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, 2017

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. 001-38385

GCI LIBERTY, 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-1 common stock
Securities registered pursuant to Section 12(g) of the Act: Class B-1 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, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth 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 ☐
Emerging growth company ☐	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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, 2017 was $533,981,114. 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 23, 2018, was:

Class A-1 common stock – 32,848,000 shares; and
Class B-1 common stock – 3,047,000 shares.

GCI LIBERTY, INC.
2017 ANNUAL REPORT ON FORM 10-K
TABLE OF CONTENTS

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," "GCI Liberty," and “the Company” refer to GCI Liberty, Inc. and its direct and indirect subsidiaries. Prior to February 20, 2018, we were known as General Communication, Inc. On February 20, 2018, the Comissioner of the Department of Commerce, Community and Economic Development of the State of Alaska accepted for filing the amended and restated Articles of Incorporation that were approved by our shareholders at a special meeting held on February 2, 2018. The name change is a result of the Transactions described in "Part 1 - Item 1. Business - Narrative Description of our Business - Development of our Business During the Past Fiscal Year." Additionally, as of February 20, 2018, our Class A common stock and Class B common stock were reclassified into Class A-1 common stock and Class B-1 common stock, respectively.

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.

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. We operate the only statewide wireless network.

For the year ended December 31, 2017, we generated consolidated revenues of $919.2 million. We ended the period with 219,400 wireless subscribers and 134,800 cable modem subscribers.

Development of our Business During the Past Fiscal Year

Transaction with Liberty Interactive Corporation. On April 4, 2017, General Communication, Inc., Liberty Interactive Corporation, a Delaware corporation ("Liberty") and Liberty Interactive LLC, a Delaware limited liability company and a direct wholly-owned subsidiary of Liberty ("Liberty LLC"), entered into an Agreement and Plan of Reorganization (as may be amended from time to time, the "Reorganization Agreement" and the transactions contemplated thereby, the "Transactions"). Pursuant to the Reorganization Agreement, General Communication, Inc. amended and restated its articles of incorporation resulting in General Communication, Inc. being renamed GCI Liberty, Inc. and a reclassification and auto conversion of its common stock. Following these events, Liberty will acquire GCI through a reorganization in which certain interests, assets and liabilities of the Liberty Ventures Group ("Liberty Ventures") will be contributed to GCI Liberty in exchange for a controlling interest in GCI Liberty. The assets to be contributed to GCI Liberty are expected to include Liberty's equity interests in Liberty Broadband and Charter Communications, Inc. along with certain other equity interests, together with the operating business of Evite, Inc. and certain other assets and liabilities, in exchange for (a) the issuance to Liberty LLC of (i) a number of shares of GCI Liberty Class A Common Stock and a number of shares of GCI Liberty Class B Common Stock equal to the number of outstanding shares of Series A Liberty Ventures common stock and Series B Liberty Ventures common stock outstanding on the closing date of the contribution, respectively, and (ii) cash, and (b) the assumption by GCI Liberty of certain liabilities attributed to Liberty Ventures.

Following the contribution and acquisition of GCI Liberty, Liberty will then effect a tax-free separation of its controlling interest in GCI Liberty to the holders of Liberty Ventures common stock in full redemption of all outstanding shares of such stock. As a result of the Transactions, holders of GCI common stock (regardless of class) each will receive (i) 0.63 of a share of GCI Liberty Class A common stock and (ii) 0.20 of a share of new GCI Liberty Series A Cumulative Redeemable preferred stock in exchange for each share of their existing GCI common stock. The exchange ratios were determined based on total consideration of $32.50 per share in respect of each share of existing GCI common stock, comprised of $27.50 per share in GCI Liberty Class A common stock and $5.00 per share in newly issued GCI Liberty Series A Cumulative Redeemable preferred stock, based upon a Liberty Ventures reference price of $43.65 (with no premium paid for shares of GCI Class B common stock) and an initial liquidation price of $25.00 per share of GCI Liberty Series A Cumulative Redeemable preferred stock. The GCI Liberty Series A Cumulative Redeemable preferred stock will accrue dividends at an initial rate of 5% per annum (which would increase to 7% in connection with a future reincorporation of GCI Liberty in Delaware) and will be redeemable upon the 21st anniversary of the closing. The closing of the Transactions are expected to be consummated on March 9, 2018, subject to the satisfaction of customary closing conditions.

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

Business Strategy

We intend to grow the company 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.

We operate our business under a single reportable segment. Effective in the first quarter of 2017, we reassessed and reorganized our management and internal reporting structures in order to make our operations more efficient, which triggered an analysis of our reportable segments. As a result of our assessment, we merged our former Wireless and Wireline segments into one operating segment. We realigned our external financial reporting to support this change. Our chief operating decision maker assesses our financial performance as follows:

- Capital expenditure decisions are based on the support they provide to all revenue streams
- Revenues are managed on the basis of specific customers and customer groups
- Costs are generally managed and assessed by function and generally support the organization across all customer groups or revenue streams
- Profitability is assessed at the consolidated level

Prior to 2017, we operated our business under two reportable segments - Wireline and Wireless. As a result of the reorganization of our reporting structure, assets, including goodwill, and liabilities were reassigned to a single reporting unit.

Services and Products

We offer services and products to two major customer groups as follows:

Services and Products	Customer Group: Consumer	Customer Group: Business
Wireless		
Retail	X	X
Wholesale		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 - We offer a full range of wireless, data, video, voice, and managed services to businesses, governmental entities, and educational institutions, wholesale data, voice, and wireless 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, voice, and wireless services, and data services to rural schools and health organizations through direct contact marketing.

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.

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.

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").
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.

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.

Competition

We operate in intensely competitive industries and compete with a 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, service bundles, the services and enhancements offered, network quality, customer service, billing services, statewide network coverage and capacity, TurboZone, the type of wireless handsets offered, and perceived quality, reliability and availability. 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, service bundles, the services and enhancements 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 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 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 major customer in 2017 and 2016. Verizon was a major customer in 2015.

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 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 business. We own two utility patents issued in 2017 pertaining to device diagnostics and network connectivity. 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. 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 Universal Service Fund ("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 are 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 mandated that as of January 1, 2017, Urban high cost support for 2017 and 2018 would 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 — 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 prohibited broadband providers from blocking or throttling most lawful public Internet traffic, from engaging in paid prioritization of that traffic, and from unreasonably interfering with or disadvantaging end users' and edge providers’ ability to send traffic to, from, and among each other. The order also strengthened the FCC’s 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 allowed broadband providers to engage in reasonable network management, including using techniques to address traffic congestion. These rules applied equally to wired and wireless broadband services. The order refrained from applying rate regulation and tariff requirements on broadband services. On January 4, 2018, the FCC released an order that returned to a Title I classification of Internet service and eliminated many of the requirements described above. There are various efforts in Congress, through the federal courts of appeal, and through state legislation to re-impose the rules adopted in 2015. While we do not believe that the 2015 FCC order conflicts with our existing practices or offerings, the re-imposition of that regulatory framework would impose regulatory burdens, likely would increase our costs, and could adversely affect the manner and price of providing service.

Rural Health Care Program. The USF Rural Health Care ("RHC") Program subsidizes the rates for services provided to rural health care providers. For the funding year that ran from July 1, 2016 through June 30, 2017, USAC received requests for funds that exceeded the funding available for the RHC Program. USAC allocated the funding on a pro-rata basis to rural health care providers who submitted their funding requests during a certain period. We provide services to rural health care providers who were impacted by the pro-rata allocation and as a result certain of our customers did not receive the full subsidy that was expected under the program. Under the program rules, we are forbidden from lowering our rates for services previously provided, however, the FCC published an order on June 30, 2017 to assist eligible remote Alaska rural health care providers by allowing Alaska service providers, such as us, to retroactively lower their rates, or effectively giving a credit against amounts owed, for services provided. Based on these specific circumstances, we decided to retroactively lower our rates to these customers pursuant to the FCC waiver, and as a result we reduced revenue by $5.5 million during the year ended December 31, 2017, to aid our rural health care provider customers who were impacted by the pro-rata allocation.

The FCC issued an Order and Notice of Proposed Rulemaking (“NPRM”) on December 18, 2017 and announced that requests for funds has exceeded the amount available for the funding year that runs from July 1, 2017 through June 30, 2018 (“FY2017”). The Order specifically addresses relief if a FY2017 proration is needed and directs USAC to use unused RHC program funding available at the time of proration to lower or eliminate the proration factor first for all qualifying funding requests from non-consortia health care providers. All of our customers in the FY2017 and included in our December 31, 2017 accounts receivable are non-consortia health care providers. The FCC and USAC have given no guidance as to the amount of unused funding available, thus we cannot predict the amount of any such shortfall.

The NPRM seeks comment about potential reforms to the RHC program to address future program shortfalls. We cannot predict at this time what changes, if any, that the FCC will adopt or the impact of any such changes.

Schools and Libraries Program . In 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.

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, in 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. 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 - 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 Alaska Communications Systems Group, Inc.'s (“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 — 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. In 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.

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. On July 7, 2017, ACS filed a petition in which it asked the FCC to regulate us as an ILEC pursuant to section 251(h)(2) of the Communications Act, including the requirement to provide competitors with access to unbundled network elements. We cannot predict at this time the outcome of this proceeding. However, grant of the petition in its entirety may subject us to regulatory burdens that could materially impact our costs.

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. In 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 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 2,208 persons as of December 31, 2017, 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, various service integration strategies, and business alliances, major providers are striving to strengthen their competitive positions. 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, see the section titled “Competition” included in “Part 1 — Item 1 — Business — Description of our Business.”

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 that 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.

We use tower facilities for the provision of our wireless services. 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 an applicant 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. In 2015, the FCC adopted an order reclassifying Internet service as a telecommunications service under Title II of the Communications Act. The order prohibited broadband providers from blocking or throttling most lawful public Internet traffic, from engaging in paid prioritization of that traffic, and from unreasonably interfering with or disadvantaging end users' and edge providers' ability to send traffic to, from, and among each other. The order also strengthened the FCC's 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 allowed broadband providers to engage in reasonable network management, including using techniques to address traffic congestion. The new rules applied equally to wired and wireless broadband services. The order refrained from imposing rate regulation or tariff requirements on broadband services.

On January 4, 2018, the FCC released an order that returned to a Title I classification of Internet service and eliminated many of the requirements described above. There are various efforts in Congress, through the federal courts of appeal, and through state legislation to re-impose the rules adopted in 2015. We cannot predict whether the FCC will re-impose the 2015 rules, but if it did, it is possible that the FCC could interpret or apply those rules in a way that has a material adverse effect on our business, financial position, results of operations, or liquidity.

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. 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 26%, 24%, and 19% of our revenue for the years ended December 31, 2017, 2016 and 2015, respectively. We had USF net receivables of $131.8 million and $100.5 million at December 31, 2017 and 2016, 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.

Additionally, the USF RHC Program subsidizes the rates for services provided to rural health care providers. USAC received requests for support that exceeded the available RHC Program funding for the first time in the funding year that ran from July 1, 2016 through June 30, 2017. We expect that the support requests will continue to exceed the program's annual cap for the funding year ending June 30, 2018 and possibly subsequent funding years. We provide services to rural health care providers who may be impacted by funding caps and as a result may not receive the full subsidy that was expected under the program. We cannot predict the impact of future RHC Program funding caps but they may negatively affect our financial position, results of operations, or liquidity.

See "Description of Our Business — Regulation — Wireless Services and Products — Universal Service" and "Description of Our Business — 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 voice services' results of operations, which include long-distance and local access services, may accelerate.

We expect our 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 project.

We have entered into five separate arrangements under the NMTC program with US Bancorp to help fund various phases of our TERRA project. In connection with the NMTC transactions we received proceeds which were restricted for use on TERRA. 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 $65.8 million in NMTCs plus interest and penalties until such time as our obligation to deliver tax benefits is relieved. Our obligation to deliver tax benefits is relieved in various stages from August 2018 through December 2024. 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 stay abreast of new technology could affect our ability to compete in the industry.

We test and deploy various new technologies and support systems intended to enhance our competitiveness and increase the utility of our services. As our operations grow in size and scope, we must continuously improve and upgrade our systems and infrastructure while maintaining or improving the reliability and integrity of our systems and infrastructure. The emergence of alternative platforms such as mobile or tablet computing devices and the emergence of niche competitors who may be able to optimize products, services or strategies for such platforms will require new investment in technology. 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. There can be no assurance that we will be able to compete with advancing technology or introduce new technologies and systems as quickly as we would like or in a cost effective manner. 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 lower oil prices.

The Alaska economy is in a recession that started in late 2015. While it is difficult for us to predict the future impact of the continuing recession on our business, these conditions have had an adverse impact on our business and could continue to adversely affect the affordability of and demand for some of our products and services and cause customers to shift to lower priced products and services or to delay or forgo purchases of our products and services. Additionally, 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. If the recession continues, it could continue to 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.

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. 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 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 some of which are unringed, operating in a remote environment and are at times difficult to access for repairs. Damage to an undersea fiber optic cable system or TERRA and its extensions could result in significant unplanned expense. If a failure of both sides of the ring of our undersea fiber optic facilities or our ringed TERRA facility and its unringed 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.

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. The failure of our key suppliers to provide products or product support could have a material adverse effect on our business, financial position, and results of operations.

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;
- 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 $530.8 million of indefinite-lived intangible assets at December 31, 2017, consisting of goodwill of $242.3 million, cable certificates of $191.6 million, wireless licenses of $93.8 million and broadcast licenses of $3.1 million. Goodwill represents the excess of cost over fair value of net assets acquired in connection with business acquisitions. 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.

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, 2017, we have tax net operating loss carryforwards of $371.2 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, 2017, our executive officers and directors and their affiliates owned 15% of our combined outstanding 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.

We expect to incur significant costs and expenses in connection with the Transactions.

We expect to incur certain nonrecurring costs in connection with the consummation of the Transactions contemplated by the Reorganization Agreement, including advisory, legal and other transaction costs. A majority of these costs have already been incurred or will be incurred regardless of whether the Transactions are completed. While many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time, we continue to assess the magnitude of these costs, and additional unanticipated costs may be incurred in connection with the Transactions. Although we expect that the realization of benefits related to the Transactions will offset such costs and expenses over time, no assurances can be made that this net benefit will be achieved in the near term, or at all.

Additionally, the inputs that impact the estimate of value of our derivative stock appreciation rights have been impacted and may continue to be impacted by the Transactions with Liberty which could adversely affect our financial position or results of operations.

The announcement and pendency of the Transactions could divert the attention of management and cause disruptions in our business, which could have an adverse effect on our business and financial results.

Liberty and GCI are unaffiliated companies that are currently operated independently of each other. Our management may be required to divert a disproportionate amount of attention away from their respective day-to-day activities and operations, and devote time and effort to consummating the Transactions. The risks, and adverse effects, of such disruptions and diversions could be exacerbated by a delay in the completion of the Transactions. These factors could adversely affect our financial position or results of operations, regardless of whether the Transactions are completed.

We are subject to contractual restrictions while the Transactions are pending, which could adversely affect our business.

The Reorganization Agreement imposes certain restrictive interim covenants on us. For instance, the consent of Liberty is required in respect of, among other things, amendments to our organizational documents, share repurchases, certain actions relating to material contracts, certain employee benefit changes, limitations on capital expenditures and limitations on dispositions, payments of dividends, and certain issuances of shares of our common stock. These restrictions may prevent us from taking certain actions before the closing of the Transactions or the termination of the Reorganization Agreement, including making certain acquisitions or otherwise pursuing certain business opportunities, or making certain changes to our capital stock, that our board of directors may deem beneficial.

Failure to complete the Transactions could negatively impact our stock price, future business, and financial results.

If the Transactions are not completed for any reason, we may be subject to numerous risks, including the following:

- We may experience negative reactions from the financial markets, including negative impacts on the price of our common stock, or from customers, regulators, and employees;
- We may be required to pay Liberty a termination fee in connection with the termination of the Reorganization Agreement under certain circumstances;
- We may experience reputational harm due to the adverse perception of any failure to successfully complete the Transactions; and
- We may experience harm to our business due to the following: (i) operating under the restrictions on the conduct of our business set forth in the Reorganization Agreement, (ii) having our management divert attention away from their respective day-to-day activities and operations and devoting time and effort to consummating the Transactions and (iii) incurring significant costs, including advisory, legal and other transaction costs, each as explained above, without realizing any of the benefits of having completed the Transactions.

In addition, we could be subject to the cost of litigation related to any dispute regarding an alleged failure of a closing condition or any related enforcement proceeding commenced against us to perform our obligations under the Reorganization Agreement or any of the other transaction documents, as well as any judgment potentially sustained against us in any such action. All of these risks, expenses and contingencies could adversely affect our financial position and results of operation.

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 properties 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-1 common stock are traded on the Nasdaq Global Select Market ^{SM} under the symbol GNCMA.

Shares of GCI’s Class B-1 common stock are traded on the OTCQX market under the symbol GNCMB. Each share of Class B-1 common stock is convertible, at the option of the holder, into one share of Class A-1 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-1 shares was obtained from the Nasdaq Stock Market System quotation system. Market price data for Class B-1 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-1		Class B-1	
		High	Low	High	Low
2017					
First Quarter	$	22.34	17.50	20.85	20.65
Second Quarter	$	38.39	20.35	38.05	31.61
Third Quarter	$	43.63	35.79	43.08	36.08
Fourth Quarter	$	42.95	38.52	42.46	39.00
2016					
First Quarter	$	20.23	16.41	19.40	17.70
Second Quarter	$	18.75	14.12	16.95	16.95
Third Quarter	$	17.25	12.26	13.55	13.55
Fourth Quarter	$	19.55	13.44	16.50	15.50

Holders

As of December 31, 2017, there were 1,988 holders of record of our Class A-1 common stock and 261 holders of record of our Class B-1 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.

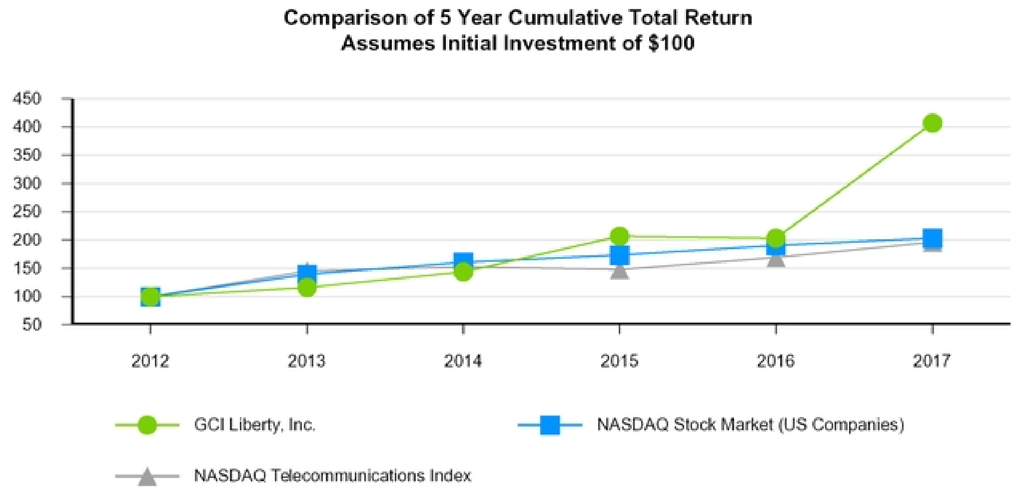
Performance Graph

The following graph includes a line graph comparing the yearly percentage change in our cumulative total shareholder return on our Class A-1 common stock during the five-year period 2013 through 2017. 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-1 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-1 common stock is traded on the OTCQX Market on a more limited basis. Therefore, comparisons similar to those previously described for the Class A-1 common stock are not directly available. However, the performance of Class B-1 common stock may be analogized to that of the Class A-1 common stock in that the Class B-1 common stock is readily convertible into Class A-1 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 GCI, 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 12/31/12	100.00	100.00	100.00
FYE 12/31/13	116.27	139.38	145.01
FYE 12/31/14	143.38	160.72	152.49
FYE 12/31/15	206.26	173.11	147.88
FYE 12/31/16	202.82	190.07	169.11
FYE 12/31/17	406.88	203.16	196.34

[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, 2012.

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,				
		2017	2016	2015	2014	2013
(Amounts in thousands except per share amounts)						
Revenues	$	919,204	933,812	978,534	910,198	811,648
Income (loss) before income taxes	$	(66,148)	1,069	(27,213)	69,273	42,684
Net income (loss)	$	(24,722)	(4,136)	(25,866)	59,244	31,727
Net income (loss) attributable to non-controlling interest	$	(476)	(469)	159	51,687	22,321
Net income (loss) attributable to GCI common stockholders	$	(24,246)	(3,667)	(26,025)	7,557	9,406
Basic net income (loss) attributable to GCI per common share	$	(0.70)	(0.10)	(0.69)	0.18	0.23
Diluted net income (loss) attributable to GCI per common share	$	(0.70)	(0.15)	(0.69)	0.18	0.23
Total assets	$	2,093,500	2,065,939	1,966,940	1,992,761	1,961,536
Long-term debt, including current portion and net of unamortized discount and deferred loan fees	$	1,382,048	1,336,772	1,332,738	1,027,061	1,037,462
Obligations under capital leases, including current portion	$	50,316	59,647	68,359	76,456	74,605
Tower obligation, excluding current portion	$	93,606	87,653	—	—	—
Total GCI stockholders' equity	$	9,166	22,719	88,263	167,356	157,144
Dividends declared per common share	$	—	—	—	—	—

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

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 adversely impacts the Alaska economy, which in turn can 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 have historically 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 lower oil prices.

The Alaska economy is in a recession that started in late 2015. While it is difficult for us to predict the future impact of the continuing recession on our business, these conditions have had an adverse impact on our business and could continue to adversely affect the affordability of and demand for some of our products and services and cause customers to shift to lower priced products and services or to delay or forgo purchases of our products and services. Additionally, 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. If the recession continues, it could continue to 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.

General Overview
Through our focus on long-term results, acquisitions, and strategic capital investments, we strive to consistently grow our earnings before interest, taxes, depreciation, and amortization. We have historically met our cash needs for operations and regular 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
On April 4, 2017, General Communication, Inc., Liberty and Liberty LLC, entered into an Agreement and Plan of Reorganization (as may be amended from time to time, the “Reorganization Agreement” and the transactions contemplated thereby, the “Transactions”). Pursuant to the Reorganization Agreement, General Communication, Inc. amended and restated its articles of incorporation resulting in General Communication, Inc. being renamed GCI Liberty, Inc. and a reclassification and auto conversion of its common stock. Following these events, Liberty will acquire GCI through a reorganization in which certain interests, assets and liabilities of the Liberty Ventures will be contributed to GCI Liberty in exchange for a controlling interest in GCI Liberty. The assets to be contributed to GCI Liberty are expected to include Liberty's equity interests in Liberty Broadband and Charter Communications, Inc. along with certain other equity interests, together with the operating business of Evite, Inc. and certain other assets and liabilities, in exchange for (a) the issuance to Liberty LLC of (i) a number of shares of GCI Liberty Class A Common Stock and a number of shares of GCI Liberty Class B Common Stock equal to the number of outstanding shares of Series A Liberty Ventures common stock and Series B Liberty Ventures common stock outstanding on the closing date of the contribution, respectively, and (ii) cash, and (b) the assumption by GCI Liberty of certain liabilities attributed to Liberty Ventures.

Following the contribution and acquisition of GCI Liberty, Liberty will then effect a tax-free separation of its controlling interest in GCI Liberty to the holders of Liberty Ventures common stock in full redemption of all outstanding shares of such stock. As a result of the Transactions, holders of GCI common stock (regardless of class) each will receive (i) 0.63 of a share of GCI Liberty Class A common stock and (ii) 0.20 of a share of new GCI Liberty Series A Cumulative Redeemable preferred stock in exchange for each share of their existing GCI common stock. The exchange ratios were determined based on total consideration of $32.50 per share in respect of each share of existing GCI common stock, comprised of $27.50 per share in GCI Liberty Class A common stock and $5.00 per share in newly issued GCI Liberty Series A Cumulative Redeemable preferred stock, based upon a Liberty Ventures reference price of $43.65 (with no premium paid for shares of GCI Class B common stock) and an initial liquidation price of $25.00 per share of GCI Liberty Series A Cumulative Redeemable preferred stock. The GCI Liberty Series A Cumulative Redeemable preferred stock will accrue dividends at an initial rate of 5% per annum (which would increase to 7% in connection with a future reincorporation of GCI Liberty in Delaware) and will be redeemable upon the 21st anniversary of the closing. The closing of the Transactions are expected to be consummated on March 9, 2018, subject to the satisfaction of customary closing conditions.

In the third quarter of 2016, we received $90.8 million for the initial closing to sell to Vertical Bridge Towers II, LLC (“Vertical Bridge”) the majority of our urban wireless rooftop and tower sites ("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. We sold additional tower sites to Vertical Bridge in 2017 for total consideration of $6.8 million.

The USF RHC Program subsidizes the rates for services provided to rural health care providers. USAC received requests for support that exceeded the available RHC Program funding for the first time in the funding year that ran from July 1, 2016 through June 30, 2017. We expect that the support requests will continue to exceed the program's annual cap for the funding year ending June 30, 2018 and possibly subsequent funding years. We provide services to rural health care providers who may be impacted by funding caps and as a result may not receive the full subsidy that was expected under the program. We cannot predict the impact of future RHC Program funding caps but they may negatively affect our financial position, results of operations, or liquidity.

In August 2016, the FCC published the Alaska High Cost Order which mandates that Urban high cost support will end at the beginning of 2019. We recognized $9.9 million for Urban high cost support in 2017 and expect to recognize $9.9 million in 2018 and $0 in 2019.

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 included 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

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

	2017	2016	2015	Percentage Change 2017 vs. 2016	Percentage Change 2016 vs. 2015
Consumer[1]					
Wireless	$ 167,733	177,801	199,862	(6)%	(11)%
Data	145,757	140,196	130,213	4 %	8 %
Video	99,609	107,305	115,074	(7)%	(7)%
Voice	23,783	26,734	30,110	(11)%	(11)%
Business[2]					
Wireless	104,614	105,355	151,710	(1)%	(31)%
Data	308,480	296,202	269,472	4 %	10 %
Video	18,039	20,102	18,819	(10)%	7 %
Voice	51,189	60,117	63,274	(15)%	(5)%
Total revenue	$ 919,204	933,812	978,534	(2)%	(5)%

[1] Includes revenues from sales to residential customers and, for 2017, also includes sales to small business customers.

[2] Includes revenues from sales to businesses, governmental entities, educational and medical institutions, and common carrier customers and for 2016 and 2015 includes sales to small business customers.

Selected key performance indicators follow:

	2017	2016	2015	Percentage Change 2017 vs. 2016	Percentage Change 2016 vs. 2015
Consumer					
Data:					
Cable modem subscribers[1]	124,900	129,500	129,000	(4)%	— %
Video:					
Basic subscribers[2]	97,200	107,600	113,900	(10)%	(6)%
Homes passed	252,500	250,800	251,900	1 %	— %
Voice:					
Total local access lines in service[3]	48,900	53,400	55,200	(8)%	(3)%
Business					
Data:					
Cable modem subscribers[1]	9,900	10,100	9,600	(2)%	5 %
Voice:					
Total local access lines in service[3]	38,500	41,100	41,800	(6)%	(2)%
Consumer and Business Combined					
Wireless					
Consumer wireless lines in service[4]	196,800	198,600	201,900	(1)%	(2)%
Business wireless lines in service[4]	22,600	23,900	25,900	(5)%	(8)%
Total wireless lines in service	219,400	222,500	227,800	(1)%	(2)%

[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. On January 1, 2017, we transferred 3,100 small business cable modem subscribers from Business to Consumer. We adjusted the previously reported subscriber numbers as of December 31, 2016 and 2015 for the number of subscribers that were transferred on January 1, 2017 and for database cleanup in preparation for our new billing system.

[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. On January 1, 2017, we transferred 500 small business basic subscribers from Business to Consumer. We adjusted the previously reported subscriber numbers as of December 31, 2016 and 2015 for the number of subscribers that were transferred on January 1, 2017 and for database cleanup in preparation for our new billing system.

[3] A local access line in service is defined as a revenue generating circuit or channel connecting a customer to the public switched telephone network. On January 1, 2017, we transferred 4,800 small business local access lines from Business to Consumer. We adjusted the previously reported subscriber numbers as of December 31, 2016 and 2015 for the number of subscribers that were transferred on January 1, 2017.

[4] A wireless line in service is defined as a revenue generating wireless device. On January 1, 2017, we transferred 3,700 small business wireless lines from Business to Consumer. We adjusted the previously reported subscriber numbers as of December 31, 2016 and 2015 for the number of subscribers that were transferred on January 1, 2017.

Consumer
The recession in Alaska has impacted our ability to increase our number of subscribers and customers cutting back on the services the receive from us, which have impacted our revenues.

The items contributing to the decrease in wireless revenue for 2017 and 2016 include:
- A $6.5 million or 9% and $15.9 million or 18% decrease in plan fee revenue in 2017 and 2016, respectively, primarily due to discounts given to customers who finance or bring their own device and a decrease in the number of subscribers primarily due to the recession in Alaska, and
- A $4.9 million or 16% and $2.4 million or 7% decrease in equipment sales revenue in 2017 and 2016, respectively. The decrease in equipment sales revenue in 2017 was primarily due to the absence of the adjustment explained in the following discussion. The decrease in equipment sales revenue in 2016 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 decreases in 2017 and 2016 were also partially due to a decrease in the number of wireless devices sold.

The increase in data revenue in 2017 is primarily due to subscribers' selection of plans that offer higher speeds and higher usage limits and revenue from small business subscribers transferred from our Business customer group. The increase was partially offset by a decrease in the overall number of subscribers. The increase in data revenue in 2016 is primarily due to a $12.8 million or 11% increase in cable modem revenue for 2016 due to an increase in the average number of subscribers and our subscribers’ selection of plans that offer higher speeds and higher usage limits.

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
The recession in Alaska has had an impact on both the number of businesses in Alaska as well as the services that business customers have chosen. The decrease in the number of businesses and services have impacted our revenues and we expect it to continue impacting us until the recession in Alaska ends.

Business 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 decline in oil prices which negatively impacts certain of our customers.

The increase in data revenue in 2017 and 2016 is primarily due to a $5.8 million or 2% and $32.4 million or 15% increase, respectively, in data transport and storage revenue due to new customers and increased purchases by our existing customers. The increase in data revenue in 2017 was also partially due to a $6.8 million or 17% increase in time and materials revenue primarily due to an acquisition that was completed during the first quarter of 2017.

The increases in data revenue for 2017 were partially offset by decreases due to rate compression and a $5.5 million reduction of revenue recorded during 2017 as a result of a credit we provided to certain of our rural health care provider customers. For the funding year that ran from July 1, 2016 through June 30, 2017, USAC received requests for funds that exceeded the funding available for the RHC Program. USAC allocated the funding on a pro-rata basis to rural health care providers who submitted their funding requests during a certain period. We provide services to rural health care providers who were impacted by the pro-rata allocation and as a result certain of our customers did not receive the full subsidy that was expected under the program. Under the program rules, we are forbidden from lowering our rates for services previously provided, however, the FCC published an order on June 30, 2017 to assist eligible remote Alaska rural health care providers by allowing Alaska service providers, such as us, to retroactively lower their rates, or effectively giving a credit against amounts owed, for services provided. Based on these specific circumstances, we decided to retroactively lower our rates to these customers pursuant to the FCC waiver, and as a result we reduced revenue by $5.5 million during 2017, to aid our rural health care provider customers who were impacted by the pro-rata allocation.

The increases in data revenue for 2016 were partially offset by a $5.3 million or 11% decrease in time and materials revenue due to a decrease in special project work for 2016.

The decrease in wireless revenue in 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, and
- A $6.1 million or 36% decrease in plan fee revenue primarily due to discounts given to customers who finance or bring their own device and a decrease in subscribers.

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

Cost of Goods Sold
Cost of Goods Sold are as follows (amounts in thousands):

		2017	2016	2015	Percentage Change 2017 vs. 2016	Percentage Change 2016 vs. 2015
Cost of Goods Sold	$	280,200	302,578	322,338	(7)%	(6)%

The individually significant items contributing to the 2017 and 2016 decreases in Cost of Goods Sold include:

- A $10.7 million or 16% decrease in wireless Cost of Goods Sold for 2017 primarily due to savings from a decrease in tariff rates, the migration of circuits to our own facilities, and a reduction of tower related costs due to our sales of towers in the third quarter of 2016,
- A $15.6 million or 27% decrease in wireless device Cost of Goods Sold for 2016 primarily due to a decrease in the number of handsets sold,
- A $7.1 million or 20% decrease in time and materials Cost of Goods Sold for 2017 due to process efficiencies partially offset by an increase due to an acquisition that was completed during the first quarter of 2017,
- A $4.6 million or 11% decrease in time and materials Cost of Goods Sold for 2016 primarily due to a reduction in special project work,
- A $3.9 million or 5% decrease in video distribution and programming costs in 2017 primarily due to a decrease in subscribers,
- A $3.2 million or 12% and $3.3 million or 11% decrease in voice Cost of Goods Sold for 2017 and 2016, respectively, primarily due to a decrease in minutes, a decrease in the number of local access lines, and the movement of more traffic to our own facilities.

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.

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

		2017	2016	2015	Percentage Change 2017 vs. 2016	Percentage Change 2016 vs. 2015
Selling, general and administrative expenses	$	370,639	358,356	338,379	3%	6%

Individually significant items contributing to the increases in selling, general and administrative expenses include:

- A $15.5 million increase in transaction costs related to the Transactions with Liberty in 2017,
- A $6.4 million increase in share-based compensation for 2017 primarily due to an increase in our stock price,
- A $4.0 million and $11.5 million increase in labor and health insurance costs for 2017 and 2016, respectively, and
- A $8.0 million increase in the use of contract labor for 2016.

The increases discussed above are partially offset by the following items:

- The absence of $2.4 million for costs in 2016 to support a campaign to encourage public action related to the State of Alaska budget, and
- The absence of $9.0 million for costs related to the acquisition of ACS' wireless subscribers and its non-controlling interest in AWN for 2016.

As a percentage of total revenues, selling, general and administrative expenses were 40%, 38%, and 35% of revenue for 2017, 2016, and 2015, respectively. The 2017 increase in selling, general and administrative expenses as a percentage of total revenues is primarily due to the costs related to the Transactions with Liberty. 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.

Depreciation and Amortization Expense

Depreciation and amortization expense follows (amounts in thousands):

		2017	2016	2015	Percentage Change 2017 vs. 2016	Percentage Change 2016 vs. 2015
Depreciation and amortization expense	$	197,115	193,775	181,767	2%	7%

The increases in 2017 and 2016 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 or 100% 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. In early 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 in early 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. Subsequently we signed a contract with an established billing solution provider and a multi-year implementation is in process.

In early 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.

In late 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):

		2017	2016	2015	Percentage Change 2017 vs. 2016	Percentage Change 2016 vs. 2015
Other expense, net	$	137,398	78,034	133,924	76%	(42)%

Items contributing to the increase in 2017 include:

- A $51.8 million increase in 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 $5.0 million increase in interest expense due to increased borrowings during 2017, and
- The absence of a $3.2 million gain recorded in 2016 for adjusting to fair value assets that were included in the consideration paid to acquire a fiber system.

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 $14.3 million change from an unrealized loss in 2015 to an unrealized gain recorded in 2016 for adjusting to fair value a derivative instrument where we issued 3.0 million stock appreciation rights to an affiliate of Searchlight.

Income Tax (Expense) Benefit

	2017	2016	2015	Percentage Change 2017 vs. 2016	Percentage Change 2016 vs. 2015
Income tax (expense) benefit	$ 41,426	(5,205)	1,847	(896)%	382%
Effective income tax rate	63%	487%	7%		

The income tax benefit for 2017 was primarily a result of the enactment of the Tax Cuts & Jobs Act (“Tax Reform”) in December 2017. The primary provisions of Tax Reform impacting us are the reduction to the U.S. corporate income tax rate from 35% to 21% and temporary 100% bonus depreciation for certain assets. The change in the tax law required us to remeasure existing net deferred tax liabilities using the lower rate in the year of enactment resulting in an income tax benefit of $41.6 million for 2017 to reflect these changes.

Partially off-setting the impact of Tax Reform on our effective income tax rate in 2017 and primarily impacting our effective income tax rates for 2016 and 2015 was the volatility of our income (loss) before income taxes and permanent differences. The primary driver of our permanent difference volatility in 2017, 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.

At December 31, 2017, we have income tax net operating loss carryforwards of $371.2 million that will begin expiring in 2020 if not utilized. We have recorded deferred tax assets of $104.6 million associated with income tax net operating losses that were generated from 2000 to 2017 and that expire from 2020 to 2037.

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 (15%) to (20%) in the year ending December 31, 2018. The effective income 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 first and fourth quarters of 2017, we entered into additional financing arrangements under the NMTC program, which provided $6.6 million in net cash to help fund the continued expansion of our TERRA network (see Note 14 included in "Part II - Item 8 - Consolidated Financial Statements and Supplementary Data" for additional information).

In the fourth quarter of 2016, we amended our Senior Credit Facility. The amended Senior Credit Facility provided 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-1 common stock equal in value to the excess of the fair market value of a share of GCI Class A-1 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.

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 $189.4 million and $194.5 million during 2017 and 2016, respectively. Depending on available opportunities and the amount of cash flow we generate during 2018, we expect our 2018 capital expenditures to total approximately $170.0 million. This estimate is based on purchases in 2018 regardless of the timing of cash payments.

Financing Activities
Net cash provided by financing activities in 2017 consists primarily of borrowings from our Senior Credit Facility, net of payments partially offset by repurchases of our stock. 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. 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 $100.0 million outstanding balance and $21.0 million in letters of credit under the $200.0 million Senior Credit Facility Revolver at December 31, 2017, which leaves $79.0 million available for borrowing as of December 31, 2017.

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 common stock in order to reduce the outstanding shares of common stock. During 2017 we repurchased 0.2 million shares of GCI common stock under the stock buyback program at a cost of $4.0 million excluding shares withheld to cover employee tax liabilities resulting from the vesting of restricted stock awards. We have temporarily suspended the buyback program due to the Reorganization Agreement that we entered into with Liberty.

Schedule of Certain Known Contractual Obligations
The following table details future projected payments associated with certain known contractual obligations as of December 31, 2017 (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	$ 1,415,631	2,989	6,040	876,418	530,184
Interest on long-term debt	432,551	80,813	161,281	118,307	72,150
Capital lease obligations, including interest	60,097	13,440	26,909	17,337	2,411
Tower obligations, including interest	188,150	7,465	15,382	16,003	149,300
Operating lease commitments	174,087	48,409	65,859	31,521	28,298
Purchase obligations	55,134	55,134	—	—	—
Total contractual obligations	$ 2,325,650	208,250	275,471	1,059,586	782,343

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, 2017, because the goods had not been received or the services had not been performed at December 31, 2017.

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, 2017 are described below.

<u>Allowance for Doubtful Receivables</u>

We record expense to maintain an allowance for doubtful receivables 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.

<u>Valuation of Derivative Stock Appreciation Rights</u>

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-1 common stock equal in value to the excess of the fair market value of a share of GCI Class A-1 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 $530.8 million of indefinite-lived intangible assets at December 31, 2017, consisting of goodwill of $242.3 million, cable certificates of $191.6 million, wireless licenses of $93.8 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 unit is the same as our reportable segment. 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 2017 and 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 our reporting unit or indefinite-lived intangible assets were less than their carrying amounts. Consequently, we did not perform a step one quantitative analysis in 2017 or 2016.

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, 2017, 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 2.25%. 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, 2017, we have borrowed $565.6 million subject to interest rate risk. On this amount, each 1% increase in the LIBOR interest rate would result in $5.7 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. At December 31, 2017, a $1.00 increase in our stock price used as an input to determine the fair value of our stock appreciation rights would result in recognition of $3.0 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 72. 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, 2017.

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, 2017, 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, 2017, 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, 2017, 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, 2017, 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, 2017:

Name	Age	Position
Stephen M. Brett[1]	77	Chairman, Director
Ronald A. Duncan[1]	65	Chief Executive Officer and Director
Peter J. Pounds	44	Senior Vice President, Chief Financial Officer, and Secretary
G. Wilson Hughes	72	Executive Vice President
William C. Behnke	60	Senior Vice President
Martin E. Cary	53	Senior Vice President and General Manager, GCI Business
Gregory F. Chapados	60	President and Chief Operating Officer
Paul E. Landes	59	Senior Vice President and General Manager, GCI Consumer
Tina M. Pidgeon	49	Senior Vice President, Chief Compliance Officer, General Counsel and Government Affairs
Bridget L. Baker[1]	57	Director
Jerry A. Edgerton[1]	75	Director
Scott M. Fisher[1]	51	Director
William P. Glasgow[1]	59	Director
Mark W. Kroloff[1]	60	Director
Stephen R. Mooney[1]	58	Director
James M. Schneider[1]	65	Director
Eric L. Zinterhofer[1]	46	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 2020 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 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 Chief Executive Officer since August 2017. Prior to that, he served as our President and Chief Executive Officer from January 1989 to August 2017. 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 an Executive Vice President since January 1, 2017. Prior to that he served as the Chief Executive Officer of The Alaska Wireless Network, LLC from July 22, 2013 to January 1, 2017. 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 Business 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 President and Chief Operating Officer since August 2017. Priort to that he served as our Executive Vice President and Chief Operating Officer from June 2012 to August 2017. 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, GCI Consumer 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 2020 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 2020 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, 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 directors of Trilogy International Partners, Inc. Mr. Kroloff's present term as a director on our board expires at the time of our 2020 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) and Hemisphere Media Group. 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

Section 16(a) of the Exchange Act requires executive officers and directors and persons who beneficially own more than 10% of the outstanding common stock to file initial reports of ownership on Form 3 and reports of changes in ownership on Forms 4 and 5 with the SEC. Executive officers, directors, and greater than 10% beneficial owners are required by SEC regulations to furnish us with copies of all Section 16(a) forms that they file.

Based solely on a review of the copies of such forms furnished to us, each of our directors, officers and beneficial owners of more than 10% of the outstanding common stock filed all forms required by Section 16 of the Exchange Act in 2017 on a timely basis, except that Mr. Cary inadvertently failed to file a Form 4 with the SEC for transactions that occurred on January 3, 2017. The filing to report the transaction was made on January 9, 2017. Mr. Chapados inadvertently failed to file a Form 4 with the SEC for transactions that occurred on January 9, 2017, however, the filing to report the transactions was made on January 12, 2017. Mr. Hughes inadvertently failed to file a Form 4 with the SEC for transactions that occurred on March 31, 2017, however, the filing to report the transactions was made on April 5, 2017.

Additionally, Ms. Pidgeon informed us that her financial adviser engaged in transactions for her account, pursuant to an investment strategy she approved for the purposes of protecting against a decline in the value of her shares of our common stock, which should have been reported on Forms 4. On April 25, 2017, May 22, 2017, July 10, 2017, July 24, 2017, and November 24, 2017, Ms. Pidgeon made Form 4 filings reporting all such transactions.

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 2017 to the procedure by which our shareholders may recommend nominees to our board.

Litigation and Regulatory Matters

We were, as of December 31, 2017, 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 SEC as a preparer or reviewer of a public company's financial statements. That application for reinstatement was approved by the SEC 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 2017 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, 2017. 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 2017, 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 2017, 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, 2017, 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."

Base Salary. Effective January 1, 2017, 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 2017.

Mr. Pounds' base salary reflects cash compensation of $400,000 per year. Mr. Pounds' duties remained unchanged during 2017.

Mr. Cary's base salary reflects cash compensation of $200,000 per year. Mr. Cary's base salary increased in 2017 from $160,000 to $200,000 to compensate him for additional responsibilities acquired when he was promoted in 2016. His duties remained unchanged during 2017.

Mr. Chapados' base salary reflects cash compensation of $450,000 per year. During 2017, Mr. Chapados was appointed as President of GCI.

Ms. Pidgeon's base salary reflects cash compensation of $325,000 per year. Ms. Pidgeon's duties remained unchanged during 2017.

Incentive Compensation Plan. ***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.

Our board approved an Incentive Compensation Plan for our Named Executive Officers (Messrs. Duncan, Pounds, Chapados, and Cary and Ms. Pidgeon) to create a framework that aligns the interests of our executive officers with the long-term interests of our shareholders.

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 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 2017 incentive compensation targets for the Four Named Executive Officers:

Name	Adjusted EBITDA ($)	Discretionary ($)	Total 2017 Incentive Compensation Plan Target ($)
Ronald A. Duncan[1]	404,032	1,616,130	2,020,162
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
Tina M. Pidgeon	90,000	510,000	600,000

[1] Mr. Duncan's incentive compensation target is $150,495 lower than what was disclosed in the 2017 Proxy Statement filed with the SEC on May 16, 2017 due to lower actual Adjusted EBITDA from the estimate used in the Proxy Statement. As disclosed in the 2017 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 two 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 Named Executive Officers on increasing Adjusted EBITDA. Adjusted EBITDA for purposes of this goal is defined as earnings plus imputed interest on financed devices and the cash received in excess of revenue recognized for long-term roaming arrangements before net interest expense, income taxes, depreciation and amortization expense, loss on extinguishment of debt, 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, and other non-cash adjustments. The goal is achieved by the Company recording Adjusted EBITDA that is equal to the Adjusted EBITDA target.

The target for this metric was $321.4 million in 2017 for the Named Executive Officers who would earn their Target Incentive Compensation for this goal if the metric was achieved. In the case of the 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 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 2017 incentive compensation achieved by the Named Executive Officers, each of whom participated in this plan. The 2017 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 with the exception of Mr. Duncan who was paid 75% in cash and 25% in the form of restricted stock grants; the majority of the cash portion was paid in 2017:

Goals	Ronald A. Duncan	Peter J. Pounds	Martin E. Cary	Gregory F. Chapados	Tina M. Pidgeon
Adjusted EBITDA Goal – Target Incentive Compensation	$ 402,580	$ 102,375	$ 97,500	$ 270,619	$ 90,000
Adjusted EBITDA Goal Achievement[1]	16.8 %	16.8 %	16.8 %	16.8 %	16.8 %
2017 Adjusted EBITDA Incentive Compensation Earned	$ 67,533	$ 17,173	$ 16,356	$ 45,396	$ 15,098
Discretionary	$ 1,610,321	$ 352,625	$ 552,500	$ 932,131	$ 510,000
Discretionary Achievement[2]	77.1 %	120.1 %	89.0 %	93.6 %	93.6 %
2017 Discretionary Incentive Compensation Earned	$ 1,241,463	$ 423,393	$ 491,998	$ 872,599	$ 477,302
2017 Incentive Compensation Earned	$ 1,308,996	$ 440,566	$ 508,354	$ 917,995	$ 492,400

[1] The Adjusted EBITDA for this 2017 goal was $321.4 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 2017, the actual Adjusted EBITDA for purposes of this goal was $304.8 million resulting in actual Adjusted EBITDA that was $16.6 million below the metric, therefore, the earned Incentive Compensation for the Adjusted EBITDA goal was decreased by 83%.

[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 efforts to secure certain revenue streams, his support of company procurement efforts, and his leadership for efforts to reinforce the Company's culture. With regard to Mr. Pounds, the Compensation Committee considered his leadership in regards to leading an initiative to achieve savings through a procurement initiative, team development and succession planning, and his support for other corporate initiatives. With regard to Mr. Cary, the Compensation Committee considered, among other things, his efforts to secure certain revenue streams, his support of the Company's procurement initiative, and his leadership of key initiatives within GCI Business. With regard to Mr. Chapados, the Compensation Committee considered, among other things, his leadership of key company initiatives including reinforcing the Company's culture, risk management, his support of the Company's procurement initiative, and team development. With regard to Ms. Pidgeon, the Compensation Committee considered her leadership in revenue assurance efforts, corporate risk management, supporting the Company's initiatives, and team development.

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-1 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-1 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, 2017, 1.2 million shares had been granted subject to vesting, 6.9 million share grants had vested, 8.7 million shares had been issued upon the exercise of options under the plan, 2.3 million shares had been repurchased by the plan and 1.2 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.

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-1 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-1 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, 2017, there remained 4.1 million shares of Class A-1 and 0.5 million shares of Class B-1 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 2017, 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 2017, 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 increased Mr. Pounds' total incentive compensation plan target for 2018 from $455,000 to $535,000. The increase to Mr. Pounds' Incentive Compensation is to replace compensation that was previously granted in the form of a retention restricted stock award.

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-1 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-1 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.

Pay Ratio Disclosure Rule -

In August 2015, pursuant to a mandate of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"), the SEC adopted a rule requiring annual disclosure of the ratio of the median employee's annual total compensation to the total annual compensation of the principal executive officer ("PEO"). Our PEO Is Ronald A. Duncan.

To determine the median employee, a listing was prepared of all active employees as of December 31, 2017 including the following:

- Full-time employees
- Part-time employees
- Temporary employees
- Seasonal employees
- Any contractors paid W-2 wages

We used gross wages from the W-2 to determine the median employee and for the wages used to calculate the ratio. W-2 wages include base salary, bonus payments, the value of realized equity awards, paid commissions, and taxable fringe benefits. We did not annualize wages and salaries for employees who were not employed for all of 2017.

For 2017, the total compensation for our PEO was $3,223,376 and our median employee's pay was $68,563. As a result, the pay ratio of our CEO to the median employee for 2017 was 47.01 to 1.

Shareholder Advisory Votes on Executive Compensation

At our 2017 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 2020 annual shareholder meeting.

Our board views decisions as to compensation of Company named executive officers, including but not limited to those for 2017, 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 2020 annual shareholder meeting.

Executive Compensation

Summary Compensation Table –

As of December 31, 2017, 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 2017, 2016 and 2015. 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] Chief Executive Officer	2017	925,000	—	981,747	1,188,789[5]	—	—	127,840	3,223,376
	2016	925,000	—	833,632	1,118,454[6]	—	—	83,000	2,960,086
	2015	925,000	—	1,096,999	1,269,909[7]	—	—	83,000	3,374,908
Peter J. Pounds Senior Vice President, Chief Financial Officer and Secretary	2017	400,000	35,384	184,899	468,134[5]	—	—	25,000	1,113,417
	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
Martin E. Cary Senior Vice President and General Manager - Business[9]	2017	200,000	—	254,177	812,393[5]			19,000	1,285,570
	2016	160,000	115,858	711,699	1,754,254[10]	—	—	60,190	2,802,001
Gregory F. Chapados President and Chief Operating Officer	2017	450,000	—	458,998	1,144,786[5]	—	—	22,000	2,075,784
	2016	450,000	7,313	511,768	1,020,883[6]	—	—	22,279	2,012,243
	2015	450,000	8,363	530,748	757,863[7]	—	—	24,437	1,771,411
Tina M. Pidgeon Senior Vice President, Chief Compliance Officer, General Counsel and Governmental Affairs	2017	325,000	—	369,300	154,755[5]	—	—	22,000	871,055
	2016	325,000	17,550	409,415	158,682[6]	—	—	21,279	931,926
	2015	325,000	31,990	486,519	228,024[11]	—	—	23,437	1,094,970

[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-1 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 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. In 2017, Mr. Duncan received $347,300 in compensation for service on our board in the form of $65,000 in director fees and a stock award valued at $282,300.

[5] The Stock Awards granted during 2017 were for the Named Executive Officer's performance during 2016.

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

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

[8] In 2016, Mr. Pounds received a stock award with a grant date fair value of $458,831 for his performance during 2015 and 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 2017 and 2016 as he was not a Named Executive Officer in 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 2015, Ms. Pidgeon received a stock award with a grant date fair value of $179,496 for her performance during 2014 and a stock award with a grant date fair value of $48,528 for her performance related to the Wireless Acquisition.

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] ($)	Use of Company Leased Aircraft[3] ($)	Use of Company Retreat Facilities[4] ($)	Miscellaneous ($)	Total ($)
Ronald A. Duncan	2016	18,000	65,000	—	—	44,840	—	127,840
	2016	18,000	65,000	—	—	—	—	83,000
	2015	18,000	65,000	—	—	—	—	83,000
Peter J. Pounds	2017	18,000	—	—	—	7,000	—	25,000
	2016	18,000	—	279	—	—	—	18,279
	2015	18,000	—	2,437	—	—	—	20,437
Martin E. Cary	2017	18,000	—	—	—	—	1,000[5]	19,000
	2016	18,000	—	279	41,911	—	—	60,190
Gregory F. Chapados	2017	18,000	—	—	—	—	4,000[5]	22,000
	2016	18,000	—	279	—	—	4,000[5]	22,279
	2015	18,000	—	2,437	—	—	4,000[5]	24,437
Tina M. Pidgeon	2017	18,000	—	—	—	—	4,000[5]	22,000
	2016	18,000	—	279	—	—	3,000[5]	21,279
	2015	18,000	—	2,437	—	—	3,000[5]	23,437

[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 2017, 2016 and 2015, the match was based upon the lesser of $18,000 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] The allocated cost of using the Company's remote fishing retreat for personal guests or family members.

[5] 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 2017.

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	03/01/17	---	---	---	---	---	---	42,860[2]	---	---	906,489
	06/01/17	---	---	---	---	---	---	7,500[3]	---	---	282,300
Peter J. Pounds	03/01/17	---	---	---	---	---	---	22,134[2]	---	---	468,134
Martin E. Cary	03/01/17	---	---	---	---	---	---	38,411[2]	---	---	812,393
Gregory F. Chapados	03/01/17	---	---	---	---	---	---	54,127[2]	---	---	1,144,786
Tina M. Pidgeon	03/01/17	---	---	---	---	---	---	7,317[2]	---	---	154,755

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

[2] Represents the 50% portion of the 2016 incentive compensation paid in the form of restricted stock grants under our Incentive Compensation Plan that were not granted until 2017. 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."

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, 2017. 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	---	---	---	---	55,460 [1]	2,164,049 [1]	---	---
	---	---	---	---	42,860 [1]	1,672,397 [1]	---	---
Peter J. Pounds	---	---	---	---	3,333 [2]	130,054 [2]	---	---
	---	---	---	---	25,266 [1]	985,879 [1]	---	---
	---	---	---	---	22,134 [1]	863,669 [1]	---	---
	---	---	---	---	75,000 [3]	2,926,500 [3]	---	---
Martin E. Cary	---	---	---	---	6,745 [1]	263,190 [1]	---	---
	---	---	---	---	38,411 [1]	1,498,797 [1]	---	---
					75,000 [3]	2,926,500 [3]		
Gregory F. Chapados	---	---	---	---	60,000 [4]	2,341,200 [4]	---	---
	---	---	---	---	56,216 [1]	2,193,548 [1]	---	---
	---	---	---	---	54,127 [1]	2,112,036 [1]	---	---
Tina M. Pidgeon	---	---	---	---	90,000 [5]	3,511,800 [5]	---	---
	---	---	---	---	8,738 [1]	340,957 [1]	---	---
	---	---	---	---	7,317 [1]	285,509 [1]	---	---

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

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

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

[4] Restricted stock vests 30,000 shares on each of January 1, 2018 and 2019.

[5] Restricted stock vests 45,000 shares on each of January 1, 2018 and 2019.

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 2017:

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	---	---	79,070	3,155,684
	---	---	7,500 [1]	282,300
Peter J. Pounds	---	---	1,666	31,904
	---	---	18,434	735,701
	---	---	50,000	1,984,000
Martin E. Cary	---	---	6,746	269,233
	---	---	7,795	311,098
Gregory F. Chapados	---	---	30,000	615,300
	---	---	52,051	2,077,355
Tina M. Pidgeon	---	---	135,000	2,768,850
	---	---	1,666	31,904
	---	---	12,328	492,010

[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, 2017, 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, 2017, 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 2017.

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 2017. 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 2017 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, 2017:

2017 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	106,250	282,300	—	—	—	5,000	393,550
Bridget L. Baker	98,750	282,300	—	—	—	1,000	382,050
Jerry A. Edgerton	65,000	282,300	—	—	—	1,221	348,521
Scott M. Fisher	65,000	282,300	—	—	—	16,000	363,300
William P. Glasgow	65,000	282,300	—	—	—	9,127	356,427
Mark W. Kroloff	65,000	282,300	—	—	—	8,254	355,554
Stephen R. Mooney	90,000	282,300	—	—	—	1,127	373,427
James M. Schneider	98,750	282,300	—	—	—	2,000	383,050
Eric L. Zinterhofer	65,000	282,300	—	—	—	2,254	349,554

[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-1 common stock on June 1, 2017 (the grant date). The value of the shares on the date of grant was $37.64 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 2017, the Director Compensation Plan provided for $65,000 per year for all Directors with the exception of Mr. Mooney, Audit Committee chair, who received an additional $25,000 per year (paid quarterly). During 2017, the board appointed a special committee of independent directors to analyze the Reorganization Agreement and Transactions with Liberty. The board provided compensation of $41,250 to Mr. Brett and $33,750 each to Ms. Baker and Mr. Schneider for their work serving on the special committee.

During 2017, the stock compensation portion of our Director Compensation Plan consisted of a grant of 7,500 shares of Class A-1 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.

In addition to our Director Compensation Plan, during 2017 the directors' families used our company retreat facilities and aircraft to transport their families to the retreat facilities. The compensation attributed to the directors for that use is included in "All Other Compensation" in the table above. During 2017, 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 2017, 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	1,000	6.93	1,159,766
Total:	1,000	6.93	1,159,766

Ownership of Company

Principal Shareholders –

The following table sets forth, as of December 31, 2017 (unless otherwise noted), certain information regarding the beneficial ownership of our Class A-1 common stock and Class B-1 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-1 common stock or Class B-1 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-1	97,750		*	*	*
	Class B-1	—		—		
Ronald A. Duncan	Class A-1	1,098,986	3	3.3	6.3	20.3
	Class B-1	1,174,918	3	38.5		

Bridget L. Baker	Class A-1	35,000 [4]	*	*	*
	Class B-1	—	—		
Jerry A. Edgerton	Class A-1	61,750 [5]	*	*	*
	Class B-1	—	—		
Scott M. Fisher	Class A-1	598,050 [6]	1.8	1.7	*
	Class B-1	—	—		
William P. Glasgow	Class A-1	51,594 [7]	*	*	*
	Class B-1	—	—		
Mark W. Kroloff	Class A-1	66,100	*	*	*
	Class B-1	—	—		
Stephen R. Mooney	Class A-1	56,400	*	*	*
	Class B-1	—	—		
James M. Schneider	Class A-1	53,892	*	*	*
	Class B-1	—	—		
Peter J. Pounds	Class A-1	167,894	*	*	*
	Class B-1	—	—		
Martin E. Cary	Class A-1	147,050	*	*	*
	Class B-1	—	—		
Gregory F. Chapados	Class A-1	489,136 [8]	1.5	1.4	*
	Class B-1	—	—		
Tina M. Pidgeon	Class A-1	180,108	*	*	*
	Class B-1	—	—		
Black Rock, Inc. 55 East 52nd Street	Class A-1	3,810,767 [9]	11.6	10.6	6.0
New York, New York 10055	Class B-1	—	—		
Dimensional Fund Advisors LP Palisades West, Building One 6300 Bee Cave Road	Class A-1	2,070,302 [10]	6.3	5.8	3.3
Austin, Texas 78746	Class B-1	—	—		
GCI 401(k) Plan 2550 Denali St., Ste. 1000	Class A-1	1,620,331	4.9	4.6	2.9
Anchorage, Alaska 99503	Class B-1	22,471	*		
Gary Magness c/o Raymond L. Sutton, Jr. 303 East 17th Ave., Ste 1100	Class A-1	—	*	*	5.3
Denver, Colorado 80203-1264	Class B-1	334,704	11		
Searchlight ALX, L.P. 745 5th Avenue - 27th Floor	Class A-1	1,735,161	5.3	4.8	2.7
New York, New York 10151	Class B-1	—			
John W. Stanton and Theresa E. Gillespie 155 108th Avenue., N.E., Suite 450	Class A-1	1,244,497	3.8	7.5	24.6
Bellevue, Washington 98004	Class B-1	1,436,469	47.1		
The Vanguard Group, Inc. 100 Vanguard Blvd	Class A-1	2,042,425 [11]	6.2	5.7	3.2
Malvern, Pennsylvania 19355	Class B-1	—	—		
All Directors and Executive Officers As a Group	Class A-1	4,320,841 [12]	12.6	14.8	25.1
(17 Persons)	Class B-1	1,177,613 [12]	38.6		

* 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, 2017 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-1 or B-1 common stock. The Class A-1 shares do not include the number of Class B-1 shares owned although the Class B-1 shares are convertible on a share-per-share basis into Class A-1 shares.

[2] "Title of Class" includes our Class A-1 common stock and Class B-1 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-1 common stock and Class B-1 common stock, and the voting power for Class B-1 common stock (10 votes per share) is factored into the calculation of that combined voting power.

[3] Includes the following: (a) 1,904 shares of Class A-1 common stock allocated to Mr. Duncan under the Issuer's GCI 401(k) Plan, formerly known as the Stock Purchase Plan; (b) 1,062,082 shares of Class A-1 common stock and 1,174,918 shares of Class B-1 common stock to which Mr. Duncan has a pecuniary interest (and for which 968,618 shares of Class A-1 common stock and 1,116,917 shares of Class B-1 common stock are pledged as security); (c) 20,000 shares of Class A-1 common stock held by Missy, LLC, which is 25% owned by Mr. Duncan, 25% owned by Dani Bowman, Mr. Duncan's wife, and 50% owned by a trust of which Amanda Miller, Mr. Duncan's daughter, is the 50% beneficiary and for which Mr. Duncan is the General Manager and has voting and dispositive power; (d) 15,000 shares of Class A-1 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. Does not include the following: (i) 18,560 shares of Class A-1 common stock or 8,242 shares of Class B-1 common stock held by Ms. Miller, with respect to which Mr. Duncan disclaims beneficial ownership; (ii) 37,000 shares of Class A-1 common stock held by the Amanda Miller Trust, with respect to which Mr. Duncan disclaims beneficial ownership; (iii) 63,186 shares of Class A-1 common stock or 27,020 shares of Class B-1 common stock held by Dani Bowman of which Mr. Duncan disclaims beneficial ownership.

[4] Includes 5,000 shares of Class A-1 common stock pledged as security.

[5] Includes 54,250 shares of Class A-1 common stock pledged as security.

[6] Includes 525,200 shares of Class A-1 common stock owned by Fisher Capital Partners, Ltd. of which Mr. Fisher is a partner.

[7] Does not include 158 shares of Class A-1 common stock owned by a daughter of Mr. Glasgow. Mr. Glasgow disclaims any beneficial ownership of the shares held by his daughter.

[8] Includes 11,708 shares of Class A-1 common stock allocated to Mr. Chapados under the GCI 401(k) Plan, as of December 31, 2017. Includes 307,085 shares of Class A-1 common stock pledged as security.

[9] As disclosed in Schedule 13G filed with the SEC on January 19, 2018, Black Rock, Inc. has sole voting power for 3,752,553 shares of Class A-1 common stock and sole dispositive power for 3,810,767 shares of Class A-1 common stock.

[10] As disclosed in Schedule 13G filed with the SEC on February 9, 2018, Dimensional Fund Advisors LP has sole voting power for 1,974,747 shares of Class A-1 common stock and sole dispositive power for 2,070,302 shares of Class A-1 common stock.

[11] As disclosed in Schedule 13G filed with the SEC on February 9, 2018, The Vanguard Group, Inc. has sole voting power of 50,725 shares of Class A-1 common stock, shared voting power for 2,100 shares of Class A-1 common stock, shared dispositive power for 50,625 shares of Class A-1 common stock and sole dispositive power for 1,991,800 shares of Class A-1 common stock.

[12] Includes 113,127 shares of Class A-1 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, 2017, John W. Stanton and Theresa E. Gillespie, husband and wife (collectively, "Stantons"), continued to be significant shareholders of our Class B-1 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-1 common stock and any shares of our Class A-1 common stock resulting from conversion of that Class B-1 common stock to Class A-1 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 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, 2017, the payments on the lease were $27,132 per month. They continue at that rate through September 2018 at which time they will increase to $28,732 per month.

In January 2001 we entered into an aircraft operating lease agreement with a company owned by GCI’s 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 the 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 7(c), 9, and 13 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

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 2017, 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 2017 and 2016 are set forth as follows:

External Accountant Auditor Fees

Type of Fees	2017	2016
Audit Fees[1]	$ 1,435,101	1,406,817
Audit-Related Fees[2]	134,750	28,875
Tax Fees[3]	124,693	148,397
All Other Fees[4]	—	—
Total	$ 1,694,544	1,584,089

[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 Form S-4 filings and the 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
GCI Liberty, Inc.

Opinion on the financial statements
We have audited the accompanying consolidated balance sheets of GCI Liberty, Inc. (an Alaska corporation) and subsidiaries (the "Company") as of December 31, 2017 and 2016, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, 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) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in the 2013 *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Tredway Commission ("COSO"), and our report dated February 28, 2018 expressed an unqualified opinion.

Basis for opinion
These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2009.

Seattle, Washington
February 28, 2018

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
GCI Liberty, Inc.

Opinion on internal control over financial reporting
We have audited the internal control over financial reporting of GCI Liberty, Inc. (an Alaska corporation) and subsidiaries (the "Company") as of December 31, 2017, based on criteria established in the 2013 *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, 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) ("PCAOB"), the consolidated financial statements of the Company as of and for the year ended December 31, 2017, and our report dated February 28, 2018 expressed an unqualified opinion on those financial statements.

Basis for opinion
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. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

Definition and limitations of 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 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.

/s/ GRANT THORNTON LLP

Seattle, Washington
February 28, 2018

GCI LIBERTY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)	December 31,	
ASSETS	2017	2016
Current assets:		
Cash and cash equivalents	$ 15,622	19,297
Receivables	188,580	184,296
Less allowance for doubtful receivables	3,992	4,407
Net receivables	184,588	179,889
Prepaid expenses	21,206	18,599
Inventories	12,996	11,945
Other current assets	71	167
Total current assets	234,483	229,897
Property and equipment	2,754,667	2,614,875
Less accumulated depreciation	1,599,956	1,452,957
Net property and equipment	1,154,711	1,161,918
Goodwill	242,264	239,263
Cable certificates	191,635	191,635
Wireless licenses	93,753	92,347
Other intangible assets, net of amortization	75,697	74,444
Other assets	100,957	76,435
Total other assets	704,306	674,124
Total assets	$ 2,093,500	2,065,939

See accompanying notes to consolidated financial statements.

Continued

GCI LIBERTY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Continued)

(Amounts in thousands)	December 31,	
LIABILITIES AND STOCKHOLDERS' EQUITY	2017	2016
Current liabilities:		
Current maturities of obligations under long-term debt, capital leases, and tower obligations	$ 13,972	13,229
Accounts payable	54,073	72,937
Deferred revenue	38,047	37,618
Accrued payroll and payroll related obligations	32,044	30,305
Accrued liabilities	14,147	14,729
Accrued interest (including $5,132 to a related party at December 31, 2017 and 2016)	13,975	13,926
Subscriber deposits	1,271	917
Total current liabilities	167,529	183,661
Long-term debt, net (including $58,731 and $56,640 due to a related party at December 31, 2017 and 2016, respectively)	1,379,059	1,333,446
Obligations under capital leases, excluding current maturities (including $1,702 and $1,769 due to a related party at December 31, 2017 and 2016, respectively)	40,288	50,316
Long-term deferred revenue	138,022	135,877
Tower obligations	93,606	87,653
Deferred income taxes	90,571	137,982
Derivative stock appreciation rights with related party	78,330	29,700
Other liabilities	60,093	54,056
Total liabilities	2,047,498	2,012,691
Commitments and contingencies		
Stockholders' equity:		
Common stock (no par):		
Class A-1. Authorized 100,000 shares; issued 32,924 and 32,668 shares at December 31, 2017 and 2016, respectively; outstanding 32,898 and 32,642 shares at December 31, 2017 and 2016, respectively	—	—
Class B-1. Authorized 10,000 shares; issued and outstanding 3,052 and 3,153 shares at December 31, 2017 and 2016, respectively; convertible on a share-per-share basis into Class A-1 common stock	2,578	2,663
Less cost of 26 Class A-1 common shares held in treasury at December 31, 2017 and 2016	(249)	(249)
Paid-in capital	19,133	3,237
Retained earnings (deficit)	(12,296)	17,068
Total GCI Liberty, Inc. stockholders' equity	9,166	22,719
Non-controlling interests	36,836	30,529
Total stockholders' equity	46,002	53,248
Total liabilities and stockholders' equity	$ 2,093,500	2,065,939

See accompanying notes to consolidated financial statements.

GCI LIBERTY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2017, 2016, AND 2015

(Amounts in thousands, except per share amounts)	2017	2016	2015
Revenues:			
Non-related party	$ 919,204	933,812	973,251
Related party	—	—	5,283
Total revenues	919,204	933,812	978,534
Cost of goods sold (exclusive of depreciation and amortization shown separately below):			
Non-related party	280,200	302,578	321,457
Related party	—	—	881
Total cost of goods sold	280,200	302,578	322,338
Selling, general and administrative expenses			
Non-related party	370,639	358,356	337,839
Related party	—	—	540
Total selling, general and administrative expenses	370,639	358,356	338,379
Depreciation and amortization expense	197,115	193,775	181,767
Software impairment charge	—	—	29,839
Operating income	71,250	79,103	106,211
Other income (expense):			
Interest expense (including amortization of deferred loan fees)	(83,341)	(78,628)	(78,786)
Related party interest expense	(7,716)	(7,455)	(6,602)
Derivative instrument unrealized income (loss) with related party	(48,630)	3,120	(11,160)
Loss on extinguishment of debt	(649)	(640)	(27,700)
Impairment of equity method investment	—	—	(12,593)
Other	2,938	5,569	2,917
Other expense, net	(137,398)	(78,034)	(133,924)
Income (loss) before income taxes	(66,148)	1,069	(27,713)
Income tax (expense) benefit	41,426	(5,205)	1,847
Net loss	(24,722)	(4,136)	(25,866)
Net income (loss) attributable to non-controlling interests	(476)	(469)	159
Net loss attributable to GCI Liberty, Inc.	$ (24,246)	(3,667)	(26,025)
Basic net loss attributable to GCI Liberty, Inc. common stockholders per Class A-1 common share	$ (0.70)	(0.10)	(0.69)
Basic net loss attributable to GCI Liberty, Inc. common stockholders per Class B-1 common share	$ (0.70)	(0.10)	(0.69)
Diluted net loss attributable to GCI Liberty, Inc. common stockholders per Class A-1 common share	$ (0.70)	(0.15)	(0.69)
Diluted net loss attributable to GCI Liberty, Inc. common stockholders per Class B-1 common share	$ (0.70)	(0.15)	(0.69)

See accompanying notes to consolidated financial statements.

GCI LIBERTY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

(Amounts in thousands)	Shares of Class A-1 and B-1 Common Stock	Class A-1 Common Stock	Class B-1 Common Stock	Class A-1 and B-1 Shares Held in Treasury	Paid-in Capital	Retained Earnings (Deficit)	Non-controlling Interests	Total Stockholders' Equity
Balances at January 1, 2015	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
Cumulative effect of ASU 2016-09 adoption	—	—	—	—	18	7,077	—	7,095
Net loss	—	—	—	—	—	(24,246)	(476)	(24,722)
Common stock repurchases and retirements	(456)	(13)	—	—	—	(12,280)	—	(12,293)
Issuance of restricted stock awards	609	—	—	—	—	—	—	—
Share-based compensation expense	—	—	—	—	16,939	—	—	16,939
Conversion of Class B-1 to Class A-1 shares	—	—	(85)	—	—	85	—	—
Investment by non-controlling interest	—	—	—	—	—	—	6,783	6,783
Non-controlling interest acquisition	—	—	—	—	(1,138)	—	—	(1,138)
Other	2	13	—	—	77	—	—	90
Balances at December 31, 2017	35,976	$ —	2,578	(249)	19,133	(12,296)	36,836	46,002

See accompanying notes to consolidated financial statements.

GCI LIBERTY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

(Amounts in thousands)	2017	2016	2015
Cash flows from operating activities:			
Net loss	$ (24,722)	(4,136)	(25,866)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization expense	197,115	193,775	181,767
Unrealized (gain) loss on derivative instrument with related party	48,630	(3,120)	11,160
Deferred income tax expense (benefit)	(41,426)	5,205	(1,847)
Share-based compensation expense	17,453	11,043	10,902
Loss on extinguishment of debt	649	640	27,700
Software impairment charge	—	—	29,839
Impairment of equity method investment	—	—	12,593
Other noncash income and expense items	13,112	11,696	16,142
Change in operating assets and liabilities	(24,270)	(14,827)	(8,435)
Net cash provided by operating activities	186,541	200,276	253,955
Cash flows from investing activities:			
Purchases of property and equipment	(189,366)	(194,478)	(176,235)
Restricted cash, net	(14,532)	175	65
Purchases of other assets and intangible assets	(12,952)	(17,486)	(13,955)
Grant proceeds	2,188	1,527	14,007
Proceeds from the sale of investment	591	—	7,551
Purchase of businesses, net of cash received	(6,802)	—	(12,736)
Purchase of KKCC assets	—	(19,700)	—
Purchase of investments	—	(1,800)	—
Note receivable issued to an equity method investee	—	—	(3,000)
Other	—	4,599	(4,760)
Net cash used for investing activities	(220,873)	(227,163)	(189,063)
Cash flows from financing activities:			
Borrowing on Senior Credit Facility	127,000	125,000	295,000
Repayment of debt, capital lease, and tower obligations	(95,122)	(132,205)	(494,982)
Purchase of treasury stock to be retired	(12,293)	(58,679)	(53,774)
Proceeds from Tower Transactions	6,839	90,795	—
Investment by non-controlling interest	6,783	—	—
Payment of debt issuance costs	(2,563)	(5,451)	(13,979)
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)
Other	13	196	677
Net cash provided by (used for) financing activities	30,657	19,656	(53,766)
Net increase (decrease) in cash and cash equivalents	(3,675)	(7,231)	11,126
Cash and cash equivalents at beginning of period	19,297	26,528	15,402
Cash and cash equivalents at end of period	$ 15,622	19,297	26,528

See accompanying notes to consolidated financial statements.

(1) Business and Summary of Significant Accounting Principles

In the following discussion, GCI Liberty, Inc. ("GCI") and its direct and indirect subsidiaries are referred to as "we," "us" and "our." Prior to February 20, 2018, we were known as General Communication, Inc. On February 20, 2018, the Commissioner of the Department of Commerce, Community and Economic Development of the State of Alaska accepted for filing the amended and restated Articles of Incorporation that were approved by our shareholders at a special meeting held on February 2, 2018. The name change is a result of the Transactions described in Note 15 of this Form 10-K. Additionally, as of February 20, 2018, our Class A common stock and Class B common stock were reclassified into Class A-1 common stock and Class B-1 common stock, respectively.

(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 seven variable interest entities ("VIEs") for which we are the primary beneficiary after providing certain loans and guarantees. These VIEs are as follows:

- Terra GCI Investment Fund, LLC ("TIF")
- Terra GCI 2 Investment Fund, LLC ("TIF 2")
- Terra GCI 2-USB Investment Fund, LLC ("TIF 2-USB")
- Terra GCI 3 Investment Fund, LLC ("TIF 3")
- Twain Investment Fund 210, LLC ("TIF 4")
- Terra GCI 5 Investment Fund 1, LLC ("TIF 5-1")
- Terra GCI 5 Investment Fund 2, LLC ("TIF 5-2")

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 included 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 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 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 was 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		8,445
Additional paid-in capital		27,022
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. In December 2016, the FASB issued ASU 2016-20 which 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. In September 2017, the FASB issued ASU 2017-13 which allows certain public business entities to use the non-public business entities effective dates to adopt ASU 2014-09. In November 2017, the FASB issued ASU 2017-14 which supersedes ASC 605-10-S25-1 (Staff Accounting Bulletin ("SAB") Topic 13) as a result of SEC SAB No. 116 and adding ASC 606-10-S25-1 as a result of SEC Release No. 33-10403.

The standard permits the use of either the retrospective or cumulative effect transition method. We will use the modified retrospective method to adopt this standard. We have completed our assessment of revenues earned with the exception of our roaming contracts. We are still completing our quantitative assessment of costs to obtain contracts. Upon adoption, we may recognize a cumulative increase to retained earnings of up to $33.3 million as of January 1, 2018 to adjust revenue for roaming contracts and costs to obtain contracts. We will have additional revenue recognition disclosures upon adoption of the 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. In January 2018, the FASB issued ASU 2018-01 which amends Topic 842 to include a practical expedient for transitioning land easements that were not previously accounted for as leases to Topic 842. 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 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. The adoption of this guidance is not expected to have a material effect on our statement of cash flows.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. This update provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-08 is effective for annual and interim preporting periods beginning after December 15, 2017, and interim periods within those fiscal years. Upon adoption of this standard, we will include restricted cash with total cash in our Consolidated Statements of Cash Flows.

In January 2017, the FASB issued ASU No. 2017-04, Simplifying the Test for Goodwill Impairment. The update eliminates step 2 of the goodwill impairment test. Instead, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value, with the maximum impairment being the total value of goodwill allocated to the reporting unit. ASU 2017-04 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The adoption of this guidance is not expected to have a material effect on our financial position or results of operations.

In May 2017, the FASB issued ASU 2017-09, Compensation—Stock Compensation (Topic 718) — Scope of Modification Accounting. ASU 2017-09 applies to entities that change the terms or conditions of a share-based payment award. The FASB adopted ASU 2017-09 to provide clarity and reduce diversity in practice as well as cost and complexity when applying the guidance in Topic 718, Compensation—Stock Compensation, to the modification of the terms and conditions of a share-based payment award. The amendments provide guidance on determining which changes to the terms and conditions of share-based payment awards require an entity to apply modification accounting under Topic 718. Effective for all entities for annual periods, including interim periods within those annual periods, beginning after December 15, 2017. The adoption of this guidance is not expected to have a material effect on our financial position or results of operations.

(f) Recently Adopted Accounting Pronouncements

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 requires all excess tax benefits to be recorded in income even if they have not yet been realized. ASU 2016-09 also provides an election to account for forfeitures as they occur as opposed to estimating the amount of forfeitures. We adopted ASU 2016-09 as of January 1, 2017 on a modified retrospective basis. We have elected to account for forfeitures as they occur. As a result of adoption of this standard, we have recorded a $7.1 million adjustment to Retained Earnings (Deficit) as of January 1, 2017.

(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 loss attributable to GCI per share of Class A-1 and Class B-1 common stock using the “two class” method. Therefore, basic net loss per share is computed by dividing net loss applicable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted net loss per share is computed by dividing net loss by the weighted average number of common and dilutive common equivalent shares outstanding during the period. The computation of the dilutive net loss per share of Class A-1 common stock assumes the conversion of Class B-1 common stock to Class A-1 common stock, while the dilutive net loss per share of Class B-1 common stock does not assume the conversion of those shares. The computation of the dilutive net loss per share of Class A-1 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-1 common shares, Class B-1 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-1 and Class B-1 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 common stock. The cost of the repurchased common stock reduces Retained Earnings (Deficit) in our Consolidated Balance Sheets and is constructively retired when purchased.

(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, 2017, 2016 and 2015.

(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. 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 a capital lease 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, 2017, that management intends to place in service during 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, 2017 and 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. 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, 2017 and 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 as a result of our Step One impairment test in 2015. These estimates and assumptions have a significant impact on our analysis. If it is determined that a goodwill impairment is more likely than not, we use the quantitative two-step process.

We completed our annual goodwill and intangibles review and no impairment charge was recorded for the years ended December 31, 2017, 2016 and 2015.

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, 2017 and 2016.

(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, Universal Service Fund ("USF") high cost receivables, and other 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, 2017 and 2016.

(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, 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
Liability incurred	4,655
Revisions in estimated cash flows	(85)
Accretion expense	1,772
Liability settled	(163)
Balance at December 31, 2017	$ 47,334

During the years ended December 31, 2017 and 2016, we recorded additional capitalized costs of $4.7 million and $4.9 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(m) 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(ag) 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.

Universal Service Fund

As an Eligible Telecommunications Carrier ("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 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 a 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 are 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 applied 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 mandated that as of January 1, 2017, Urban high cost support for 2017 and 2018 would 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 applied 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 2019 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 $62.9 million, $64.1 million and $66.2 million for the years ended December 31, 2017, 2016 and 2015, respectively. At December 31, 2017, we have $41.0 million in high cost accounts receivable.

Rural Health Care (“RHC”) Program
For the funding year that ran from July 1, 2016 through June 30, 2017, USAC received requests for funds that exceeded the funding available for the RHC Program. USAC allocated the funding on a pro-rata basis to rural health care providers who submitted their funding requests during a certain period. We provide services to rural health care providers who were impacted by the pro-rata allocation and as a result certain of our customers did not receive the full subsidy that was expected under the program. Under the program rules, we are forbidden from lowering our rates for services previously provided, however, the Federal Communications Commission ("FCC") published an order on June 30, 2017 to assist eligible remote Alaska rural health care providers by allowing Alaska service providers, such as us, to retroactively lower their rates, or effectively giving a credit against amounts owed, for services provided. Based on these specific circumstances, we decided to retroactively lower our rates to these customers pursuant to the FCC waiver, and as a result we reduced revenue by $5.5 million during the year ended December 31, 2017, to aid our rural health care provider customers who were impacted by the pro-rata allocation.

(x) Advertising Expense
We expense advertising costs in the period during which the first advertisement appears. Advertising expenses were $5.5 million, $7.0 million and $5.7 million for the years ended December 31, 2017, 2016 and 2015, 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 $5.7 million, $3.7 million and $3.0 million during the years ended December 31, 2017, 2016 and 2015, 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 Loss
Total comprehensive loss was equal to net loss during the years ended December 31, 2017, 2016 and 2015.

(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. The fair value of restricted stock awards is determined based on the number of shares granted and the quoted price of GCI's common stock. Share-based compensation expense 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 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, 2017, and 2016, 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 developed or purchased and installed as is, is capitalized and amortized using the straight-line method over an estimated useful life of three to five years. 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.

We have Software as a Service ("SaaS") arrangements which are accounted for as service agreements, and are not capitalized. Internal and other third party costs for SaaS arrangements are expensed as incurred. Data migration costs for such arrangements are expensed consistent with the same type of costs for internally developed and modified software. Additionally, configuration costs paid to the vendor are recorded as a prepaid expense and expensed over the term of the SaaS arrangement.

(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 seven VIEs. We have guaranteed the delivery of $65.8 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,		
	2017	2016	2015
Surcharges reported gross	$ 3,226	3,849	5,058

(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, March 2017, and July 2017, we sold to Vertical Bridge Towers II, LLC ("Vertical Bridge") tower sites in exchange for net proceeds of $90.8 million, $3.7 million, and $3.1 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 reduced our asset retirement obligation related to the Tower Sites by $3.4 million as of December 31, 2016.

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 long-term financial obligations ("Tower Obligations") in the amount of the net proceeds received and recognize interest on the Tower Obligations at a rate of 7.1% using the effective interest method. The Tower Obligations are 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, 2017	December 31, 2016
Property and equipment, net [1]	$ 19,094	$ 18,792
Tower obligations[2]	$ 93,606	$ 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 Obligations, including expected renewals and excluding deferred transaction costs, are summarized below (amounts in thousands):

Years ending December 31,	Total
2018	$ 7,465
2019	7,615
2020	7,767
2021	7,922
2022	8,081
2023 and thereafter	149,300
Total minimum payments	188,150
Less amount representing interest	91,978
Tower obligations	$ 96,172

(3) Consolidated Statements of Cash Flows Supplemental Disclosures

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

Year ended December 31,	2017	2016	2015
(Increase) decrease in accounts receivable, net	$ (4,277)	27,453	(4,230)
Increase in prepaid expenses	(2,590)	(6,180)	(632)
(Increase) decrease in inventories	(1,051)	(623)	5,710
(Increase) decrease in other current assets	109	(38)	24
Increase in other assets	(10,419)	(47,105)	(11,491)
Decrease in accounts payable	(1,735)	(135)	(5,579)
Increase in deferred revenues	429	2,446	1,743
Increase (decrease) in accrued payroll and payroll related obligations	1,579	(979)	(1,469)
Increase (decrease) in accrued liabilities	(583)	(8,031)	8,192
Increase in accrued interest	49	271	7,001
Increase (decrease) in subscriber deposits	354	(325)	(448)
Increase (decrease) in long-term deferred revenue	(5,355)	18,649	(8,561)
Increase (decrease) in components of other long-term liabilities	(780)	(230)	1,305
Total change in operating assets and liabilities	$ (24,270)	(14,827)	(8,435)

The following items are for the years ended December 31, 2017, 2016 and 2015 (amounts in thousands):

Net cash paid or received:	2017	2016	2015
Interest paid, net of amounts capitalized	$ 90,998	84,546	76,796

The following items are non-cash investing and financing activities for the years ended December 31, 2017, 2016 and 2015 (amounts in thousands):

	2017	2016	2015
Non-cash additions for purchases of property and equipment	$ 20,630	36,854	26,799
Asset retirement obligation additions to property and equipment	$ 4,655	4,948	2,048
Non-cash consideration for KKCC assets	$ —	13,993	—
Non-cash consideration for Wireless Acquisition	$ —	—	23,326

(4) Receivables and Allowance for Doubtful Receivables

Receivables consist of the following at December 31, 2017 and 2016 (amounts in thousands):

	2017	2016
Trade	$ 187,000	182,993
Other	1,580	1,303
Total receivables	$ 188,580	184,296

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 26%, 24%, and 19% of our revenue for the years ended December 31, 2017, 2016 and 2015, respectively. We had USF net receivables of $131.8 million and $100.5 million at December 31, 2017 and 2016, respectively.

Changes in the allowance for doubtful receivables during the years ended December 31, 2017, 2016 and 2015 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, 2017	$ 4,407	5,800	—	6,215	3,992
December 31, 2016	$ 3,630	8,516	—	7,739	4,407
December 31, 2015	$ 4,542	6,359	—	7,271	3,630

(5) Net Property and Equipment

Net property and equipment consists of the following at December 31, 2017 and 2016 (amounts in thousands):

	2017	2016
Land and buildings	$ 119,553	114,966
Telephony transmission equipment and distribution facilities	1,402,610	1,271,425
Cable transmission equipment and distribution facilities	285,665	231,539
Studio equipment	14,825	15,456
Support equipment and systems	299,511	290,209
Transportation equipment	23,468	23,674
Customer premise equipment	152,731	158,513
Fiber optic cable systems	353,291	351,460
Construction in progress	103,013	157,633
	2,754,667	2,614,875
Less accumulated depreciation	1,541,264	1,385,620
Less accumulated amortization on property and equipment under capital leases	58,692	67,337
Net property and equipment	$ 1,154,711	1,161,918
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 $14.1 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, 2017, 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, 2017. The remaining useful lives of our cable certificates, wireless licenses, broadcast licenses and goodwill were evaluated as of October 31, 2017, 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, 2017.

Other Intangible Assets subject to amortization include the following at December 31, 2017 and 2016 (amounts in thousands):

	2017	2016
Software license fees	$ 87,989	80,839
Rights to use	45,114	45,114
Customer relationships	4,221	1,530
Right-of-way	784	784
Trade name	252	—
	138,360	128,267
Less accumulated amortization	62,663	53,823
Net other intangible assets	$ 75,697	74,444

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

	Goodwill	Other Intangible Assets
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
Additions from acquisitions	3,001	2,943
Asset additions	—	11,546
Amortization expense	—	(13,164)
Asset deletions	—	(72)
Balance at December 31, 2017	$ 242,264	75,697

Amortization expense for definite-life intangible assets for the years ended December 31, 2017, 2016 and 2015 follow (amounts in thousands):

	Years Ended December 31,		
	2017	2016	2015
Amortization expense	$ 13,164	12,447	10,442

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 12.8 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,	
2018	$ 12,695
2019	$ 10,234
2020	$ 8,188
2021	$ 5,855
2022	$ 3,829

(7) Long-Term Debt

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

	Issue Date	Interest Rate	Principal Payments	Maturity Date	December 31, 2017	December 31, 2016
Senior Credit Facility - Term Loan B	November 17, 2016	LIBOR plus 2.25%	0.25% of the original principal due quarterly	February 2, 2022[1]	$ 242,583	245,187
Senior Credit Facility - Term Loan A	November 17, 2016	LIBOR plus applicable margin[2]	Due at maturity	November 17, 2021[1]	215,000	215,000
Senior Credit Facility - Revolver	November 17, 2016	LIBOR plus applicable margin[2]	Due at maturity	November 17, 2021[1]	100,000	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	8,048	8,596
Total Debt					1,415,631	1,373,783
Less unamortized discount					19,466	21,878
Less unamortized deferred loan fees					14,117	15,133
Less current portion of long-term debt					2,989	3,326
Long-term debt, net					$ 1,379,059	1,333,446

[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

During 2017, we amended our Senior Credit Facility. We paid loan fees and other expenses of $0.5 million that were expensed immediately in our Consolidated Statements of Operations for the year ended December 31, 2017 and $0.4 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, 2017 as part of this amendment.

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 $100.0 million outstanding balance and $21.0 million in letters of credit under the $200.0 million Senior Credit Facility Revolver at December 31, 2017, which leaves $79.0 million available for borrowing as of December 31, 2017.

(b) 2025 Notes and 2021 Notes

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

In April 2017, we amended our 2025 Notes and 2021 Notes (the "Notes") due to the Reorganization Agreement that we entered into with Liberty (see Note 15). We paid $1.9 million in fees in connection with the amendment to the Notes that were deferred and are being amortized over the remaining life of the Notes.

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) <u>Searchlight Note</u>

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-1 common stock equal in value to the excess of the fair market value of a share of GCI Class A-1 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) <u>Covenants</u>

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 Notes' 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 Notes' indentures.

We were in compliance with all covenants required by our notes and Senior Credit Facility as of December 31, 2017.

Maturities of long-term debt as of December 31, 2017 are as follows (amounts in thousands):

Years ending December 31,		
2018	$	2,989
2019		3,010
2020		3,030
2021		643,053
2022		233,365
2023 and thereafter		530,184
Total debt		1,415,631
Less unamortized discount		19,466
Less unamortized deferred loan fees		14,117
Less current portion of long-term debt		2,989
Long-term debt, net	$	1,379,059

(8) Income Taxes

Income tax (expense) benefit consists of the following (amounts in thousands):

	Years Ended December 31,		
	2017	2016	2015
Deferred tax (expense) benefit:			
Federal taxes	$ 41,531	(4,452)	1,360
State taxes	(105)	(753)	487
	$ 41,426	(5,205)	1,847

Income tax benefit for the year ending December 31, 2017 was recognized primarily as a result of the enactment of the Tax Cuts & Jobs Act ("Tax Reform") in December 2017. The primary provisions of Tax Reform affecting us are the reduction to the U.S. corporate income tax rate from 35% to 21% and temporary 100% bonus depreciation for certain assets. The change in the tax law required us to remeasure existing net deferred tax liabilities using the lower rate in the year of enactment resulting in an income tax benefit of $41.6 million to reflect these changes in the year ending December 31, 2017. There were no specific impacts of Tax Reform that could not be reasonably estimated which we accounted for under prior law.

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, 2017	2016	2015
"Expected" statutory tax (expense) benefit	$ 23,152	(374)	9,699
Tax reform rate change	41,626	—	—
Nondeductible unrealized loss on derivative instrument with related party	(17,021)	1,092	(3,906)
Employee's excess tax benefit for stock based compensation	3,397	—	—
Nondeductible officer compensation	(3,074)	(1,424)	(1,906)
Nondeductible transaction costs	(2,760)	—	—
Nondeductible entertainment expenses	(1,141)	(1,029)	(1,059)
Nondeductible original issue discount	(850)	(773)	(660)
Nondeductible lobbying expenses	(345)	(1,192)	(442)
State income taxes, net of federal (expense) benefit	(105)	(753)	487
Impact of non-controlling interest attributable to non-tax paying entity	—	—	220
Other, net	(1,453)	(752)	(586)
	$ 41,426	(5,205)	1,847

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities at December 31, 2017 and 2016 are summarized below (amounts in thousands):

	2017	2016
Deferred tax assets:		
Net operating loss carryforwards	$ 104,617	111,236
Deferred revenue for financial reporting purposes	44,853	59,993
Asset retirement obligations in excess of amounts recognized for tax purposes	13,328	16,808
Compensated absences accrued for financial reporting purposes	2,825	3,505
Share-based compensation expense for financial reporting purposes in excess of amounts recognized for tax purposes	2,629	3,393
Accounts receivable, principally due to allowance for doubtful receivables	1,023	1,965
Workers compensation and self-insurance health reserves, principally due to accrual for financial reporting purposes	1,523	1,705
Alternative minimum tax credits	1,735	1,735
Deferred compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	1,370	1,687
Other	5,671	11,515
Total deferred tax assets	$ 179,574	213,542
Deferred tax liabilities:		
Plant and equipment, principally due to differences in depreciation	$ 192,413	245,118
Intangible assets	77,455	106,061
Other	277	345
Total deferred tax liabilities	270,145	351,524
Net deferred tax liabilities	$ 90,571	137,982

At December 31, 2017, we have tax net operating loss carryforwards of $371.2 million that will begin expiring in 2020 if not utilized. 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
2020	$ 1,530	1,505
2021	29,615	27,814
2022	14,081	13,850
2023	3,968	3,903
2024	722	710
2025	1,536	1,511
2026	663	652
2027	1,010	993
2028	39,879	39,226
2029	46,537	45,756
2031	104,101	102,639
2033	5,073	4,968
2034	38,561	37,312
2035	13,415	12,743
2036	282	268
2037	70,195	66,850
Total tax net operating loss carryforwards	$ 371,168	360,700

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 2013 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, 2017, 2016 and 2015, and accordingly, we did not recognize any interest expense. Additionally, we recorded no penalties during the years ended December 31, 2017, 2016 and 2015.

We adopted ASU 2016-09 as of January 1, 2017 on a modified retrospective basis. As a result of this adoption, we have recorded a $7.1 million adjustment to Retained Earnings (Deficit) as of January 1, 2017. We recorded an excess tax benefit generated from stock based compensation during the year ended December 31, 2017 of $3.4 million. We did not record any excess tax benefit generated from stock based compensation during the years ended December 31, 2016 and 2015, since we were in a net operating loss carryforward position and the income tax deduction would not yet reduce income taxes payable.

(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, 2017 and 2016 are as follows (amounts in thousands):

December 31, 2017		Level 1 (1)	Level 2 (2)	Level 3 (3)	Total
Assets:					
Deferred compensation plan assets (mutual funds)	$	1,323	—	—	1,323
Liabilities:					
Derivative stock appreciation rights	$	—	—	78,330	78,330

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

(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, 2017 and 2016 are as follows (amounts in thousands):

		December 31, 2017		December 31, 2016	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Current and long-term debt	$	1,382,048	1,458,106	1,336,772	1,393,865

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-1 common stock equal in value to the excess of the fair market value of a share of GCI Class A-1 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, and the impact of a change of control (please see Note 15 for additional information regarding a change of control contingency). 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, 2017 and 2016:

	2017	2016
Contractual term (in years)	1.1 - 5.1	2.1 - 6.1
Volatility	25% to 37.5%	37.5%
Risk-free interest rate	1.3 to 2.2%	2.1%
Stock Price	$ 39.02	$ 19.45

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 years ended December 31, 2017, 2016, and 2015:

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
Fair value adjustment at end of period, included in Other Income (Expense)	48,630
Balance at December 31, 2017	$ 78,330

(10) Stockholders' Equity

Common Stock

GCI's Class A-1 and Class B-1 common stock are identical in all respects, except that each share of Class A-1 common stock has one vote per share and each share of Class B-1 common stock has ten votes per share. Each share of Class B-1 common stock outstanding is convertible, at the option of the holder, into one share of Class A-1 common stock.

GCI's Board of Directors has authorized a common stock buyback program for the repurchase of GCI's Class A-1 and Class B-1 common stock in order to reduce the outstanding shares of Class A-1 and Class B-1 common stock. We have temporarily suspended the buyback program due to the Reorganization Agreement that we entered into with Liberty (see Note 15)

During the years ended December 31, 2017, 2016 and 2015 we repurchased 0.2 million, 3.5 million, and 3.0 million shares, respectively, of our Class A-1 common stock under the stock buyback program at a cost of $4.0

million, $55.2 million and $47.4 million, respectively. Under this program we are currently authorized to make up to $61.2 million of repurchases as of December 31, 2017.

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-1 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 1.2 million shares available for grant under the Stock Option Plan at December 31, 2017.

A summary of nonvested restricted stock award activity under the Stock Option Plan for the year ended December 31, 2017, follows (share amounts in thousands):

	Shares	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2016	1,465	$ 14.41
Granted	607	$ 23.24
Vested	(894)	$ 16.22
Forfeited	(5)	$ 18.48
Nonvested at December 31, 2016	1,173	$ 17.58

The weighted average grant date fair value of awards granted during the years ended December 31, 2017, 2016, and 2015 were $23.24, $17.87 and $15.06, respectively. The total fair value of awards vesting during the years ended December 31, 2017, 2016, and 2015 were $29.9 million, $13.5 million and $17.0 million, respectively. We have recorded share-based compensation expense of $17.5 million, $11.0 million, and $10.9 million for the years ended December 31, 2017, 2016, and 2015, 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 $11.3 million as of December 31, 2017. We expect to recognize share-based compensation expense over a weighted average period of 1.6 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-1 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, $11.0 million and $9.8 million for the years ended December 31, 2017, 2016 and 2015, respectively. We used cash to fund all of our employer-matching contributions during the years ended December 31, 2017, 2016 and 2015.

(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, 2017	
	Class A-1	Class B-1
Basic net loss per share:		
Numerator:		
Undistributed loss allocable to common stockholders	(22,074)	(2,172)
Denominator:		
Weighted average common shares outstanding	31,344	3,083
Basic net loss attributable to GCI common stockholders per common share	$ (0.70)	(0.70)
Diluted net loss per share:		
Numerator:		
Undistributed loss allocable to common stockholders for basic computation	$ (22,074)	(2,172)
Reallocation of undistributed loss as a result of conversion of Class B-1 to Class A-1 shares	(2,172)	—
Net loss adjusted for allocation of undistributed earnings and effect of contracts that may be settled in cash or shares	$ (24,246)	(2,172)
Denominator:		
Number of shares used in basic computation	31,344	3,083
Conversion of Class B-1 to Class A-1 common shares outstanding	3,083	—
Number of shares used in per share computation	34,427	3,083
Diluted net loss attributable to GCI common stockholders per common share	$ (0.70)	(0.70)

	Years Ended December 31,			
	2016		2015	
	Class A-1	Class B-1	Class A-1	Class B-1
Basic net loss per share:				
Numerator:				
Undistributed loss allocable to common stockholders	$ (3,343)	(324)	(23,858)	(2,167)
Denominator:				
Weighted average common shares outstanding	32,526	3,154	34,764	3,157
Basic net loss attributable to GCI common stockholders per common share	$ (0.10)	(0.10)	(0.69)	(0.69)
Diluted net loss per share:				
Numerator:				
Undistributed loss allocable to common stockholders for basic computation	$ (3,343)	(324)	(23,858)	(2,167)
Reallocation of undistributed loss as a result of conversion of Class B-1 to Class A-1 shares	(324)	—	(2,167)	—
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 loss and effect of contracts that may be settled in cash or shares	$ (5,509)	(478)	(26,025)	(2,167)
Denominator:				
Number of shares used in basic computation	32,526	3,154	34,764	3,157
Conversion of Class B-1 to Class A-1 common shares outstanding	3,154	—	3,157	—
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	37,921	3,157
Diluted net loss attributable to GCI common stockholders per common share	$ (0.15)	(0.15)	(0.69)	(0.69)

Weighted average shares associated with outstanding securities for the years ended December 31, 2017, 2016 and 2015 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,		
	2017	2016	2015
Derivative instrument that may be settled in cash or shares	1,870	—	724
Shares associated with unexercised stock options	1	3	108
Share-based compensation that may be settled in cash or shares	26	—	26
Total excluded	1,897	3	858

(12) Industry Segments Data

We operate our business under a single reportable segment. Effective in the first quarter of 2017, we reassessed and reorganized our management and internal reporting structures in order to make our operations more efficient, which triggered an analysis of our reportable segments. As a result of our assessment, we merged our former Wireless and Wireline segments into one operating segment. We realigned our external financial reporting to support this change. Our chief operating decision maker assesses our financial performance as follows:

- Capital expenditure decisions are based on the support they provide to all revenue streams
- Revenues are managed on the basis of specific customers and customer groups
- Costs are generally managed and assessed by function and generally support the organization across all customer groups or revenue streams
- Profitability is assessed at the consolidated level

Prior to 2017, we operated our business under two reportable segments - Wireline and Wireless. As a result of the reorganization of our reporting structure, assets, including goodwill, and liabilities were reassigned to a single reporting unit.

Revenues summarized by customer and service type for the years ended December 31, 2017, 2016, and 2015 follows (amounts in thousands):

	2017			2016			2015		
	Consumer	Business	Total	Consumer	Business	Total	Consumer	Business	Total
Revenues									
Wireless	167,733	104,614	272,347	177,801	105,355	283,156	199,862	151,710	351,572
Data	145,757	308,480	454,237	140,196	296,202	436,398	130,213	269,472	399,685
Video	99,609	18,039	117,648	107,305	20,102	127,407	115,074	18,819	133,893
Voice	23,783	51,189	74,972	26,734	60,117	86,851	30,110	63,274	93,384
Total	436,882	482,322	919,204	452,036	481,776	933,812	475,259	503,275	978,534

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.

We had no major customers for the years ended December 31, 2017 and 2016. We earned revenues from a major customer, net of discounts, of $130.8 million or 13% of total consolidated revenues for the year ended December 31, 2015.

(13) Related Party Transactions

On July 11, 2016, we repurchased 1,000,000 shares of our Class A-1 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-1 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 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 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. 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 various projects that extended terrestrial broadband service for the first time to rural Northwestern Alaska communities via a high capacity hybrid fiber optic and microwave network. 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.

Each of the transactions has an investment fund, which is a special purpose entity created to effect the financing arrangement. In each of the transactions, we loaned money to the investment fund and US Bancorp invested money in the investment fund. The investment fund would then contribute the funds from our loan and US Bancorp's investment to a CDE. The CDE, in turn, would loan the funds to our wholly owned subsidiary, Unicom, Inc. ("Unicom") as partial financing for the projects.

US Bancorp 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 the projects. Restricted cash of $15.4 million and $0.9 million was held by Unicom at December 31, 2017, and 2016, respectively, and is included in our Consolidated Balance Sheets. We completed construction of the projects partially funded by these transactions.

These transactions include put/call provisions whereby we may be obligated or entitled to repurchase US Bancorp's interests in the investment funds. We believe that US Bancorp will exercise the put options at the end of the compliance periods for each of the transactions. 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, 2017. The value attributed to the put/calls is nominal.

We have determined that each of the investment funds are VIEs. The consolidated financial statements of each of the investment funds include the CDEs. 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 $165.9 million and $121.2 million, respectively, as of December 31, 2017, and $140.9 million and $104.2 million, respectively as of December 31, 2016.

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.

The following table summarizes the key terms of each of the NMTC transactions:

Financing Arrangement	Investment Funds	Transaction Date	Loan Amount	Interest Rate on Loan to Investment Fund	Maturity Date	US Bancorp Investment	Loan to Unicom	Interest Rate on Loan(s) to Unicom	Expected Put Option Exercise
NMTC #1	TIF	August 30, 2011	$58.3 million	1%	August 30, 2041	$22.4 million	$76.8 million	1% to 3.96%	August 2018
NMTC #2	TIF 2 & TIF 2-USB	October 3, 2012	$37.7 million	1%	October 2, 2042	$17.5 million	$55.2 million	0.71% to 0.77%	October 2019
NMTC #3	TIF 3	December 11, 2012	$8.2 million	1%	December 10, 2042	$3.8 million	$12.0 million	1.35%	December 2019
NMTC #4	TIF 4	March 21, 2017	$6.7 million	1%	March 21, 2040	$3.3 million	$9.8 million	0.73%	March 2024
NMTC #5	TIF 5-1 and TIF 5-2	December 22, 2017	$10.4 million	1%	December 22, 2047	$5.1 million	$14.7 million	0.67% to 1.24%	December 2024

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. 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

On April 4, 2017, General Communication, Inc., Liberty Interactive Corporation, a Delaware corporation ("Liberty") and Liberty Interactive LLC, a Delaware limited liability company and a direct wholly-owned subsidiary of Liberty ("Liberty LLC"), entered into an Agreement and Plan of Reorganization (as may be amended from time to time, the "Reorganization Agreement" and the transactions contemplated thereby, the "Transactions"). Pursuant to the Reorganization Agreement, General Communication, Inc. amended and restated its articles of incorporation resulting in General Communication, Inc. being renamed GCI Liberty, Inc. and a reclassification and auto conversion of its common stock. Following these events, Liberty will acquire

GCI through a reorganization in which certain interests, assets and liabilities of the Liberty Ventures Group ("Liberty Ventures") will be contributed to GCI Liberty in exchange for a controlling interest in GCI Liberty. The assets to be contributed to GCI Liberty are expected to include Liberty's equity interests in Liberty Broadband and Charter Communications, Inc. along with certain other equity interests, together with the operating business of Evite, Inc. and certain other assets and liabilities, in exchange for (a) the issuance to Liberty LLC of (i) a number of shares of GCI Liberty Class A Common Stock and a number of shares of GCI Liberty Class B Common Stock equal to the number of outstanding shares of Series A Liberty Ventures common stock and Series B Liberty Ventures common stock outstanding on the closing date of the contribution, respectively, and (ii) cash, and (b) the assumption by GCI Liberty of certain liabilities attributed to Liberty Ventures.

Following the contribution and acquisition of GCI Liberty, Liberty will then effect a tax-free separation of its controlling interest in GCI Liberty to the holders of Liberty Ventures common stock in full redemption of all outstanding shares of such stock. As a result of the Transactions, holders of GCI common stock (regardless of class) each will receive (i) 0.63 of a share of GCI Liberty Class A common stock and (ii) 0.20 of a share of new GCI Liberty Series A Cumulative Redeemable preferred stock in exchange for each share of their existing GCI stock. The exchange ratios were determined based on total consideration of $32.50 per share in respect of each share of existing GCI common stock, comprised of $27.50 per share in GCI Liberty Class A common stock and $5.00 per share in newly issued GCI Liberty Series A Cumulative Redeemable preferred stock, based upon a Liberty Ventures reference price of $43.65 (with no premium paid for shares of GCI Class B common stock) and an initial liquidation price of $25.00 per share of GCI Liberty Series A Cumulative Redeemable preferred stock. The GCI Liberty Series A Cumulative Redeemable preferred stock will accrue dividends at an initial rate of 5% per annum (which would increase to 7% in connection with a future reincorporation of GCI Liberty in Delaware) and will be redeemable upon the 21st anniversary of the closing. The closing of the Transactions are expected to be consummated on March 9, 2018, subject to the satisfaction of customary closing conditions.

On April 12, 2017, we announced that our wholly owned subsidiary, GCI, Inc., was soliciting consents from the holders of its outstanding Notes to effect certain amendments to the indentures governing the Notes (the "Indentures") to facilitate the Transactions, upon the terms and subject to the conditions set forth in the Consent Solicitation Statement, dated April 12, 2017, and the related Letter of Consent. The consent solicitation expired on April 24, 2017 and we received consents from holders of: (a) $312,418,000 in aggregate principal amount of the 2021 Notes, representing 96.13% of the total principal amount outstanding of the 2021 Notes, and (b) $443,538,000 in aggregate principal amount of the 2025 Notes, representing 98.56% of the total principal amount outstanding of the 2025 Notes. The consent of holders of at least a majority in aggregate principal amount of a series of Notes then outstanding was required to approve the proposed amendment with respect to that series of Notes.

On April 26, 2017, we paid to the tabulation agent for the benefit of registered holders of Notes as of the record date for the Consent Solicitation that validly delivered (and did not validly revoke) a properly completed letter of consent (a "Consent") on or prior to the expiration date (x) with respect to the proposed amendment relating to the 2021 Notes, an aggregate consent fee of $812,500 payable to the holders of 2021 Notes, on a pro rata basis, who validly delivered (and did not validly revoke) a properly completed Consent and (y) with respect to the proposed amendment relating to the 2025 Notes, an aggregate consent fee of $1,125,000 payable to the holders of 2025 Notes, on a pro rata basis, who validly delivered (and did not validly revoke) a properly completed Consent. The proposed amendments will be effected by supplemental indentures to the Indentures.

We believe the Transactions will result in a change of control for the Searchlight stock appreciation rights that will result in us settling that instrument in cash.

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 $58.8 million, $58.9 million and $51.5 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Capital Leases as Lessee

We entered into a long-term capital lease agreement in 1991 with the wife of GCI's President 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
2018	$ 48,409	13,440
2019	38,293	13,450
2020	27,566	13,459
2021	19,806	12,044
2022	11,715	5,293
2023 and thereafter	28,298	2,411
Total minimum lease payments	$ 174,087	60,097
Less amount representing interest		9,781
Less current maturity of obligations under capital leases		10,028
Long-term obligations under capital leases, excluding current maturity		$ 40,288

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, 2017, we were self-insured for losses and liabilities related to health and welfare claims up to $750,000 per incident per year above which third party insurance applied. A reserve of $4.8 million and $4.0 million are recorded at December 31, 2017 and 2016, 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 $3.2 million and $2.9 million are recorded at December 31, 2017 and 2016, 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.

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 $16.8 million, $0 million and $13.8 million in 2017, 2016, and 2015, respectively, and expect to receive $10.8 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 to replace our wireless, Internet, video, local service, and long distance customer billing systems. In early 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 in early 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.

In early 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 the year ended December 31, 2015 by recording an expense which is included in Software Impairment Charge in our Consolidated Statement of Operations.

In late 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 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, 2017 and 2016 (amounts in thousands, except per share amounts):

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2017					
Total revenues	$	228,115	224,346	231,214	235,529
Operating income	$	15,346	11,031	24,174	20,699
Net income (loss)	$	(55,246)	(9,000)	(8,849)	48,373
Net income (loss) attributable to GCI	$	(55,129)	(8,882)	(8,731)	48,496
Basic net income (loss) attributable to GCI per common share	$	(1.60)	(0.26)	(0.25)	1.35
Diluted net income (loss) attributable to GCI per common share	$	(1.60)	(0.26)	(0.25)	1.19
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)

(18) Subsequent Events

On February 2, 2018, we held a special shareholder meeting where our shareholders approved the Transactions with Liberty. On February 20, 2018, the Commissioner of the Department of Commerce, Community and Economic Development of the State of Alaska accepted for filing the amended and restated Articles of Incorporation that were approved by our shareholders at the special meeting held on February 2, 2018.

On February 28, 2018, we amended our Senior Credit Facility to increase the revolving credit facility from $200.0 million to $300.0 million. Additionally, we increased the maximum secured leverage ratio permitted under the Senior Credit Facility from 3.00:1.00 to 3.50:1.00.

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
2.1	Agreement and Plan of Reorganization, dated as of April 4, 2017, by and among Liberty Interactive Corporation, Liberty Interactive LLC and General Communication, Inc.	Incorporated by reference to Exhibit 2.1 to Form 8-K/A filed by the Company on May 1, 2017
2.2	Amendment No. 1 dated as of July 19, 2017, to the Agreement and Plan of Reorganization by and among Liberty Interactive Corporation, Liberty Interactive LLC, and General Communication, Inc. as of April 4, 2017	Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2017 filed November 2, 2017.
2.3	Amendment No. 2 to Reorganization Agreement, dated as of November 8, 2017, by and among Liberty Interactive Corporation, Liberty Interactive LLC and General Communication, Inc.	Incorporated by reference to the Company's Report on Form 8-K for the period November 8, 2017 filed November 9, 2017.
3.1	Form of Amended and Restated Articles of Incorporation of GCI Liberty, Inc.	Incorporated by reference to Exhibit 3.1 to Amendment No. 3 to the Company's Registration Statement on Form S-4, filed on December 27, 2017 (File No. 333-219619).
3.2	Amended and Restated Bylaws of the Company dated August 21, 2017	Incorporated by reference to the Company's Report on Form 8-K for the period August 21, 2017 filed August 23, 2017.
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 5, 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.
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	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.
10.2	Lease Agreement dated September 30, 1991 between RDB Company and General Communication, Inc. *	

Exhibit No.	Description	Where Located
10.3	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.
10.4	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.
10.5	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.
10.6	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.
10.7	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.
10.8	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.
10.9	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.
10.10	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.
10.11	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.
10.12	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.
10.13	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.
10.14	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.
10.15	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.
10.16	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.

Exhibit No.	Description	Where Located
10.17	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.
10.18	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 25, 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.
10.19	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.
10.20	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.
10.21	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.
10.22	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.
10.23	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.
10.24	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.
10.25	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.
10.26	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.
10.27	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.
10.28	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.

Exhibit No.	Description	Where Located
10.29	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.
10.30	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.
10.31	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.
10.32	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.
10.33	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.
10.34	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.
10.35	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 8, 2014.
10.36	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.
10.37	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.
10.38	Twenty-First Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication Corp. dated February 26, 2015 #	Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2015 filed May 8, 2015.
10.39	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.
10.40	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.

Exhibit No.	Description	Where Located
10.41	First Amendment to the Fourth Amended and Restated Credit Agreement dated as of August 3, 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.
10.42	Twenty-Third Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication Corp. dated July 27, 2015 #	Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2015 filed November 5, 2015.
10.43	Twenty-Fourth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication Corp. dated September 2, 2015 #	Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2015 filed November 5, 2015.
10.44	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.
10.45	Second Amendment to the Fourth Amended and Restated Credit Agreement dated as of February 12, 2016	Incorporated by reference to the Company's Annual Report on Form 10-K for the year ending December 31, 2015 filed March 3, 2016.
10.46	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.
10.47	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.
10.48	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.
10.49	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.
10.50	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.
10.51	Twenty-Eighth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication Corp. dated October 31, 2016 #	Incorporated by reference to the Company's Annual Report on Form 10-K for the year ending December 31, 2016 filed March 2, 2017.
10.52	Voting Agreement, dated as of April 4, 2017, by and among Liberty Interactive Corporation, General Communication, Inc., and John C. Malone and Leslie Malone	Incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K/A filed May 1, 2017

Exhibit No.	Description	Where Located
10.53	Voting Agreement, dated as of April 4, 2017, by and among Liberty Interactive Corporation, General Communication, Inc., and John W. Stanton and Theresa E. Gillespie	Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K/A filed May 1, 2017
10.54	Voting Agreement, dated as of April 4, 2017, by and among Liberty Interactive Corporation, General Communication, Inc., and Ronald A. Duncan and Dani Bowman	Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K/A filed May 1, 2017
10.55	Supplemental Indenture, dated as of April 28, 2017, between GCI, Inc. and MUFG Union Bank, N.A., as Trustee (6.75% Senior Notes)	Incorporated by reference to Exhibit 4.1 to Form 8-K filed by the Company on May 2, 2017.
10.56	Supplemental Indenture, dated as of April 28, 2017, between GCI, Inc. and MUFG Union Bank, N.A., as Trustee (6.875% Senior Notes)	Incorporated by reference to Exhibit 4.2 to Form 8-K filed by the Company on May 2, 2017.
10.57	Fifth Amendment to the Fourth Amended and Restated Credit Agreement dated as of May 3, 2017	Incorporated by reference to the Company's Report on Form 8-K for the period May 3, 2017 filed May 9, 2017.
10.58	Twenty-Ninth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication, Corp. dated April 28, 2017 #	Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2017 filed August 3, 2017.
10.59	Sixth Amendment to the Fourth Amended and Restated Credit Agreement dated as of August 14, 2017	Incorporated by reference to the Company's Report on Form 8-K for the period August 14, 2017 filed August 18, 2017.
10.60	Thirtieth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication, Corp. dated June 15, 2017 #	Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2017 filed November 2, 2017.
10.61	Thirty-First Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication, Corp. dated June 30, 2017 #	Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2017 filed November 2, 2017.
10.62	Thirty-Second Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication, Corp. dated July 31, 2017 #	Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2017 filed November 2, 2017.
10.63	Thirty-Third Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication, Corp. dated October 4, 2017 # *	
10.64	Thirty-Fourth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication, Corp. dated December 29, 2017 # *	
10.65	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, 2017.
14.1	Code Of Business Conduct and Ethics *	
21.1	Subsidiaries of the Registrant *	
23.1	Consent of Grant Thornton LLP (Independent Public Accountant for Company) *	

Exhibit No.	Description	Where Located
31.1	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *	
31.2	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *	
32.1	Chief Executive Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *	
32.2	Chief Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *	
101	The following materials from GCI Liberty, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2017, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2017 and 2016; (ii) Consolidated Statements of Operations for the years ended December 31, 2017, 2016 and 2015; (iii) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2017, 2016 and 2015; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2017, 2016 and 2015; 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.

GCI LIBERTY, INC.

By: /s/ Ronald A. Duncan
Ronald A. Duncan, Chief Executive Officer

Date: February 28, 2018

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	February 28, 2018
/s/ Ronald A. Duncan Ronald A. Duncan	Chief Executive Officer and Director (Principal Executive Officer)	February 28, 2018
/s/ Bridget L. Baker Bridget L. Baker	Director	February 28, 2018
/s/ Jerry A. Edgerton Jerry A. Edgerton	Director	February 28, 2018
/s/ Scott M. Fisher Scott M. Fisher	Director	February 28, 2018
/s/ William P. Glasgow William P. Glasgow	Director	February 28, 2018
/s/ Mark W. Kroloff Mark W. Kroloff	Director	February 28, 2018
/s/ Stephen R. Mooney Stephen R. Mooney	Director	February 28, 2018
/s/ James M. Schneider James M. Schneider	Director	February 28, 2018
Eric L. Zinterhofer	Director	
/s/ Peter J. Pounds Peter J. Pounds	Senior Vice President, Chief Financial Officer, and Secretary (Principal Financial Officer)	February 28, 2018
/s/ Lynda L. Tarbath Lynda L. Tarbath	Vice President, Chief Accounting Officer (Principal Accounting Officer)	February 28, 2018

LEASE AGREEMENT

This Agreement is made the 30th day of September 1991 between RDB COMPANY, an Alaska General Partnership ("Landlord"), whose address is, 4150 West 88th Ave., Anchorage, Alaska, 99502, and GENERAL COMMUNICATION INC., an Alaska Corporation ("Tenant"), whose address is 2550 Denali Street, Suite 1000, Anchorage, Alaska, 99503, who agree as follows:

1. **Premises**. Landlord leases to Tenant and Tenant leases from Landlord the real property located at 1551 Lore Road, Anchorage, Alaska, described as Lot 1, Block 6, Chugach Meadows Subdivision, Anchorage Recording District, Anchorage, Alaska, including the building and other improvements located on the real property ("Premises").

2. **Term, Termination by Tenant**. The term of this Lease shall commence on October 1, 1991, and shall expire September 30, 2006.

3. **Condition of Premises**. Tenant's taking possession of the Premises on commencement of the term shall constitute Tenant's acknowledgment that the Premises are in adequate condition for Tenant's purposes. Tenant has inspected the Premises and has made such investigation as it deems necessary. Tenant leases the Premises "as is." Landlord shall have no responsibility to make any repair or improvement of any kind. Landlord has made no representations to the condition of the property.

4. **Rent**. Tenant shall pay to Landlord as rent, for the entire lease term, without deduction, setoff, prior notice or demand, the sum of $3,552,000, payable Fourteen Thousand Four Hundred Dollars ($14,400.00) per month beginning October 1, 1991 and ending September 30, 1993, Fifteen Thousand Two Hundred Dollars ($15,200.00) per month beginning October 1, 1993 and ending September 30, 1995, Sixteen Thousand Dollars ($16,000.00) per month beginning October 1, 1995 and ending September 30, 1997, Sixteen Thousand Eight Hundred Dollars ($16,800.00) per month beginning October 1, 1997 and ending September 30, 1999, Seventeen Thousand Six Hundred Dollars ($17,600.00) per month beginning October 1, 1999, and ending September 30, 2001, Eighteen Thousand Four Hundred Dollars ($18,400.00) per month beginning October 1, 2001 and ending September 30, 2003, Nineteen Thousand Two Hundred Dollars ($19,200.00) per moth beginning October 1, 2003 and ending September 30, 2005, and Twenty Thousand Dollars ($20,000.00) per month beginning October 1, 2005 through the end of the term.

5. **Tenant's Use of Premises**. Tenant shall use the Premises for its telecommunications business and for no other use without Landlord's consent. Tenant's use of the Premises as provided in this Lease shall be in accordance with the following:

A. Tenant shall not do, bring, or keep anything in or about the Premises that will cause the cancellation of any insurance covering the premises.
B. Tenant shall comply with all laws concerning the Premises or Tenant's use of the Premises, including, without limitation, the obligation at Tenant's cost to alter, maintain, or restore the Premises in compliance and conformity with all laws relating to the condition, use or occupancy of the Premises during the term.
C. Tenant shall not use the Premises in any manner that will constitute waste, nuisance, or unreasonable annoyance to owners or occupants of adjacent properties.

6. **Maintenance of Premises, Taxes**. Tenant, at its cost, shall maintain the Premises in good condition, including any repair of any mechanical, electrical, plumbing, or structural failures occurring during the term. Tenant shall pay all property, use, or other similar taxes attributable to the Premises. This Lease is a triple net lease. Landlord shall have no responsibility for maintenance of the Premises.

7. **Alterations**. Any alterations made shall remain on and be surrendered with the Premises on expiration or termination of the term. All alterations by Tenant shall conform to Municipal, State, and Federal regulations.

If Tenant makes any alterations to the Premises as provided in this paragraph, the alterations shall not be commenced until two (2) days after Landlord has received notice from Tenant stating the date the installation of the alterations is to commence so that Landlord can post and record an appropriate notice of non-responsibility.

8. **Mechanic' s Liens**. Tenant shall pay all costs for construction done by it or caused to be done by it on the Premises as permitted by this Lease. Tenant shall keep the Premises free and clear of all mechanic 's liens resulting from construction done by or for Tenant.

Tenant shall have the right to contest the correctness or the validity of any such lien if, immediately on demand by Landlord, Tenant procures and records a lien release bond issued by a corporation authorized to issue surety bonds in Alaska in an amount equal to one and one-half times the amount of the claim of lien. The bond shall provide for the payment of any sum that the claimant may recover on the claim (together with costs of suit, if it recovers in the action).

9. **Utilities**. Tenant shall make all arrangements for and pay for all utilities and services furnished to or used by it, including, without limitation, gas, electricity, water, sewer, telephone service, snow removal, and trash collection, and for all connection charges.

10. **Liability and Indemnity**. Landlord shall not be liable to Tenant for any damage to Tenant or Tenant's property from any cause. Tenant waives all claims against Landlord for damage to person or property arising for any reason, except that Landlord shall be liable to Tenant for damage to Tenant resulting from the acts or omissions of Landlord or its authorized representatives.

Tenant shall hold Landlord harmless from all damages arising out of any damage to any person or property occurring in, on, or about the Premises or off the Premises arising out of actions on the Premises, except that Landlord shall be liable to Tenant for damage resulting from the acts or omissions of Land lord or its authorized representatives. Landlord shall hold Tenant harmless from all damages arising out of any such damage. A party's obligation under this paragraph to indemnify and hold the othe r party harmless shall be limited to the sum that exceeds the amount of insurance proceeds, if any, received by the party being indemnified.

11. **Insurance**. Tenant, at its cost, shall maintain fire and extended coverage property insurance on the building for replacement value, public liability, and property damage insurance with a liability limit of $5,000,000 combined single limit insuring against all liability of Tenant and its authorized representatives arising out of and in connection with Tenant's use or occupancy of Premises. All public liability insurance and property damage insurance shall insure performance by Tenant of the indemnity provisions of Section 10. Both parties and mortgagees shall be named as additional insureds, and the policy shall contain cross liability endorsements.

12. **Destruction of the Premises**. If, during the term, the Premises are totally or partially destroyed from a risk covered by insurance payable to the Landlord, rendering the Premises totally or partially inaccessible or unusable, Landlord may restore the Premises to substantially the same condition as they were in immediately before destruction. Such destruction shall not terminate this Lease. If existing laws or funds do not permit the restoration, either party can terminate this Lease immediately by giving notice to the other Party. Landlord may also elect to terminate this Lease by giving notice to Tenant within ninety (90) days after the destruction.

13. **Condemnation**.

A. 1. "Condemnation" means (a) the exercise of any governmental power, whether by legal proceedings or otherwise, by a condemner and (b) a voluntary sale or transfer by Landlord to any condemnor either under threat of condemnation or while legal proceedings of condemnation are pending.
   2. "Date of taking" means the date the condemnor has the right of possession of the property being condemned.
   3. "Award" means all compensation, sums, or anything of value awarded, paid, or received on a total or partial condemnation.
   4. "Condemnor" means any public or qu asi-public authority, or private corporation or individual, having the power of condemnation.

B. If, during the term or during the period of time between the execution of this Lease and the date the term commences, there is any taking of all or any part of the Premises or any interest in this Lease by condemnation, the rights and obligations of the parties shall be determined pursuant to this Section.

C. If the Premises are totally taken by condemnation, this Lease shall terminate on the date of taking.

D. If any portion of the Premises is taken by condemnation, this Lease shall remain in effect, except that Tenant can elect to terminate this Lease if the remaining portion of the building or other improvements that are a part of the Premises are rendered unsuitable for Tenant's continued use of the Premises.

E. The award shall belong to and be paid to Landlord and Tenant as their interest may appear.

14. **Assignment**. Tenant shall not voluntarily assign or encumber its interest in this Lease or in the Premises, or sublease all or any part of the Premises, or allow any other person or entity (except Tenant's authorized representatives) to occupy or use all or any part of the Premises, except a subsidiary or controlled affiliate of Tenant, without first obtaining Landlord 's consent. Any assignment, encumbrance, or sublease without Landlord 's consent shall be voidable and, at Landlord' s election, shall constitute a default. No consent to any assignment, encumbrance, or sublease shall constitute a further waiver of the provisions of this paragraph.

No interest of Tenant in this Lease shall be assignable by operation of law. Each of the following acts shall be considered an involuntary assignment:

A. If Tenant is or becomes bankrupt or insolvent, makes an assignment for the benefit of creditors, or institutes a proceeding under the Bankruptcy Act in which Tenant is the debtor; or, if Tenant is a partnership or consists of more than one person or entity, if any partner of the partnership or other person or entity is or becomes bankrupt or insolvent, or makes an assignment for the benefit of creditors;

B. If a writ of attachment or execution is levied on this Lease;

C. If, in any proceeding or action to which Tenant is a party, a receiver is appointed with authority to take possession of the Premises.

An involuntary assignment shall constitute a default by Tenant and Landlord shall have the right to elect to terminate this Lease, in which case this Lease shall not be treated as an asset of Tenant.

15. **Tenant's Default**. The occurrence of any of the following shall constitute a default by Tenant :

A. Abandonment and vacation of the Premises (failure to occupy and operate the Premises for ten (10) consecutive days shall be deemed an abandonment and vacation).

B. Failure to provide insurance as required by Section 11.

C.Receipt by Landlord of a notice of cancellation of insurance required by Section 11.

D. Failure to perform any other provision of this Lease if the failure to perform is not cured within thirty (30) days after notice has been given to Tenant. If the default cannot reasonably be cured within thirty (30) days, Tenant shall not be in default of this Lease if Tenant commences to cure the default within the thirty (30) day period and diligently and in good faith continues to cure the default.

Notice given under this paragraph shall specify the alleged default and the applicable Lease provisions, and shall demand that Tenant perform the provisions of this Lease as the case may be, within the applicable period of time, or quit the Premises. No such notice shall be deemed a forfeiture or a termination of this Lease unless Landlord so elects in the notice.

16. **Landlord' s Remedies.** Landlord shall have the following remedies if Tenant commits a default. These remedies are not exclusive; they are cumulative in addition to any remedies now or later allowed by law.

Landlord can continue this Lease in full force and effect, and this Lease will continue in effect as long as Landlord does not terminate Tenant 's right to possession. During the period Tenant is in default, Landlord can enter the Premises and relet them, or any part of them, to third parties. Reletting can be for a period shorter or longer than the remaining term of this Lease. After Tenant's default and for as long as Landlord does not terminate Tenant's right to possession of the Premises, if Tenant obtains Landlord' s consent Tenant shall have the right to assign or sublet its interest in this Lease, but Tenant shall not be released from liability. Landlord's consent to a proposed assignment or subletting shall not be unreasonably withheld.

If Landlord elects to relet the Premises as provided in this paragraph, rent that Landlord receives from reletting shall be applied to the payment of:

A. Any indebtedness from Tenant to Landlord; and

B. All costs, including maintenance, incurred by Landlord in reletting.

Landlord can terminate Tenant 's right to possession of the Premises at any time. No act by Lan dlord other than giving notice to Tenant shall terminate this Lease. Acts of maintenance, efforts to relet the Premises, or the appointment of a receiver on Landlord's initiative to protect Landlord 's interest under th is Lease shall not constitute a termination of Tenant 's right to possession.

Landlord, at any time after Tenant c ommits a default, can cure the default at Tenant's cost. If Landlord at any time, by reason of Tenant's default, p ays any sum or does any act that requires the payment of any sum, the sum paid by Landlord shall be due immediately from Tenant to Landlord at the time the sum is paid.

17. **<u>Notice</u>.** Any notice, demand, request, consent, approval, or communication that either party desires or is required to give to the other party or any person shall be in writing and either se rved personally or sent by prepaid, first class mail. Any notice, demand, request, consent, approval, or communication that either party desires or is required to give to the other party s hall be addressed to the other party at the address set forth in the introductory paragraph of this Lease. Either party may change its address by notifying the other party of the change of address. Notice shall be deemed communicated within forty-eight (48) hours from the time of mailing, if mailed as provided in this paragraph.

18. **<u>Waiver</u>.** No delay or omission in the exercise of any right or remedy of Landlord on any default by Tenant shall impair such a right or remedy or be construed as a waiver.

The receipt and acceptance by Landlord of delinquent rent shall not constitute a waiver of any other default; it shall constitute only a waiver of timely payment for the particular rent payment involved.

No act or conduct of Landlord, including, without limitation, the acceptance of the keys to the Premises, shall constitute an acceptance of the surrender of the Premises by Tenant before the expiration of the term. Only a notice from Landlord to Tenant shall constitute acceptance of the surrender of the Premises and accomplish a termination of the Lease.

Landlord's consent to or approval of any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any subsequent act by Tenant.

Any waiver by Landlord of any default must be in writing and shall not be a waiver of any other default concerning the same or any other provision of this Lease.

19. **<u>Surrender of Premises; Holding over</u>**. On expiration of the term, Tenant shall surrender to Landlord the premises and all Tenant's improvements and alterations in good condition (except for ordinary wear and tear occurring after the last necessary maintenance made by Tenant), except for alterations that Tenant has the right to remove or is obligated to remove under the provisions of this Lease. Tenant shall remove all its personal property within the above stated time. Tenant shall perform all restoration made necessary by the re moval of any alterations or Tenant's personal property within the time periods stated in this paragraph.

Landlord can elect to retain or dispose of in any manner any alterations or Tenant's personal property that Tenant does not remove from the Premises on expiration or termination of the term as allowed or required by this Lease by giving at least ten (10) days' notice to Tenant. Title to any such alterations or Tenant's personal property that Lan dlord elects to retain or dispose of on expiration of the ten (10) day period shall vest in Landlord. Tenant waives all claims against Landlord for any damage to Tenant res ulting from Landlord's retention or disposition of any such alterations or Tenant's personal property. Tenant shall be liable to Landlord for Landlord's costs for storing, removing, and disposing of any alterations or Tenant's personal property.

If Tenant fails to surrender the Premises to Landlord on expiration or ten (10) days after termination of the term as required by this paragraph, Tenant shall hold Landlord harmless from all damages resulting from Tenant's failure to surrender the Premises, including, without limitation, claims made by a succeeding tenant resulting from Tenant's failure to surrender the Premises.

If Tenant, with Landlord's consent, remains in possession of the Premises after expiration or termination of the term, or after the date in any notice given by Landlord to Tenant terminating this Lease, such possession by Tenant shall be deemed to be a month-to-month tenancy terminable on thirty (30) days' notice given at any time by either party.

All provisions of this Lease, except those pertaining to term and option to acquire the Premises, shall apply to the month to-month tenancy.

20. **Payment Upon Sale or at End of Tenth Year**. If Landlord sells the Premises prior to the end of the tenth year of the term of this Lease, Landlord shall rebate to Tenant for appreciated value, one-half of the net sale price received (after real estate commission, title fees, premiums, attorney fees, and closing costs) over Nine Hundred Thousand Dollars ($900,000.00). If Landlord has not sold the Premises before the tenth year of the term of this Lease, it shall pay Tenant one-half of the appreciated value as determined by the then appraised value of the property over Nine Hundred Thousand Dollars ($900,000.00) or Five Hundred Thousand Dollars ($500,000.00), whichever is greater. An appraisal shall be by an MAI appraiser mutually acceptable to the parties.

21. **Miscellaneous Provisions**.

A. Time is of the essence as to each provision of this Lease.
B. Whenever consent or approval of either party is required, that party shall not unreasonably withhold such consent or approval.
C. This Lease shall be binding on and inure to the benefit of the parties and their successors.
D. This Lease shall be construed and interpreted in accordance with the laws of the State of Alaska.
E. This Lease contains all the agreements of the parties and cannot be amended or modified, except by a written agreement.

IN WITNESS WHEREOF, the parties have executed this Lease as of the date first set forth above.

RDB COMPANY
An Alaska General Partnership

By: /s/ Ronald A. Duncan
Ronald A. Duncan
Its: Managing Partner

GENERAL COMMUNICATION INC.

By: /s/ John M. Lowber
John M. Lowber
Its: Senior Vice President

****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.

THIRTY-THIRD AMENDMENT TO THE
FULL-TIME TRANSPONDER CAPACITY AGREEMENT (PRE-LAUNCH)

This Thirty-third Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) (the " **Thirty-third Amendment**") is made and entered into by and between INTELSAT CORPORATION, a Delaware corporation ("**Intelsat**"), and GCI COMMUNICATIONS CORP., an Alaskan corporation ("**Customer**"), as of the latest date set forth below.

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 (a) **** ("**** **Transponders**"); (b) **** ("**** **Transponder**"); (c) **** Transponder ****; (d) **** Transponder ****; and (e) **** Transponder ****" as detailed in Appendix A hereto.

WHEREAS, Customer wishes to acquire additional **** Capacity, as further detailed 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. **Article 2, Capacity ****.** The Capacity **** of the **** Transponder **** shall be extended from **** through ****, as set forth under **** in Appendix A hereto.

2. **Section 3.1, **** Fee**. Effective **** Customer's **** Fee for the extended Capacity **** as defined above, shall be reduced from **** to **** per ****, as set forth in Appendix A

3. Except as specifically set forth in this Agreement, 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 Thirty First Amendment as of the latest date set forth below (the "**Execution Date"**).

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: _October 4, 2017_____________	Date: _October 3, 2017________________

APPENDIX A
CUSTOMER'S TRANSPONDER CAPACITY AND PAYMENT SCHEDULE

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 **** or when Customer is using a Transponder **** (****), 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 **** Transponder shall be ****. If, however, the **** Transponder ****, then the **** Fee for such **** Transponder shall **** Fee. The **** Fee shall be ****.

*** **** Fee includes US$ **** for **** Fee and the US$ **** for each of the Customer's **** Transponder **** Fees, **** (hereinafter referred to as the "**** Fee" as **** is the ****), pro-rated for transponder **** If the **** Transponder ****, the **** Fee for such **** Transponder shall be ****. If, however, the **** Transponder ****, then the **** Fee for such **** Transponder shall **** Fee. The **** Fee shall be ****.

**** **** Fee includes US$ **** for **** Fee. No **** is provided for this Transponder.

****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.

THIRTY-FOURTH AMENDMENT TO THE
FULL-TIME TRANSPONDER CAPACITY AGREEMENT (PRE-LAUNCH)

This Thirty-fourth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) (the " **Thirty-third Amendment**") is made and entered into by and between INTELSAT CORPORATION, a Delaware corporation ("**Intelsat**"), and GCI COMMUNICATIONS CORP., an Alaskan corporation ("**Customer**"), as of the latest date set forth below.

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 (a) **** transponders on **** (collectively, the " **** **Transponders**" and individually, the " **** **Transponder**"); (b) **** transponders on **** (" **** **Transponder**"); (c) **** Transponder ****; (d) **** Transponder ****; (e) **** Transponder **** " ; and (f) **** Transponder ****" as detailed in Appendix A hereto.

WHEREAS, Customer wishes to amend **** and ****, as further detailed 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. **Section 2, Capacity ****.** The Capacity provided on **** Transponder ****, shall be extended from **** through ****, as set forth in Appendix A hereto.
2. **Section 3.1, **** Fee**. Effective **** Customer's **** Fee for the extended Capacity **** as defined above shall be, (i) **** reduced from **** to ****; and (ii) **** increased from **** to ****, as set forth in Appendix A.
3. Except as specifically set forth in this Agreement, 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 Amendment as of the latest date set forth below (the " **Execution Date"**).

INTELSAT CORPORATION	GCI COMMUNICATION CORP.
By: _/s/ Denise Olmsted ___________	By: _/s/ Jimmy Sipes_______________
Name: _Denise Olmsted ___________	Name: _Jimmy Sipes_______________
Title: _Associate General Counsel_ __	Title: _VP Network Services & Chief Engineer
Date: _December 29, 2017___________	Date: _December 29, 2017_______________

APPENDIX A
CUSTOMER’S TRANSPONDER CAPACITY AND PAYMENT SCHEDULE

SVO	**** Transponder No.	Transponder Type	Capacity Term	**** Fee
****	****	****	****	US$**** **
****	****	****	****	US$**** **
****	****	****	****	US$**** *
****	****	****	****	US$**** **
****	****	****	****	US$**** **
****	****	****	****	US$**** **
****	****	****	****	US$**** *
****	****	****	****	US$**** **
****	****	****	****	US$**** *
****	****	****	****	US$**** *
****	****	****	****	US$**** *
****	****	****	****	US$**** **
****	****	****	****	US$**** *
****	****	****	****	US$**** *
****	****	****	****	US$**** *
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****	****	****	****	US$**** **
****	****	****	****	US$**** ***
****	****	****	****	US$**** **
****	****	****	****	US$**** ***
****	****	****	****	US$****
****	****	****	****	US$**** **
****	****	****	****	$****

* **** Fee includes US$ **** for **** and the US$ **** for each of Customer’s **** Transponders under Article 14. If the **** Transponder **** or when Customer is using a Transponder **** (****), 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 **** Transponder shall be ****. If, however, the **** Transponder ****, then the **** Fee for such **** Transponder shall **** Fee. The **** Fee shall be ****.

*** **** Fee includes US$ **** for **** Fee and the US$ **** for each of the Customer’s **** Transponder **** Fees, **** (hereinafter referred to as the “**** Fee” as **** is the ****), pro-rated for transponder **** If the **** Transponder ****, the **** Fee for such **** Transponder shall be ****. If, however, the **** Transponder ****, then the **** Fee for such **** Transponder shall **** Fee. The **** Fee shall be ****.

**** **** Fee includes US$ **** for **** Fee. No **** is provided for this Transponder.

Exhibit 14.1

Code of Business Conduct & Ethics

I. Overview

On September 27, 2013, GCI's Board of Directors adopted this revised Code of Business Conduct & Ethics ("Code") to establish ethical standards to guide our conduct as a company and as employees. This Code applies to General Communication, Inc. (GCI), including all its subsidiaries, and all of GCI's employees, including our management and Board of Directors (referred to collectively in this Code as "employees").

In our Company Mission, Declaration of Principles, and Basic Principles, we make commitments to our customers, our shareholders, the communities we serve, and one another. Earning and maintaining a reputation for honest, ethical, and lawful conduct is essential to fulfilling those commitments and ensuring GCI's success. Our corporate reputation depends on the decisions we make and the actions we take as individual employees.

To earn and maintain our reputation, we as employees must:

- **Accept personal responsibility** for acting in an honest, ethical, and lawful way in all of GCI's business activities. These activities include our dealings with employees, customers, investors, lenders, vendors, competitors, government, and the general public.
- **Maintain an environment of honesty and accountability** throughout the company in accordance with GCI's principles of individual ownership, leadership, and ethical behavior.
- **Read and abide by this Code** and apply any training that we receive on the Code to our everyday business activities.
- **Refuse to tolerate dishonest, unethical, or illegal conduct.** Any employee learning of a potential violation of the Code must report it.(Violations of the Code may lead to corrective or disciplinary action.)

Each GCI manager and supervisor must provide ethical leadership based on the Code and in accordance with the Declaration of Principles. That leadership includes leading by example as well as providing specific guidance to one's reports. It also includes maintaining an open and honest environment in which employees feel comfortable in raising potential ethical and legal issues of concern to them.

The Code is a summary of basic standards with which we can shape our conduct. It does not, and cannot, cover every ethical or legal issue that may arise in the course of GCI's business activities. Each of us still needs to exercise general good judgment and common sense on ethical or legal issues. If we need further guidance on a specific ethical or legal issue, we can seek that guidance from sources within the company.

The remainder of the Code provides guidance on the following topics:

- ***Specific Types of Conduct***
  - Avoiding conflicts of interest
  - Avoiding insider trading
  - Properly using and protecting company property
  - Maintaining a productive, respectful, and safe working environment
  - Maintaining accurate business records
  - Complying with laws and regulations
- ***Seeking Further Guidance to Understand and Uphold the Code***
- ***Reporting Violations of the Code***
- ***Addressing Violations of the Code***

Together with our Company Mission, Declaration of Principles, and Basic Principles, this Code helps define how we make decisions, how we conduct ourselves, and for what we stand. By striving to treat each other and those with whom we do business in accordance with the Declaration of Principles and this Code, we will maintain our focus and harmony in pursuing GCI's business goals and our pride in being part of the GCI team.

II.A Avoiding Conflicts of Interest

Act in the best interest of GCI. Avoid situations which may conflict with this obligation. Tell management about potential conflicts.

A conflict of interest exists when an employee has a personal (usually financial) interest that might interfere with the loyalty that the employee owes on business matters to GCI. A conflict of interest can lead to a situation where an employee fails (or is perceived to have failed) to act in GCI's best interest because of a personal interest.
All of us as employees must strive to avoid conflicts of interest, as well as the appearance of such conflicts. An employee must not further his or her personal interest at GCI's expense. A conflict or perceived conflict can arise when an employee:

- Works for a competitor of GCI or otherwise competes with GCI.
- Makes a personal investment in an organization that does business or competes with GCI to an extent that might impair, or be perceived to impair, the employee's ability to make objective decisions in the best interest of GCI.
- Does personal business with an organization that does business or competes with GCI in a manner that might impair, or be perceived to impair, the employee's ability to make objective decisions in the best interest of GCI.
- Takes advantage of a business opportunity that was discovered through the use of his or her status as a GCI employee or through information that belongs to GCI.
- Hires or supervises an individual with whom he or she has a personal relationship.
- Stands to gain personally (other than from a company-sanctioned incentive compensation plan) from any GCI business transaction.
- Accepts a gift, discount, favor, hospitality or services that might impair, or be perceived to impair, the employee's ability to make objective decisions in the best interest of GCI. Employees are expected to use good judgment guided by reasonable ethical and legal practices of the marketplace.

Not all conflicts of interest are clear cut. Many conflicts can be mitigated if identified in advance. As employees, we have a duty to disclose to our managers or supervisors any potential conflict of interest, including any instance where the value or cost of business hospitality could be interpreted as negatively affecting an otherwise objective business decision. Disclosure allows GCI to determine whether the potential conflict is serious and to take action to mitigate the conflict or otherwise prevent a potentially serious conflict from becoming an actual conflict.

For more information, see:
- *Policy No. 1-002 (Conflict of Interest Policy)*
- *Policy No. 1-111 (Employment of Relatives Policy)*

II.B Avoiding Insider Trading

GCI believes in a fair and open market for the buying and selling of securities. As a publicly traded corporation, we have a special obligation to comply with securities laws.

Stocks, bonds, and other investments bought and sold in public financial markets are called securities. Companies that issue securities to institutional and individual investors are called publicly traded companies. GCI is a publicly traded company. Our Class A common stock, for example, trades on the NASDAQ stock exchange under the stock symbol GNCMA.

All employees have the opportunity to acquire and hold GCI securities if we wish. In the course of his or her work, an employee may learn about material, non-public things - such as GCI's recent financial performance or an upcoming GCI acquisition - that once known to the public, could cause the prices of these securities to go up or down.

Buying or selling a security on the basis of material, non-public information gained as an employee of the publicly traded company that issued the security is known as insider trading. Providing such information to another person, including a family member or friend, is known as insider tipping. Both practices give an employee (considered an insider under securities laws) and/or his or her family and friends an unfair advantage over the general public.

Insider trading and insider tipping are violations of the securities laws and the Code. To avoid such violations, which could lead to a criminal prosecution under securities laws, we as employees must:

- Recognize that all non-public GCI information is considered confidential and proprietary and must not be used for personal gain. Every employee is an insider with respect to information he or she obtains in the course of conducting company business.

- Not use material, non-public GCI information to trade in GCI's securities. The term material information means any information that would reasonably be considered important by an investor and would reasonably be expected to affect the price of the company's securities.

- Not use material, non-public information gained in the course of conducting GCI business from another publicly-traded company (including customers, vendors, business partners, competitors, etc.) to trade in the securities of that company.

- Not provide material, non-public information as described above to any person outside of the company other than for GCI business purposes and subject to appropriate safeguards.

- Follow company guidance establishing black-out periods, during which trading in GCI securities is prohibited by those employees possessing material, non-public information about or related to a specific scheduled or anticipated event, such as a large acquisition or quarterly earnings report. Notify a supervisor in the event that such material, non-public information exists but no company guidance has been given.

  Note that automated or programmed purchases, such as a 401(k) investment plan, are not typically prohibited during a black-out. Seek guidance when in doubt.

  GCI's officers and directors have additional obligations with regard to trading in GCI's securities.

For more information, see:
- *Policy No. 1-010 (Policy on Trading in Securities of GCI by Directors and Officers)*
- *Policy No. 1-011 (Policy on Avoidance of Insider Trading and Tipping)*

II.C Properly Using & Protecting Company Property

We each have the responsibility to properly use and protect company property and to keep company and customer information confidential.

"Company property" includes many things. Our physical assets include communication networks and equipment; IT (information technology) systems and equipment; buildings; furniture and other furnishings; office supplies; tools; vehicles; inventory; cash; and desktop computers, laptops, tablets, and mobile devices.

Our non-physical assets include customer information; our internally developed technology and software; our brands, trademarks, copyrights, patents, trade secrets and other intellectual property; externally developed technology and software that we purchase/license from vendors; contractual rights; company business plans, financial models, and other financial information; and financial resources such as bank accounts and P-Cards.

Company property is critical to our ability to do business and makes up a substantial part of GCI's overall value. If we are not good stewards of company property, we reduce our ability to fulfill the Company Mission of creating value for our customers, opportunities for our employees, and growth for our investors. Each of us as employees must properly use and protect company property. We must strive to:

- Use company property only for GCI business, and not for personal advantage and not to compete with GCI. In accordance with company policy, incidental use of handsets and laptops for personal matters is permitted.

- Keep company property in good working condition.

- Be alert to situations that could lead to the waste, loss, damage, misuse, theft, or unauthorized use/disclosure of company property and report such situations to a supervisor.

- Take appropriate steps to secure company property. Lock doors, file cabinets, and vehicles when appropriate. Use secure passwords.

- Not share or exchange company property outside the company other than for GCI business purposes and subject to appropriate safeguards.

- Maintain the confidentiality of all company or customer information entrusted to us by GCI, except when disclosure is authorized or mandated by law. Consult with the General Counsel/Legal Department before making such disclosure.

<u>*For more information, see:*</u>
- *Policy No. 1-002 (Conflict of Interest Policy)*
- *Policy No. 1-003 (Confidentiality Policy)*
- *Policy No. 1-004 (Protection of Customer Communications Policy)*

II.D Maintaining a Productive, Respectful, & Safe Work Environment

Treat all employees with respect, maintain constructive relationships, and be vigilant about safety.

Our Declaration of Principles states that we should respect . . . the efforts of each person and recognize . . . that each individual makes a valuable contribution to the success of the Company. Our Basic Principles urge us to maintain constructive relationships with our co-workers. Maintaining a productive, respectful, and safe work environment is essential to maintaining a fast, efficient, and innovative GCI.

Each of us as employees must strive to:

- Use the Declaration of Principles and the Basic Principles as the guide for our daily conduct in the workplace.

- Comply with company policies on equal employment opportunity and prohibited harassment in the workplace.

- Take personal ownership of work environment safety, participate in safety training, and apply that safety training and general good judgment on the job. None of us should tolerate even a single instance of unsafe behavior or unsafe conditions on the job.

<u>*For more information, see:*</u>
- *Policy No. 1-006.1 (Nondiscrimination / Anti-Harassment Policy)*
- *Policy No. 1-112 (Equal Employment Opportunity Policy)*
- *Policy No. 1-700 (Health & Safety Policy)*
- *Policy No. 1-707 (Health & Safety Accountability Policy)*

II.E Maintaining Accurate Business Records

Employees who create and maintain records in connection with their work must do so accurately and truthfully.

Maintaining accurate business records is critical to running our business. It is also essential to complying with laws and regulations governing publicly traded companies, communications providers, and companies in general.

For example, GCI must file full, fair, accurate, and timely financial reports and other documents with the U.S. Securities and Exchange Commission (SEC) and comply with other laws and regulations that govern our communications to our investors/lenders and the general public and promote transparency in financial markets.

Those of us employees who are responsible for creating and maintaining business records (including those who approve or certify those records) must:

- Accurately create and maintain the business records determined by management to be necessary to serve GCI's customers, run GCI's business effectively and efficiently, and meet GCI's contractual and legal obligations, particularly to the SEC and the Federal Communications Commission.
- Maintain all of the Company's books, records, accounts and financial statements in reasonable detail so that they accurately reflect GCI's business transactions and conform both to applicable legal requirements and to GCI's system of internal controls.
- Assure that GCI's public reports are full, fair, accurate, and understandable, and upon request, provide prompt, accurate answers to inquiries related to GCI's public disclosure requirements.
- Be truthful in our accounting practices and take no action intended to improperly influence GCI's auditors.
- Report suspected illegal or unethical behavior related to accounting, internal controls on accounting, or audit matters via the Audit Committee Anonymous Hotline or the Audit Committee of the Board of Directors.
- Report only the true and actual number of hours worked when entering time in GCI's payroll system. Similarly, report only the true amount of expenses when applying for reimbursement.
- Maintain or destroy records only according to applicable department or business unit record retention policies.

Any questions regarding implementation and carrying out of these obligations are to be referred to a supervisor, the Chief Financial Officer, or General Counsel/Legal Department.

II.F. Complying with Laws & Regulations

Adhere to all applicable governmental laws, ordinances, and regulations in jurisdictions in which GCI does business. Stay informed of the requirements that apply.

GCI is a publicly traded company operating in a regulated industry and is obligated to comply with applicable laws and regulations. These legal obligations include, but are not limited to, federal and state telecommunications regulations, workplace provisions, environmental laws, and other federal, state, and local laws, ordinances, and related regulations applicable to GCI's operations.

In particular, GCI is committed to compliance with all applicable anti-corruption laws. Under no circumstances may we attempt to achieve a business objective through means of a bribe or other improper action, including impermissible gifts to federal, state, and local government officials. Violations of anti-corruption laws can expose GCI (and any employee involved) to lawsuits, substantial fines, and even criminal charges. In addition, the Federal Communications Commission has established strict rules and policies prohibiting gifts from service providers to employees of applicants (for example, school districts, libraries, and rural health care providers) to the E-Rate and Rural Health Care Programs. Violations of these rules could result in significant penalties, including fines and loss of program eligibility. Seek guidance when in doubt.

The Foreign Corrupt Practices Act (FCPA) is a federal law that prohibits bribes to foreign government officials (including officials of international organizations, political parties, and employees of international state-owned or state-controlled enterprises) in order to influence their acts or decisions. Under the FCPA, a bribe can be cash, gifts, products, trips, or anything else of value. The FCPA carries substantial civil and criminal penalties, including imprisonment, for noncompliance. At this time GCI conducts minimal activities in foreign countries. Employees who work on international projects or other business activities, including overseas travel, should seek additional guidance from the General Counsel/Legal Department on the requirements of the FCPA and international anti-corruption laws in advance of such activities. No business may be transacted outside of the United States without prior consultation with, and the approval of, the General Counsel.

In summary, we as employees must never authorize, offer, promise, or give (either directly or indirectly) bribes or take other improper action to persuade or influence anyone outside GCI to achieve a business objective.

III. Seeking Further Guidance to Understand & Uphold the Code

GCI and its management and Board of Directors are committed to open discussion of GCI's business conduct and ethical practices. All employees are encouraged to express their ideas and concerns about these issues. If any of us as employees have questions about this Code or how it applies to our work, we can contact our supervisor, or any of the sources listed below (each a "Guiding Authority").

Business Code & Ethics Hotline: 800-461-9330

Guiding Authority	Telephone	Address
Business Code & Ethics Hotline	(800) 461-9330	http://intranet.gci.com
Human Resources	(907) 868-5422	2550 Denali Street, Anchorage, #1600 AK 99503
Office of Chief Financial Officer	(907) 868-5628	2550 Denali Street, Anchorage, #1000 AK 99503
Corporate Governance Committee	(907) 868-6952	2550 Denali Street, Anchorage, #1000 AK 99503
General Counsel/Legal Department	(907) 868-5602	2550 Denali Street, Anchorage, #1000 AK 99503
Anonymous Messages/Chief Operating Officer		http://intranet.gci.com/applications/anonymous/

IV. Reporting Violations of the Code

If an employee has reason to believe that another employee has violated the Code, or is asked to violate the Code, that employee has a duty to GCI to report the incident. Failure to report a violation is, in itself, a violation of the Code. The employee may report confidentially through normal reporting lines or any Guiding Authority. Anonymous reporting also is available to any Guiding Authority, including through reports made using the Business Code & Ethics Hotline, the Audit Committee Anonymous Hotline (related to accounting, internal controls on accounting, or audit matters), or Anonymous Messages.

Whether the employee identifies himself or herself or not, the report will be kept confidential to the greatest extent possible. Business Code & Ethics Hotline and Audit Committee Anonymous Hotline reports are received by an independent company, which reports the information to GCI management for investigation and response. The Audit Committee of the Board of Directors reviews reports and their resolution when related to accounting, internal accounting controls, and auditing.

All of us as employees need to remember that there is no valid reason for violating the Code. It doesn't matter whether our supervisor or some other member of management asks us to violate the Code or tells us that a violation of the Code is okay because it benefits GCI.

No employee will be reprimanded for coming forward with a good faith report regarding a Code violation. GCI will not tolerate retaliation against such employees. They play a crucial role in maintaining an ethical workplace at GCI as well as in protecting GCI shareholder value.

V. Addressing Violations of the Code

In consultation with a Guiding Authority, an individual or team of individuals with appropriate expertise will be designated to conduct a complete, fair, and prompt review of a reported violation of the Code. The review will typically involve an examination of relevant communications and documents, interviews of individuals with knowledge of the alleged violation, a legal analysis, and recommendations concerning appropriate follow-up action (including changes in policies and procedures). All employees are required to cooperate in investigations of violations of the Code.

Where a violation is found to have occurred, follow-up action may include disciplinary action for the employee who violated the Code. Discipline, if any, will vary with the seriousness and frequency of the violation, and will take into account all of the facts and mitigating factors. In serious cases, however, disciplinary action could include termination.

Any waiver of the provisions of this Code for executive officers and outside directors may be made only by the Board of Directors and must be promptly disclosed to GCI's shareholders. The disclosure must include an identification of the person who received the waiver, the date of grant of the waiver by the Board, and a brief description of the circumstances and reasons under which it was given.

*** End ***

Revised: 09/25/2013
Board Adopted: 09/27/2013

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 February 28, 2018, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of GCI Liberty, Inc. on Form 10-K for the year ended December 31, 2017. We consent to the incorporation by reference of said reports in the Registration Statements of GCI Liberty, 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
February 28, 2018

Exhibit 31.1

SECTION 302 CERTIFICATION

I, Ronald A. Duncan, certify that:

1. I have reviewed this annual report on Form 10-K of GCI Liberty, Inc. for the period ended December 31, 2017;

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.

February 28, 2018

/s/ Ronald A. Duncan

Ronald A. Duncan
CEO 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 GCI Liberty, Inc. for the period ended December 31, 2017;

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.

February 28, 2018

/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 GCI Liberty, Inc. (the "Company") on Form 10-K for the period ended December 31, 2017 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: February 28, 2018

/s/ Ronald A. Duncan

Ronald A. Duncan
Chief Executive Officer
GCI Liberty, 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 GCI Liberty, Inc. (the "Company") on Form 10-K for the period ended December 31, 2017 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: February 28, 2018

/s/ Peter J. Pounds

Peter J. Pounds
Chief Financial Officer
GCI Liberty, Inc.