ 17.87
Vested	(817)	$ 11.65
Forfeited	(3)	$ 16.09
Nonvested at December 31, 2016	1,465	$ 14.41

The weighted average grant date fair value of awards granted during the years ended December 31, 2016, 2015, and 2014 were $17.87, $15.06 and $10.04, respectively. The total fair value of awards vesting during the years ended December 31, 2016, 2015, and 2014 were $13.5 million, $17.0 million and $8.5 million, respectively. We have recorded share-based compensation expense of $11.0 million, $10.9 million, and $8.4 million for the years ended December 31, 2016, 2015, and 2014, respectively. Share-based compensation expense is classified as Selling, General and Administrative Expense in our Consolidated Statements of Operations. Unrecognized share-based compensation expense is $12.5 million as of December 31, 2016. We expect to recognize share-based compensation expense over a weighted average period of 2.0 years for restricted stock awards.

GCI 401(k) Plan

In 1986, we adopted an Employee Stock Purchase Plan (“GCI 401(k) Plan”) qualified under Section 401 of the Internal Revenue Code of 1986. The GCI 401(k) Plan provides for acquisition of GCI’s Class A common stock at market value as well as various mutual funds. We may match a percentage of the employees' contributions up to certain limits, decided by GCI’s Board of Directors each year. Our matching contributions allocated to participant accounts totaled $11.0 million, $9.8 million and $9.1 million for the years ended December 31, 2016, 2015 and 2014, respectively. We used cash to fund all of our employer-matching contributions during the years ended December 31, 2016, 2015 and 2014.

(11) Earnings (Loss) per Common Share

Earnings per common share ("EPS") and common shares used to calculate basic and diluted EPS consist of the following (amounts in thousands, except per share amounts):

	Year Ended December 31, 2016	
	Class A	Class B
Basic net loss per share:		
Numerator:		
Undistributed loss allocable to common stockholders	(3,343)	(324)
Denominator:		
Weighted average common shares outstanding	32,526	3,154
Basic net loss attributable to GCI common stockholders per common share	$ (0.10)	(0.10)
Diluted net loss per share:		
Numerator:		
Undistributed loss allocable to common stockholders for basic computation	$ (3,343)	(324)
Reallocation of undistributed loss as a result of conversion of Class B to Class A shares	(324)	—
Reallocation of undistributed loss as a result of conversion of dilutive securities	—	(154)
Effect of derivative instrument that may be settled in cash or shares	(1,837)	—
Effect of share based compensation that may be settled in cash or shares	(5)	—
Net loss adjusted for allocation of undistributed earnings and effect of contracts that may be settled in cash or shares	$ (5,509)	(478)
Denominator:		
Number of shares used in basic computation	32,526	3,154
Conversion of Class B to Class A common shares outstanding	3,154	—
Effect of derivative instrument that may settled in cash or shares	612	—
Effect of share based compensation that may be settled in cash or shares	26	—
Number of shares used in per share computation	36,318	3,154
Diluted net loss attributable to GCI common stockholders per common share	$ (0.15)	(0.15)

	Years Ended December 31,			
	2015		2014	
	Class A	Class B	Class A	Class B
Basic net income (loss) per share:				
Numerator:				
Net income (loss) available to common stockholders	$ (23,858)	(2,167)	6,980	577
Less: Undistributed income allocable to participating securities	—	—	(385)	—
Undistributed income (loss) allocable to common stockholders	$ (23,858)	(2,167)	6,595	577
Denominator:				
Weighted average common shares outstanding	34,764	3,157	36,112	3,162
Basic net income (loss) attributable to GCI common stockholders per common share	$ (0.69)	(0.69)	0.18	0.18
Diluted net income (loss) per share:				
Numerator:				
Undistributed income (loss) allocable to common stockholders for basic computation	$ (23,858)	(2,167)	6,595	577
Reallocation of undistributed earnings (loss) as a result of conversion of Class B to Class A shares	(2,167)	—	577	—
Reallocation of undistributed earnings (loss) as a result of conversion of dilutive securities	—	—	1	(2)
Net income (loss) adjusted for allocation of undistributed earnings (loss) and effect of contracts that may be settled in cash or shares	$ (26,025)	(2,167)	7,173	575
Denominator:				
Number of shares used in basic computation	34,764	3,157	36,112	3,162
Conversion of Class B to Class A common shares outstanding	3,157	—	3,162	—
Unexercised stock options	—	—	112	—
Number of shares used in per share computation	37,921	3,157	39,386	3,162
Diluted net income (loss) attributable to GCI common stockholders per common share	$ (0.69)	(0.69)	0.18	0.18

Weighted average shares associated with outstanding securities for the years ended December 31, 2016, 2015 and 2014 which have been excluded from the computations of diluted EPS, because the effect of including these securities would have been anti-dilutive, consist of the following (shares, in thousands):

	Years Ended December 31,		
	2016	2015	2014
Derivative instrument that may be settled in cash or shares	—	724	—
Shares associated with unexercised stock options	3	108	29
Share-based compensation that may be settled in cash or shares	—	26	26
Total excluded	3	858	55

(12) Industry Segments

Data

We have two reportable segments, Wireless and Wireline. Our reportable segments are business units that offer different products and are each managed separately. A description of our reportable segments follows:

Wireless - We offer wholesale wireless services.

Wireline - We provide 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.

We evaluate performance and allocate resources based on Adjusted EBITDA, which is defined as earnings plus imputed interest on financed devices before:

- Net interest expense,
- Income taxes,
- Depreciation and amortization expense,
- Loss on extinguishment of debt,
- Software impairment charge,
- Derivative instrument unrealized income (loss),
- Share-based compensation expense,
- Accretion expense,
- Loss attributable to non-controlling interest resulting from NMTC transactions,
- Gains and impairment losses on equity and cost method investments,
- Gain recorded for adjusting to fair value assets that were included as consideration paid to acquire a fiber system, and
- Other non-cash adjustments.

Management believes that this measure is useful to investors and other users of our financial information in understanding and evaluating operating performance as an analytical indicator of income generated to service debt and fund capital expenditures. In addition, multiples of current or projected Adjusted EBITDA are used to estimate current or prospective enterprise value.

The accounting policies of the reportable segments are the same as those described in Note 1 of this Form 10-K. We have no intersegment sales. We earn all revenues through sales of services and products within the United States. All of our long-lived assets are located within the United States of America, except approximately 82% of our undersea fiber optic cable systems which transit international waters and all of our satellite transponders.

Wireless plan fee and usage revenues from external customers are allocated between our Wireless and Wireline segments. The Wireless segment recorded subsidies to the Wireline segment related to wireless equipment sales based upon equipment sales and agreed-upon subsidy rates through the AWN transaction close on July 23, 2013. Subsequent to the transaction close and through March 31, 2014, although permitted, the Wireline segment was unable to meet the requirements in order to request a wireless equipment subsidy from the Wireless segment in accordance with the AWN agreements. These subsidies, which eliminate in consolidation, increase the Wireline segment Adjusted EBITDA and reduce the Wireless segment Adjusted EBITDA. The wireless equipment subsidy recorded by the Wireless segment was $0 million, $7.7 million, and $17.3 million for the years ended December 31, 2016, 2015 and 2014, respectively. Selling, general and administrative expenses are charged to the Wireless segment based upon a shared services agreement. The remaining selling, general and administrative expenses are charged to the Wireline segment.

Summarized financial information for our reportable segments for the years ended December 31, 2016, 2015 and 2014 follows (amounts in thousands):

	Wireless	Wireline	Total Reportable Segments
2016			
Revenues			
Wholesale	$ 208,109	—	208,109
Consumer	—	340,460	340,460
Business services	—	385,243	385,243
Total	208,109	725,703	933,812
Cost of Goods Sold	62,487	240,091	302,578
Contribution	145,622	485,612	631,234
Less SG&A	(16,439)	(341,917)	(358,356)
Plus share-based compensation expense	—	11,043	11,043
Plus imputed interest on financed devices	—	2,557	2,557
Plus accretion expense	252	977	1,229
Other	—	337	337
Adjusted EBITDA	$ 129,435	158,609	288,044
Capital expenditures	$ 34,555	159,923	194,478
Goodwill	$ 164,312	74,951	239,263
Total assets	$ 601,796	1,464,143	2,065,939

		Wireless	Wireline	Total Reportable Segments
2015				
Revenues				
Wholesale	$	267,676	—	267,676
Consumer		—	351,196	351,196
Business services		—	359,662	359,662
Total		267,676	710,858	978,534
Cost of Good Sold		70,899	251,439	322,338
Contribution		196,777	459,419	656,196
Less SG&A		(18,137)	(320,242)	(338,379)
Plus share-based compensation expense		—	10,902	10,902
Plus imputed interest on financed devices		—	751	751
Plus accretion expense		559	562	1,121
Other expense		—	(240)	(240)
Adjusted EBITDA	$	179,199	151,152	330,351
Capital expenditures	$	47,892	128,343	176,235
Goodwill	$	164,312	74,951	239,263
Total assets	$	594,250	1,372,690	1,966,940
2014				
Revenues				
Wholesale	$	269,977	—	269,977
Consumer		—	288,014	288,014
Business Services		—	352,207	352,207
Total		269,977	640,221	910,198
Cost of Good Sold		90,920	211,784	302,704
Contribution		179,057	428,437	607,494
Less SG&A		(21,631)	(272,016)	(293,647)
Plus share-based compensation expense		—	8,392	8,392
Plus accretion expense		733	516	1,249
Other expense		—	(372)	(372)
Adjusted EBITDA	$	158,159	164,957	323,116
Capital expenditures	$	30,243	145,866	176,109
Goodwill	$	164,312	65,248	229,560
Total assets	$	625,417	1,367,344	1,992,761

A reconciliation of consolidated income (loss) before income taxes to reportable segment Adjusted EBITDA follows (amounts in thousands):

Years Ended December 31,	2016	2015	2014
Consolidated income (loss) before income taxes	$ 1,069	(27,713)	69,273
Plus other expense, net	78,034	133,924	74,289
Consolidated operating income	79,103	106,211	143,562
Plus depreciation and amortization expense	193,775	181,767	170,285
Plus share-based compensation expense	11,043	10,902	8,392
Plus imputed interest on financed devices	2,557	751	—
Plus accretion expense	1,229	1,121	1,249
Plus software impairment charge	—	29,839	—
Other	337	(240)	(372)
Reportable segment Adjusted EBITDA	$ 288,044	330,351	323,116

We earn revenues included in both the Wireless and Wireline segment from a major customer. We had no major customers for the year ended December 31, 2016. We earned revenues from a major customer, net of discounts, of $130.8 million or 13%, and $108.3 million or 12% of total consolidated revenues for the years ended December 31, 2015, and 2014 respectively.

(13) Related Party Transactions

On July 11, 2016, we repurchased 1,000,000 shares of our Class A common stock for $16.1 million from John W. Stanton and Theresa E Gillespie, husband and wife, who continue to be significant shareholders of our Class B common stock.

As disclosed in Note 7 and Note 9 of this Form 10-K, we have an unsecured promissory note and stock appreciation rights with Searchlight. Searchlight received the right to nominate one person for appointment or election as a member of our Board of Directors pursuant to a Securityholder Agreement dated as of December 4, 2014. Searchlight became a related party on February 2, 2015 when we closed the Wireless Acquisition. Searchlight's nominee was appointed as a member of our Board of Directors on March 4, 2015.

We entered into a long-term capital lease agreement in 1991 with the wife of GCI's President and CEO for property occupied by us. The leased asset was capitalized in 1991 at the owner's cost of $0.9 million and the related obligation was recorded. The lease agreement was amended in April 2008 and our existing capital lease asset and liability increased by $1.3 million to record the extension of this capital lease. The amended lease terminates on September 30, 2026.

In January 2001 we entered into an aircraft operating lease agreement with a company owned by GCI's President and CEO. The lease was amended several times, most recently in May 2011. The lease term of the aircraft may be terminated at any time by us upon 12 months' written notice. The monthly lease rate of the aircraft is $132,000. In 2001, we paid a deposit of $1.5 million in connection with the lease. The deposit will be repaid to us no later than six months after the agreement terminates.

ACS was a related party for financial statement reporting purposes through the date of the Wireless Acquisition on February 2, 2015. Included in our related party disclosures were ACS' provision to us of local service lines and network capacity in locations where we did not have our own facilities, our provision to ACS of wholesale wireless services for their use of our network to sell services to their respective retail customers, and our receipt of ACS' high cost support from USF for its wireless customers. For the period January 1, 2015 to February 2, 2015, we paid ACS $6.2 million and received $8.1 million in payments from ACS. For the year ended December 31, 2014, we paid ACS $62.9 million and received $50.9 million in payments from ACS. We also have long-term capacity exchange agreements with ACS for which no money is exchanged.

(14) Variable Interest Entities

New Markets Tax Credit Entities

We have entered into several arrangements under the NMTC program with US Bancorp to help fund a project that extended terrestrial broadband service for the first time to rural Northwestern Alaska communities via a high capacity hybrid fiber optic and microwave network ("TERRA-NW"). The NMTC program was provided for in the Community Renewal Tax Relief Act of 2000 (the "Act") to induce capital investment in qualified lower income communities. The Act permits taxpayers to claim credits against their federal income taxes for up to 39% of qualified investments in the equity of community development entities ("CDEs"). CDEs are privately managed investment institutions that are certified to make qualified low-income community investments.

On August 30, 2011, we entered into the first arrangement ("NMTC #1"). In connection with the NMTC #1 transaction, we loaned $58.3 million to TIF, a special purpose entity created to effect the financing arrangement, at 1% interest due August 30, 2041. Simultaneously, US Bancorp invested $22.4 million in TIF. TIF then contributed US Bancorp's contribution and the loan proceeds to certain CDEs. The CDEs, in turn, loaned the $76.8 million in funds less payment of placement fees, at interest rates varying from 1% to 3.96%, to our wholly owned subsidiary, Unicom, Inc. ("Unicom") as partial financing for TERRA-NW.

On October 3, 2012, we entered into the second arrangement ("NMTC #2"). In connection with the NMTC #2 transaction we loaned $37.7 million to TIF 2 and TIF 2-USB, special purpose entities created to effect the financing arrangement, at 1% interest due October 2, 2042. Simultaneously, US Bancorp invested $17.5 million in TIF 2 and TIF 2-USB. TIF 2 and TIF 2-USB then contributed US Bancorp's contributions and the loan proceeds to certain CDEs. The CDEs, in turn, loaned the $55.2 million in funds less payment of placement fees, at interest rates varying from 0.7099% to 0.7693%, to Unicom, as partial financing for TERRA-NW.

On December 11, 2012, we entered into the third arrangement ("NMTC #3"). In connection with the NMTC #3 transaction we loaned $8.2 million to TIF 3, a special purpose entity created to effect the financing arrangement, at 1% interest due December 10, 2042. Simultaneously, US Bancorp invested $3.8 million in TIF 3. TIF 3 then contributed US Bancorp's contributions and the loan proceeds to a CDE. The CDE, in turn, loaned the $12.0 million in funds less payment of placement fees, at an interest rate of 1.35%, to Unicom, as partial financing for TERRA-NW.

US Bancorp is the sole investor in TIF, TIF 2, TIF 2-USB and TIF 3, and as such, is entitled to substantially all of the benefits derived from the NMTCs. All of the loan proceeds to Unicom, net of syndication and arrangement fees, were restricted for use on TERRA-NW. Restricted cash of $0.9 million and $1.1 million was held by Unicom at December 31, 2016 and 2015, respectively, and is included in our Consolidated Balance Sheets. We completed construction of TERRA-NW and placed the final phase into service in 2014.

These transactions include put/call provisions whereby we may be obligated or entitled to repurchase US Bancorp's interests in TIF, TIF 2, TIF 2-USB and/or TIF 3. We believe that US Bancorp will exercise the put options in August 2018, October 2019 and December 2019, at the end of the compliance periods for NMTC #1, NMTC #2 and NMTC #3, respectively. The NMTCs are subject to 100% recapture for a period of seven years as provided in the Internal Revenue Code. We are required to be in compliance with various regulations and contractual provisions that apply to the NMTC arrangements. Non-compliance with applicable requirements could result in projected tax benefits not being realized by US Bancorp. We have agreed to indemnify US Bancorp for any loss or recapture of NMTCs until such time as our obligation to deliver tax benefits is relieved. There have been no credit recaptures as of December 31, 2016. The value attributed to the put/calls is nominal.

We have determined that TIF, TIF 2, TIF 2-USB and TIF 3 are VIEs. The consolidated financial statements of TIF, TIF 2, TIF 2-USB and TIF 3 include the CDEs discussed above. The ongoing activities of the VIEs – collecting and remitting interest and fees and NMTC compliance – were all considered in the initial design and are not expected to significantly affect economic performance throughout the life of the VIEs. Management considered the contractual arrangements that obligate us to deliver tax benefits and provide various other guarantees to US Bancorp; US Bancorp's lack of a material interest in the underlying economics of the project; and the fact that we are obligated to absorb losses of the VIEs. We concluded that we are the primary beneficiary of each and consolidated the VIEs in accordance with the accounting standard for consolidation.

US Bancorp's contributions, net of syndication fees and other direct costs incurred in structuring the NMTC arrangements, are included in Non-controlling Interests on the Consolidated Balance Sheets. Incremental costs to maintain the structure during the compliance period are recognized as incurred to selling, general and administrative expense.

The assets and liabilities of our consolidated VIEs were $140.9 million and $104.2 million, respectively, as of December 31, 2016 and 2015.

The assets of the VIEs serve as the sole source of repayment for the debt issued by these entities. US Bank does not have recourse to us or our other assets, with the exception of customary representations and indemnities we have provided. We are not required and do not currently intend to provide additional financial support to these VIEs. While these subsidiaries are included in our consolidated financial statements, these subsidiaries are separate legal entities and their assets are legally owned by them and not available to our creditors.

Equity Method Investment
We owned a 40.8% interest in a next generation carrier-class communications services firm that we accounted for using the equity method and due to a reconsideration event determined that the entity was a VIE. During the second quarter of 2015, it became apparent that we would not recover the carrying value of our investment. We determined that the fair value of the equity investment was $0 and subsequently wrote-off the entire value of our investment resulting in an impairment loss of $12.6 million for the year ended December 31, 2015 that is recorded in Other Income (Expense) in our Consolidated Statement of Operations. The fair value determination was based upon market information obtained during the second quarter of 2015, the estimated liquidation value of the entity's assets and the amount of senior secured debt at the valuation date. The entity has subsequently closed its operations and is in the process of selling its assets. We do not have a contractual obligation to provide additional financing and we have no exposure to loss related to our involvement with the VIE.

(15) Commitments and Contingencies

Operating Leases as Lessee
We lease business offices, have entered into site lease agreements, and use satellite transponder and fiber capacity and certain equipment pursuant to operating lease arrangements. Many of our leases are for multiple years and contain renewal options. Rental costs under such arrangements amounted to $58.9 million, $51.5 million and $43.8 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Capital Leases as Lessee
We entered into a long-term capital lease agreement in 1991 with the wife of GCI's President and CEO for property occupied by us as further described in Note 13 of this Form 10-K.

We have a capital lease agreement for transponder capacity on Intelsat, Ltd.'s ("Intelsat") Galaxy 18 spacecraft. The Intelsat Galaxy 18 C-band and Ku-Band transponders are being leased over an expected term of 14 years. At lease inception the present value of the lease payments, excluding telemetry, tracking and command services and back-up protection, was $98.6 million.

A summary of future minimum lease payments follows (amounts in thousands):

Years ending December 31:	Operating	Capital
2017	$ 46,249	13,433
2018	35,822	13,440
2019	27,525	13,450
2020	22,047	13,459
2021	16,797	12,044
2022 and thereafter	37,063	7,705
Total minimum lease payments	$ 185,503	73,531
Less amount representing interest		13,884
Less current maturity of obligations under capital leases		9,331
Long-term obligations under capital leases, excluding current maturity		$ 50,316

The leases generally provide that we pay the taxes, insurance and maintenance expenses related to the leased assets. Several of our leases include renewal options, escalation clauses and immaterial amounts of contingent rent expense. We expect that in the normal course of business leases that expire will be renewed or replaced by leases on other properties.

Guaranteed Service Levels
Certain customers have guaranteed levels of service with varying terms. In the event we are unable to provide the minimum service levels we may incur penalties or issue credits to customers.

Self-Insurance
Through December 31, 2016, we were self-insured for losses and liabilities related to health and welfare claims up to $700,000 per incident per year above which third party insurance applied. A reserve of $4.0 million and $4.1 million are recorded at December 31, 2016 and 2015, respectively, to cover estimated reported losses, estimated unreported losses based on past experience modified for current trends, and estimated expenses for settling claims. We are self-insured for all losses and liabilities related to workers' compensation claims in Alaska and have a workers compensation excess insurance policy to make claims for any losses in excess of $500,000 per incident. A reserve of $2.9 million and $3.6 million are recorded at December 31, 2016 and 2015, respectively, to cover estimated reported losses and estimated expenses for open and active claims. Actual losses will vary from the recorded reserves. While we use what we believe are pertinent information and factors in determining the amount of reserves, future additions or reductions to the reserves may be necessary due to changes in the information and factors used.

We are self-insured for damage or loss to certain of our transmission facilities, including our buried, undersea, and above-ground transmission lines. If we become subject to substantial uninsured liabilities due to damage or loss to such facilities, our financial position, results of operations or liquidity may be adversely affected.

Litigation, Disputes, and Regulatory Matters
We are 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 our financial position, results of operations or liquidity.

Universal Service
As an ETC, we receive support from the USF for the provision of wireline local access and wireless service in Remote and Urban high cost areas as further described in Note 1 of this Form 10-K. For both Remote and Urban high cost support revenue, our ability to collect our accrued USF support is contingent upon continuation of the USF program and upon our eligibility to participate in that program, which are subject to change by future regulatory, legislative or judicial actions. We adjust revenue and the account receivable in the period the FCC makes a program change or we assess the likelihood that such a change has increased or decreased revenue. Our revenue for providing local and wireless services in these areas would be materially adversely affected by a substantial reduction of USF support.

Tribal Mobility Fund I Grant
In February 2014, the FCC announced our winning bids in the Tribal Mobility Fund I auction for a $41.4 million grant to partially fund expansion of our 3G wireless network, or better, to locations in Alaska where we would not otherwise be able to construct within our return-on-investment requirements. We received $0 million and $13.8 million in 2016 and 2015, respectively, and expect to receive $27.6 million in additional grant fund disbursements in the future depending on the timing of upgrades completed and test results submitted to and approved by the FCC.

(16) Software
Impairment
During the years ended December 31, 2013 and 2014, we internally developed computer software in our Wireline segment to replace our wireless, Internet, video, local service, and long distance customer billing systems. During the first quarter of 2015, we completed a detailed assessment of our progress to date and determined it was no longer probable that the computer software being developed would be completed and placed in service. Our assessment concluded that the cost of continuing the development would be much higher than originally estimated, and the timing and scope risks were substantial. We identified development work, hardware, and software recorded as Construction in Progress through the first quarter of 2015, that may be applicable to our replacement customer billing solution, future internally developed software, and other system needs and therefore should remain capital assets. We considered the remaining capital expenditures for this billing system to have a fair value of $0 and recorded an impairment charge of $20.7 million during the year ended December 31, 2015 by recording an expense which is included in Software Impairment Charge in our Consolidated Statement of Operations.

During the year ended December 31, 2015, we reassessed our plans for our internally developed machine-to-machine billing system in our Wireline segment, and decided to no longer market this system to third parties. Accordingly, we recognized an impairment of $7.1 million during the year ended December 31, 2015 by recording an expense which is included in Software Impairment Charge in our Consolidated Statement of Operations.

During the year ended December 31, 2015, we evaluated user management software we purchased in 2014 in our Wireline segment and determined that we would not be able to use the software. Accordingly we recognized an impairment of $1.0 million during the year ended December 31, 2015 by recording an expense which is included in Software Impairment Charge in our Consolidated Statement of Operations.

(17) Selected Quarterly Financial Data
(Unaudited)

The following is a summary of unaudited quarterly results of operations for the years ended December 31, 2016 and 2015 (amounts in thousands, except per share amounts):

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2016					
Total revenues	$	231,098	233,766	236,655	232,293
Operating income	$	20,019	19,531	26,368	13,185
Net income (loss)	$	982	3,298	7,827	(16,243)
Net income (loss) attributable to GCI	$	1,099	3,415	7,943	(16,124)
Basic net income (loss) attributable to GCI per common share	$	0.03	0.09	0.21	(0.47)
Diluted net income (loss) attributable to GCI per common share	$	(0.04)	(0.01)	0.14	(0.47)
2015					
Total revenues	$	231,089	247,528	258,573	241,344
Operating income	$	741	39,203	45,473	20,794
Net income (loss)	$	(18,725)	(15,757)	17,495	(8,879)
Net income (loss) attributable to GCI	$	(19,269)	(15,627)	17,631	(8,760)
Basic net income (loss) attributable to GCI per common share	$	(0.49)	(0.41)	0.45	(0.24)
Diluted net income (loss) attributable to GCI per common share	$	(0.49)	(0.41)	0.44	(0.24)

Item 15(b). Exhibits

Listed below are the exhibits that are filed as a part of this Report (according to the number assigned to them in Item 601 of Regulation S-K):

Exhibit No.	Description	Where Located
3.1	Restated Articles of Incorporation of the Company dated August 20, 2007	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 2007 filed March 7, 2008.
3.2	Amended and Restated Bylaws of the Company dated June 27, 2016	Incorporated by reference to The Company's Report on Form 8-K for the period June 27, 2016 filed June 30, 2016.
4.1	General Communication, Inc. Amended and Restated 1986 Stock Option Plan	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 2014 filed March 7, 2015.
4.2	Amended and Restated Securityholder Agreement by and among General Communication, Inc., Searchlight ALX, L.P., and Searchlight ALX, LTD dated as of July 13, 2015	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2015.
4.3	Unsecured Promissory Note Due 2023 entered into as of July 13, 2015 by and between General Communication, Inc. and Searchlight ALX, LTD	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2015.

Exhibit No.	Description	Where Located
4.4	Amended and Restated Stock Appreciation Rights Agreement entered into as of July 13, 2015 by and between General Communication, Inc. and Searchlight ALX, LTD	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2015.
4.5	Amendment to the Amended and Restated Securityholder Agreement entered into as of September 7, 2016 by and between General Communication, Inc. and Searchlight ALX, LTD	Incorporated by reference to The Company's Report on Form 8-K for the period September 7, 2016 filed September 8, 2016.
10.1	Order approving Application for a Certificate of Public Convenience and Necessity to operate as a Telecommunications (Intrastate Interexchange Carrier) Public Utility within Alaska	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 1991.
10.2	The GCI Special Non-Qualified Deferred Compensation Plan [1]	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 1995.
10.3	Transponder Purchase Agreement for Galaxy X between Hughes Communications Galaxy, Inc. and GCI Communication Corp.	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 1995.
10.4	Lease Agreement dated September 30, 1991 between RDB Company and General Communication, Inc.	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 1991.
10.5	Transponder Lease Agreement between General Communication Incorporated and Hughes Communications Satellite Services, Inc., executed August 8, 1989	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 1993.
10.6	Addendum to Galaxy X Transponder Purchase Agreement between GCI Communication Corp. and Hughes Communications Galaxy, Inc. dated August 24, 1995	Incorporated by reference to The Company's Amendment No. 1 to Form S-3/A Registration Statement (File No. 333-28001) dated July 8, 1997.
10.7	First Amendment to Lease Agreement dated as of September 2002 between RDB Company and GCI Communication Corp. as successor in interest to General Communication, Inc.	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 2002.
10.8	Aircraft lease agreement between GCI Communication Corp., and Alaska corporation and 560 Company, Inc., an Alaska corporation, dated as of January 22, 2001	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 2002.
10.9	First amendment to aircraft lease agreement between GCI Communication Corp., and Alaska corporation and 560 Company, Inc., an Alaska corporation, dated as of February 8, 2002	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 2002.
10.10	Full-time Transponder Capacity Agreement with PanAmSat Corporation dated March 31, 2006 #	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended March 31, 2006.
10.11	Registration Rights Agreement dated as of March 5, 2007 between General Communication, Inc. and John W. Stanton and Theresa E. Gillespie	Incorporated by reference to Exhibit 3 of the Schedule 13D dated March 5, 2007 filed on March 12, 2007.
10.12	Second Amendment to Lease Agreement dated as of April 8, 2008 between RDB Company and GCI Communication Corp. as successor in interest to General Communication, Inc.	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended March 31, 2008.

Exhibit No.	Description	Where Located
10.13	First Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated February 15, 2008 #	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2009.
10.14	Second Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated April 9, 2008 #	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2009.
10.15	Third Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated June 4, 2008 #	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2009.
10.16	Fourth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated June 4, 2008 #	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2009.
10.17	Fifth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated September 30, 2008 #	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2009.
10.18	Sixth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated October 31, 2008 #	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2009.
10.19	Seventh Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated November 6, 2008 #	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2009.
10.20	Eighth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated June 8, 2009 #	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2009.
10.21	Second Amended and Restated Credit Agreement dated as of January 29, 2010 by and among GCI Holdings, Inc., the other parties thereto and Calyon New York Branch, as administrative agent, and the other Lenders party thereto	Incorporated by reference to The Company's Report on Form 8-K for the period January 29, 2010 filed February 3, 2010.
10.22	Ninth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated June 29, 2010 #	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended June 30, 2010 filed August 5, 2010.
10.23	Amended and restated aircraft lease agreement between GCI Communication Corp., and Alaska corporation and 560 Company, Inc., an Alaska corporation, dated as of February 25, 2005	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 2010, filed March 15, 2011.
10.24	First amendment to the amended and restated aircraft lease agreement between GCI Communication Corp., and Alaska corporation and 560 Company, Inc., an Alaska corporation, dated as of December 27, 2010	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 2010, filed March 15, 2011.
10.25	Tenth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated September 24, 2010 #	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 2010, filed March 15, 2011.

Exhibit No.	Description	Where Located
10.26	Eleventh Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated September 23, 2010 #	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 2010, filed March 15, 2011.
10.27	Twelfth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated November 5, 2010 #	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 2010, filed March 15, 2011.
10.28	Broadband Initiatives Program Loan/Grant and Security Agreement between United Utilities, Inc. and the United States of America dated as of June 1, 2010 #	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 2010, filed March 15, 2011.
10.29	Indenture dated as of May 20, 2011 between GCI, Inc. and Union Bank, N.A., as trustee	Incorporated by reference to GCI, Inc.'s Report on Form 8-K for the period May 20, 2011 filed May 25, 2011.
10.30	Supplemental Indenture dated as of May 23, 2011 between GCI, Inc. and Union Bank, N.A., as trustee	Incorporated by reference to GCI, Inc.'s Report on Form 8-K for the period May 20, 2011 filed May 25, 2011.
10.31	Second Amended and Restated Aircraft Lease Agreement between GCI Communication Corp., an Alaska corporation and 560 Company, Inc., an Alaska corporation, dated May 9, 2011	Incorporated by reference to The Company’s Quarterly Report on Form 10-Q for the period ended June 30, 2011 filed August 9, 2011.
10.32	Credit Agreement dated August 30, 2011 by and between Unicom, Inc. as borrower and Northern Development Fund VIII, LLC as Lender and Travois New Markets Project CDE X, LLC as Lender and Waveland Sub CDE XVI, LLC as Lender and Alaska Growth Capital Bidco, Inc. as Disbursing Agent	Incorporated by reference to The Company's Report on Form 8-K for the period August 30, 2011 filed September 6, 2011.
10.33	Credit Agreement dated October 3, 2012 by and between Unicom, Inc. as borrower and USBCDE Sub-CDE 74, LLC as Lender and Cherokee Nation Sub-CDE II, LLC as Lender and LBCDE Sub2, LLC as Lender and Waveland Sub CDE XXII, LLC as Lender	Incorporated by reference to The Company's Report on Form 8-K for the period October 3, 2012 filed October 9, 2012.
10.34	Thirteenth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated March 14, 2011 #	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 2012, filed March 8, 2013.
10.35	Fourteenth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated June 7, 2011 #	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 2012, filed March 8, 2013.
10.36	Fifteenth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated December 29, 2011 #	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 2012, filed March 8, 2013.
10.37	Sixteenth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated December 21, 2012 #	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 2012, filed March 8, 2013.

Exhibit No.	Description	Where Located
10.38	Seventeenth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated June 4, 2013 #	Incorporated by reference to The Company’s Quarterly Report on Form 10-Q for the period ended September 30, 2013 filed November 8, 2013.
10.39	Eighteenth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated October 17, 2013 #	Incorporated by reference to The Company’s Quarterly Report on Form 10-Q for the period ended September 30, 2013 filed November 8, 2013.
10.40	Broadband Initiatives Program Loan/Grant and Security Agreement between United Utilities, Inc. and The United States of America dated June 1, 2010	Incorporated by reference to The Company’s Quarterly Report on Form 10-Q for the period ended September 30, 2013 filed November 8, 2013.
10.41	Nineteenth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication Corp. dated March 20, 2014 #	Incorporated by reference to The Company’s Quarterly Report on Form 10-Q for the period ended March 31, 2014 filed May 5, 2014.
10.42	Twentieth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication Corp. dated August 11, 2014 #	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ending December 31, 2014 filed March 5, 2015.
10.43	Fourth Amended and Restated Credit Agreement dated as of February 2, 2015 by and among GCI Holdings, Inc., GCI, Inc., the Subsidiary Guarantors party thereto, the Lenders party thereto, Union Bank, as Syndication Agent, Suntrust Bank, as Documentation Agent and Credit Agricole Corporate and Investment Bank, as Administrative Agent	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ending December 31, 2014 filed March 5, 2015.
10.44	Twenty-First Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication Corp. dated August 11, 2014 #	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended March 31, 2015 filed May 8, 2015
10.45	Indenture dated as of April 1, 2015 between GCI, Inc. and MUFG Union Bank, N.A., as trustee	Incorporated by reference to GCI, Inc.'s Report on Form 8-K for the period April 1, 2015 filed April 6, 2015.
10.46	Twenty-Second Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication Corp. dated August 11, 2014 #	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended June 30, 2015 filed August 5, 2015
10.47	First Amendment to the Fourth Amended and Restated Credit Agreement dated as of February 2, 2015	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended June 30, 2015 filed August 5, 2015
10.48	Twenty-Third Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication Corp. dated August 11, 2014 #	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2015 filed November 5, 2015
10.49	Twenty-Fourth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication Corp. dated August 11, 2014 #	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2015 filed November 5, 2015

Exhibit No.	Description	Where Located
10.50	Twenty-Fifth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication Corp. dated December 31, 2015 #	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ending December 31, 2015 filed March 3, 2016
10.51	Second Amendment to the Fourth Amended and Restated Credit Agreement dated as of February 2, 2015	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ending December 31, 2015 filed March 3, 2016
10.52	Twenty-Sixth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication Corp. dated March 7, 2016 #	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended March 31, 2016 filed May 5, 2016
10.53	Twenty-Seventh Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication Corp. dated June 17, 2016 #	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended June 30, 2016 filed August 3, 2016
10.54	Master Lease Agreement among The Alaska Wireless Network, LLC, AWN Tower Company, LLC and General Communication, Inc. dated August 1, 2016	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2016 filed November 4, 2016
10.55	Third Amendment to the Fourth Amended and Restated Credit Agreement dated as of November 17, 2016	Incorporated by reference to The Company's Report on Form 8-K for the period November 17, 2016 filed November 23, 2016.
10.56	Fourth Amendment to the Fourth Amended and Restated Credit Agreement dated as of November 17, 2016	Incorporated by reference to The Company's Report on Form 8-K for the period November 17, 2016 filed November 23, 2016.
10.57	Twenty-Eighth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication Corp. dated October 31, 2016 # *	
10.58	Description of Incentive Compensation Plan for Named Executive Officers [1] *	“Executive Compensation” in Part III of this Annual Report on Form 10-K for the year ending December 31, 2016.
14	Code Of Business Conduct and Ethics	Incorporated by reference to The Company's Report on Form 8-K for the period September 27, 2013 filed October 3, 2013.
21.1	Subsidiaries of the Registrant *	
23.1	Consent of Grant Thornton LLP (Independent Public Accountant for Company) *	
31	Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *	
32	Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *	

Exhibit No.	Description	Where Located
101	The following materials from General Communication, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2016 and 2015; (ii) Consolidated Income Statements for the years ended December 31, 2016, 2015 and 2014; (iii) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2016, 2015 and 2014; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014; and (v) Notes to Consolidated Financial Statements *	

#	CONFIDENTIAL PORTION has been omitted pursuant to a request for confidential treatment by us to, and the material has been separately filed with, the SEC. Each omitted Confidential Portion is marked by three asterisks.
*	Filed herewith.
[1]	Constitute management contracts or compensatory plans.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GENERAL COMMUNICATION, INC.

By: /s/ Ronald A. Duncan
Ronald A. Duncan, President
(Chief Executive Officer)

Date: March 2, 2017

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title	Date
/s/ Stephen M. Brett Stephen M. Brett	Chairman of Board and Director	March 2, 2017
/s/ Ronald A. Duncan Ronald A. Duncan	President and Director (Principal Executive Officer)	March 2, 2017
/s/ Bridget L. Baker Bridget L. Baker	Director	March 2, 2017
/s/ Jerry A. Edgerton Jerry A. Edgerton	Director	March 2, 2017
/s/ Scott M. Fisher Scott M. Fisher	Director	March 2, 2017
/s/ William P. Glasgow William P. Glasgow	Director	March 2, 2017
/s/ Mark W. Kroloff Mark W. Kroloff	Director	March 2, 2017
/s/ Stephen R. Mooney Stephen R. Mooney	Director	March 2, 2017
/s/ James M. Schneider James M. Schneider	Director	March 2, 2017
/s/ Eric L. Zinterhofer Eric L. Zinterhofer	Director	March 2, 2017
/s/ Peter J. Pounds Peter J. Pounds	Senior Vice President, Chief Financial Officer, and Secretary (Principal Financial Officer)	March 2, 2017
/s/ Lynda L. Tarbath Lynda L. Tarbath	Vice President, Chief Accounting Officer (Principal Accounting Officer)	March 2, 2017

****CONFIDENTIAL PORTION has been omitted pursuant to a request for confidential treatment by the Company to, and the material has been separately filed with, the SEC. Each omitted Confidential Portion is marked by four asterisks.

TWENTY-EIGHTH AMENDMENT TO THE FULL-TIME TRANSPONDER CAPACITY AGREEMENT (PRE-LAUNCH)

This Twenty-Eighth Amendment to the Full-time Transponder Capacity Agreement (Pre-Launch) (the "Twenty-Eighth Amendment") is made and entered into as of this 31st day of October, 2016 (the "Effective Date") by and between INTELSAT CORPORATION, a Delaware corporation ("Intelsat"), and GCI COMMUNICATIONS CORP., an Alaskan corporation ("Customer").

RECITALS

WHEREAS, pursuant to that certain Full-Time Transponder Capacity Agreement (Pre-Launch) dated as of March 31, 2006, as amended (collectively, the "Agreement") between Intelsat and Customer, Intelsat is providing Customer with **** transponders on ****; **** transponders on ****; **** Transponders on **** (the "**** Transponders"); **** Transponder **** on ****; **** Transponder **** on ****; and **** Transponder **** on ****; and

WHEREAS, Customer wishes to **** Transponder on ****, as further defined below;

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and of mutual covenants and agreements hereinafter set forth, the sufficiency and receipt of which is hereby acknowledged, the parties agree as follows:

1. Except as specifically provided herein, all terms and provisions of the Agreement shall remain in full force and effect.

2. Section 1.1, Description of Capacity. This Section shall be deleted and replaced with the following:

   "Intelsat agrees to provide to Customer and Customer agrees to accept from Intelsat, ****), in ****, for the Capacity Term (as defined here), the **** Transponder Capacity (defined below) meeting the "Performance Specifications" set forth in the "Technical Appendix" attached hereto as Appendix B. For purposes of this Agreement, the "**** Transponder Capacity" or "**** Transponders" shall consist of (a) **** (as defined in Section 1.2, below) **** transponders (collectively, the "**** Transponders' and individually, the "**** Transponder") from that certain U.S. domestic satellite referred to by Intelsat as "****," located in geostationary orbit at **** Longitude, (b) **** transponders from the **** of that certain satellite referred to by Intelsat as "****" at **** Longitude ("**** Transponder"); (c) **** Transponder **** on ****; (d) **** Transponder **** on ****; (e) and **** Transponder **** on ****."

3. Article 2, Capacity Term. The Capacity Term for **** Transponder shall be **** on ****.

4. Section 3.1, **** Fee. Customer's **** Fee for the **** shall be as set forth in Appendix A.

5. Except as specifically set forth in this Amendment, all terms and conditions of the Agreement remain in full force and effect.

IN WITNESS WHEREOF, each of the Parties hereto has duly executed and delivered this Twenty-Eighth Amendment as of the day and year above written.

INTELSAT CORPORATION	GCI COMMUNICATION CORP.
By: _/s/ Stephen Chernow___________	By: _/s/ Jimmy Sipes_______________
Name: _Stephen Chernow___________	Name: _Jimmy Sipes_______________
Title: _VP & Deputy General Counsel___	Title: _VP Network Services & Chief Engineer
Date: _10-31-2016__________________	Date: _10-27-2016_________________

APPENDIX A

CUSTOMER'S TRANSPONDER CAPACITY AND PAYMENT SCHEDULE FOR
GCI COMMUNICATIONS CORP.

SVO #	**** / Transponder No	Transponder Type	Capacity Term	**** Fee
	****	****	**** - ****	US$**** **
	****	****	**** - ****	US$**** **
	****	****	**** - ****	US$**** *
	****	****	**** - ****	US$**** **
	****	****	**** - ****	US$**** **
	****	****	**** - ****	US$**** **
	****	****	**** - ****	US$**** *
	****	****	**** - ****	US$**** **
	****	****	**** - ****	US$**** *
	****	****	**** - ****	US$**** *
	****	****	**** - ****	US$**** *
	****	****	**** - ****	US$**** **
	****	****	**** - ****	US$**** *
	****	****	**** - ****	US$**** *
	****	****	**** - ****	US$**** *
	****	****	**** - ****	US$**** ***
	****	****	**** - ****	US$**** ***
	****	****	**** - ****	US$**** ***
	****	****	**** - ****	US$**** ***
	****	****	**** - ****	US$**** ***
	****	****	**** - ****	US$**** ** US$**** **
	****	****	**** - ****	US$**** ****
	****	****	**** - ****	US$**** **
	****	****	**** - ****	US$**** ***
	****	****	**** - ****	US$**** **
	****	****	**** - ****	US$**** ***
	****	****	**** - ****	US$**** **
	****	****	**** - ****	US$**** ***
	****	****	**** - ****	US$**** **

* **** Fee includes US$**** for **** and the US$**** for each of Customer's **** Transponders under Article 14. If the **** Transponder is **** or when Customer is **** a Transponder on **** (of its successor satellite), the **** Fee for such **** Transponder shall be ****. If, however, the **** Transponder ****, then the **** Fee for such **** Transponder **** to the **** Fee. The **** fee shall be ****.

** **** Fee includes US$**** for **** Fee and the US$**** for each of Customer's **** Transponders with **** under Article 15. If the **** Transponder is **** or when Customer is using a Transponder on ****, the **** Fee for such affected Customer's **** Transponder shall be ****. If, however, the **** Transponder later ****, then the **** Fee for such **** Transponder shall ****. The **** Fee shall be ****.

*** **** Fee includes US$**** for **** and the US$**** for each of the Customer's **** Transponder **** Fees, **** (hereinafter referred to as the "**** Fee" as **** is the ****), **** for transponder ****. If the **** Transponder ****, the **** Fee for such affected **** Transponder shall be ****. If, however, the **** Transponder ****, then the **** Fee for such **** Transponder shall **** Fee. The **** Fee shall be ****.

**** **** Fee includes US$**** for ****. No **** is provided for this Transponder.

APPENDIX B

TECHNICAL APPENDIX

Satellite Information	
Satellite:	****
Orbital Location:	**** **Longitude**
Uplink Beam/Band:	**** / ****
Downlink Beam/Band:	**** / ****
Nominal Transponder Bandwidth:	****
Customer Transponder Capacity Allocation:	****

1.0 INTRODUCTION

This Technical Appendix contains the Performance Specifications for the **** transponders assigned to the **** Uplink beam - **** Downlink beam. As described further herein the specifications are **** transponder and **** as noted ****.

2.0 SATELLITE PERFORMANCE CHARACTERISTICS

Orbital Tolerances:	Longitude Tolerance:	**** degrees
	Inclination Tolerance:	**** degrees

2.1 Communication Antenna Pointing. The Satellite will maintain the orientation of its communications antenna relative to the earth such that the EIRP, G/T and SFD described in Section 3.1 are maintained.

3.0 COMMUNICATION SYSTEM PERFORMANCE CHARACTERISTICS

3.1 EIRP, G/T and SFD within Beam Coverage Area. Figure B-1 provides EIRP contours for the **** Downlink Beam, while Figure B-2 provides G/T contours for the **** Uplink Beam. These contours permit the user to estimate EIRP and G/T for any location within the Beam Coverage Areas. Minimum beam reference EIRP for the Transponder is ****, minimum beam reference G/T for the transponder is ****. The SFD (****) is ****.

Note: Beam Reference Contour values are based on the representative beam patterns attached. The contours are provided for estimation purposes only. It is recommended that a **** margin be included when utilizing the contours.

3.1.1 Input Attenuators. The gain of each transponder is adjustable by ground command over a range of **** in **** increments.

3.1.2 Saturation. For the purposes of this Specification, saturation is defined as the point on the single carrier power-out versus power-in transfer curve corresponding to the operating point that provides the specified EIRP output power and simultaneously meets the required linearity.

3.1.3 <u>SFD Gain Stability.</u> The SFD shall not vary by more than **** over any **** and **** the Satellite for the specified coverage area.

a) Including the **** the transponder.
b) Excluding the ****.
a) Excluding **** spacecraft **** errors.
b) Including ****.

Figure B-1. ****

****

[Map of a region of the Earth with an overlay of numbered contour

lines of specific magnitudes in units of dBW.]

(EIRP Contours: **** dBW)

Figure B-2. **** Uplink Beam

[Map of a region of the Earth with an overlay of numbered contour

lines of specific magnitudes in units of dB/K.]

(G/T Contours: **** dB/K)

3.1.4 Two Carriers and Multi-carrier Operation. The values provided in Sections 3.1 are based on the occupancy of the transponder by a single carrier. While subject to final approval by Intelsat and based on specific transponder configuration, dual-carrier operation (2 carriers), or multi-carrier operation (3 or more carriers) must be conducted with a composite output and input backoff meeting the following specifications:

Mode	Output	Input (see Note below)
Multi Carrier:	****	****
Single Carrier (in fractional lease, 2-carriers per transponder):	****	****

Note: For operation of carrier modulation other than QPSK, additional power constraints may be imposed in order to reduce the generation of intermodulation and other spurious signals.

Prior to carrier activation, Customer must provide Intelsat with a transmission plan detailing the proposed carrier frequency, modulation and coding type, as well as required yearly service availability level, along with other pertinent technical information, for approval by Intelsat. The approval will consist of the specific carrier operational parameters. Intelsat reserves the right to adjust the composite input backoff to achieve the specified output backoff.

3.1.5 EIRP Change Due to Redundant Power Amplifier. When any transponder is switched from its primary HPA to an adjacent HPA, the transponder output power shall not decrease by more than **** relative to the EIRP using the primary power amplifier.

3.1.6 Gain Change Due to First Redundant Receiver. When the first receiver is substituted for a redundant receiver, the gain of the affected transponders shall not decrease by more than ****.

3.2 SATELLITE COMMUNICATION SYSTEM EXPECTED PERFORMANCE

3.2.1 Co-Channel Interference. The Total Co-Channel Interference ratio due to interference from co-frequency carriers on the satellite is expected to be on average better than **** for most locations within the Beam Reference Contour.

3.2.2 Nominal Channel Frequencies and Polarization. Each Transponder in the Beam Coverage Area shall use the Uplink and Downlink frequency range provided in Table 1 below. Moreover, the Beam Coverage Area shall be accessible by either linear vertical or horizontal polarization. Intelsat reserves the right to assign and/or reassign Customer's space segment allocation within the Transponder or to other Transponders or Satellites within the applicable Uplink and/or Downlink Beam Coverage Area. Except in emergency circumstances, Intelsat shall notify Customer of any changes to its initial allocation as soon as reasonably practicable prior to such change and shall use reasonable efforts to minimize disruption to Customer's Transponder Capacity during any such change.

3.2.3 Frequency Translation. The communication system translates Uplink transmissions by a net frequency subtraction identified in Table 1 below. The net translation error is not expected to exceed ****.

Table 1. Frequency Range and Corresponding Translation Frequency

Uplink Band	Downlink Band	Translation Frequency
****	****	****

End of Appendix B.

Exhibit 21.1

SUBSIDIARIES OF THE REGISTRANT

Entity	Jurisdiction of Organization	Name Under Which Subsidiary Does Business
Alaska United Fiber System Partnership	Alaska	Alaska United Fiber System Partnership, Alaska United Fiber System, Alaska United
BBN, Inc.	Alaska	BBN, BBN, Inc.
Bortek, LLC	Delaware	Bortek, Bortek, LLC
Cycle30, Inc.	Alaska	Cycle30, Inc., Cycle30
Denali Media Anchorage, Corp.	Alaska	Denali Media Anchorage, Corp.
Denali Media Holdings, Corp.	Alaska	Denali Media Holdings, Corp., DMH
Denali Media Juneau, Corp.	Alaska	Denali Media Juneau, Corp.
Denali Media Southeast, Corp.	Alaska	Denali Media Southeast, Corp.
GCI, Inc.	Alaska	GCI, Inc.
GCI Cable, Inc.	Alaska	GCI Cable, GCI Cable, Inc.
GCI Communication Corp.	Alaska	GCI, GCC, GCICC, GCI Communication Corp.
GCI Community Development, LLC	Alaska	GCI Community Development, LLC
GCI Fiber Communication Co., Inc.	Alaska	GCI Fiber Communication, Co., Inc., GFCC, Kanas
GCI Holdings, Inc.	Alaska	GCI Holdings, Inc.
GCI NADC, LLC	Alaska	GCI, GCI NADC, LLC
GCI SADC, LLC	Alaska	GCI, GCI SADC, LLC
GCI Wireless Holdings, LLC	Alaska	GCI Wireless Holdings, LLC
Integrated Logic, LLC	Alaska	Integrated Logic
Kodiak-Kenai Cable Co., LLC	Alaska	KKCC, Kodiak-Kenai Cable Co., LLC
Kodiak-Kenai Fiber Link, Inc.	Alaska	KKFL, Kodiak-Kenai Fiber Link, Inc.
Potter View Development Co., Inc.	Alaska	Potter View Development Co., Inc.
Supervision, Inc.	Alaska	Supervision, Supervision, Inc.
The Alaska Wireless Network, LLC	Delaware	The Alaska Wireless Network, AWN
Unicom, Inc.	Alaska	Unicom, Inc., Unicom
United-KUC, Inc.	Alaska	United-KUC, Inc., United-KUC, KUC
United Utilities, Inc.	Alaska	United Utilities, Inc. United Utilities, UUI
United2, LLC	Alaska	United2, LLC, United2
Yukon Tech, Inc.	Alaska	Yukon Tech, Yukon Tech, Inc.
Yukon Tel. Co., Inc.	Alaska	Yukon Tel, Yukon Tel. Co., Inc.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated March 2, 2017, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of General Communication, Inc. on Form 10-K for the year ended December 31, 2016. We consent to the incorporation by reference of said reports in the Registration Statements of General Communication, Inc. on Forms S-8 (File Nos. 33-60728, 333-08760, 333-66877, 333-45054, 333-106453, 333-152857, 33-60222, 333-08758, 333-08762, 333-87639, 333-59796, 333-99003, 333-117783, 333-144916, 333-165878, and 333-188434).

/s/ GRANT THORNTON LLP

Seattle, Washington
March 2, 2017

Exhibit 31.1

SECTION 302 CERTIFICATION

I, Ronald A. Duncan, certify that:

1. I have reviewed this annual report on Form 10-K of General Communication, Inc. for the period ended December 31, 2016;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 2, 2017

/s/ Ronald A. Duncan

Ronald A. Duncan
President and Director

Exhibit 31.2

SECTION 302 CERTIFICATION

I, Peter J. Pounds, certify that:

1. I have reviewed this annual report on Form 10-K of General Communication, Inc. for the period ended December 31, 2016;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 2, 2017

/s/ Peter J. Pounds

Peter J. Pounds

Senior Vice President, Chief Financial Officer, and Secretary (Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of General Communication, Inc. (the "Company") on Form 10-K for the period ended December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ronald A. Duncan, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 2, 2017

/s/ Ronald A. Duncan

Ronald A. Duncan
Chief Executive Officer
General Communication, Inc.

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of General Communication, Inc. (the "Company") on Form 10-K for the period ended December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Peter J. Pounds, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 2, 2017

/s/ Peter J. Pounds

Peter J. Pounds
Chief Financial Officer
General Communication, Inc.