
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2018

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)

Delaware

(State or other jurisdiction of
incorporation or organization)

92-0072737

(I.R.S Employer
Identification No.)

12300 Liberty Boulevard

Englewood, Colorado

(Address of principal executive offices)

80112

(Zip Code)

Registrant's telephone number, including area code: **(720) 875-5900**

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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an 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 Exchange Act). Yes No

The number of shares outstanding of the registrant's classes of common stock as of July 31, 2018 was:

104,560,489 shares of Series A common stock; and
4,444,127 shares of Series B common stock

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GCI LIBERTY, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(unaudited)

	June 30,	December 31,
	2018	2017
	amounts in thousands	
<i>Assets</i>		
Current assets:		
Cash and cash equivalents	\$ 767,873	573,210
Trade and other receivables, net of allowance for doubtful accounts of \$1,915 thousand and \$0, respectively	225,820	6,803
Current portion of tax sharing receivable	28,551	—
Other current assets	37,146	1,265
Total current assets	1,059,390	581,278
Investments in equity securities (note 7)	1,574,212	1,803,064
Investments in affiliates, accounted for using the equity method (note 8)	121,880	114,655
Investment in Liberty Broadband measured at fair value (note 8)	3,231,869	3,634,786
Property and equipment, net	1,200,050	624
Intangible assets not subject to amortization		
Goodwill (note 10)	957,972	25,569
Cable certificates	370,000	—
Wireless licenses	190,000	—
Other	16,525	4,000
	1,534,497	29,569
Intangible assets subject to amortization, net (note 10)	492,318	4,237
Tax sharing receivable	82,485	—
Other assets, at cost, net of accumulated amortization	47,396	4,000
Total assets	\$ 9,344,097	6,172,213

(Continued)

See accompanying notes to interim condensed consolidated financial statements.

GCI LIBERTY, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(unaudited)

	June 30, 2018	December 31, 2017
	amounts in thousands, except share amounts	
<i>Liabilities and Equity</i>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 104,290	718
Deferred revenue	31,628	—
Other current liabilities	52,153	9,747
Total current liabilities	188,071	10,465
Long-term debt, net, including \$492 million and \$0 measured at fair value (note 11)	2,965,504	—
Obligations under capital leases and tower obligation, excluding current portion	128,692	—
Long-term deferred revenue	64,744	130
Deferred income tax liabilities	882,257	643,426
Taxes payable	—	1,198,315
Preferred stock (note 12)	174,973	—
Indemnification obligation (note 6)	84,921	—
Other liabilities	51,063	95,841
Total liabilities	4,540,225	1,948,177
<i>Equity</i>		
Stockholders' equity:		
Series A common stock, \$.01 par value. Authorized 500,000,000 shares; issued and outstanding 104,564,844 shares at June 30, 2018	1,046	—
Series B common stock, \$.01 par value. Authorized 20,000,000 shares; issued and outstanding 4,444,127 shares at June 30, 2018	44	—
Series C common stock, \$.01 par value. Authorized 1,040,000,000 shares; no issued and outstanding shares at June 30, 2018	—	—
Parent's investment	—	2,305,440
Additional paid-in capital	3,367,534	—
Accumulated other comprehensive earnings (loss), net of taxes	(13,118)	—
Retained earnings	1,441,199	1,914,963
Total stockholders' equity	4,796,705	4,220,403
Non-controlling interests	7,167	3,633
Total equity	4,803,872	4,224,036
Commitments and contingencies		
Total liabilities and equity	\$ 9,344,097	6,172,213

See accompanying notes to interim condensed consolidated financial statements.

GCI LIBERTY, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
	amounts in thousands, except per share amounts			
Revenue	\$ 233,490	6,177	294,694	10,146
Operating costs and expenses:				
Operating expense (exclusive of depreciation and amortization shown separately below)	69,294	2,838	89,113	5,597
Selling, general and administrative, including stock-based compensation (note 4)	100,401	14,134	133,134	25,942
Depreciation and amortization expense	64,388	822	80,409	1,575
	<u>234,083</u>	<u>17,794</u>	<u>302,656</u>	<u>33,114</u>
Operating income (loss)	(593)	(11,617)	(7,962)	(22,968)
Other income (expense):				
Interest expense (including amortization of deferred loan fees)	(35,442)	(5)	(43,690)	(5)
Share of earnings (losses) of affiliates, net (note 8)	10,350	1,600	7,858	3,323
Realized and unrealized gains (losses) on financial instruments, net (note 6)	(428,356)	60,449	(499,837)	798,001
Other, net	(1,845)	541	(148)	750
	<u>(455,293)</u>	<u>62,585</u>	<u>(535,817)</u>	<u>802,069</u>
Earnings (loss) before income taxes	(455,886)	50,968	(543,779)	779,101
Income tax (expense) benefit	152,406	(19,367)	69,568	(296,846)
Net earnings (loss)	(303,480)	31,601	(474,211)	482,255
Less net earnings (loss) attributable to the non-controlling interests	(154)	(1)	(193)	(1)
Net earnings (loss) attributable to GCI Liberty, Inc. shareholders	<u>\$ (303,326)</u>	<u>31,602</u>	<u>(474,018)</u>	<u>482,256</u>
Basic net earnings (loss) attributable to Series A and Series B GCI Liberty, Inc. shareholders per common share (note 5)	\$ (2.82)	0.29	(4.40)	4.42
Diluted net earnings (loss) attributable to Series A and Series B GCI Liberty, Inc. shareholders per common share (note 5)	\$ (2.82)	0.29	(4.40)	4.42

See accompanying notes to interim condensed consolidated financial statements.

GCI LIBERTY, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Earnings (Loss)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
	amounts in thousands			
Net earnings (loss)	\$ (303,480)	31,601	(474,211)	482,255
Other comprehensive earnings (loss), net of taxes:				
Comprehensive earnings (loss) attributable to debt credit risk adjustments	(13,118)	—	(13,118)	—
Comprehensive earnings (loss)	(316,598)	31,601	(487,329)	482,255
Less comprehensive earnings (loss) attributable to the non-controlling interests	(154)	(1)	(193)	(1)
Comprehensive earnings (loss) attributable to GCI Liberty, Inc. shareholders	\$ (316,444)	31,602	(487,136)	482,256

See accompanying notes to interim condensed consolidated financial statements.

GCI LIBERTY, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended	
	June 30,	
	2018	2017
	amounts in thousands	
Cash flows from operating activities:		
Net earnings (loss)	\$ (474,211)	482,255
Adjustments to reconcile net earnings (loss) to net cash from operating activities:		
Depreciation and amortization	80,409	1,575
Stock-based compensation expense	13,165	6,599
Share of (earnings) losses of affiliates, net	(7,858)	(3,323)
Realized and unrealized (gains) losses on financial instruments, net	499,837	(798,001)
Deferred income tax expense (benefit)	(97,203)	296,846
Intergroup tax payments	—	155,480
Other, net	3,377	539
Change in operating assets and liabilities:		
Current and other assets	(38,681)	1,150
Payables and other liabilities	68,562	2,301
Net cash provided (used) by operating activities	<u>47,397</u>	<u>145,421</u>
Cash flows from investing activities:		
GCI Holdings cash and restricted cash acquired in consolidation	147,958	—
Capital expended for property and equipment	(40,303)	(1,751)
Purchases of investments	—	(76,815)
Sales of investments	—	1,606
Net cash provided (used) by investing activities	<u>107,655</u>	<u>(76,960)</u>
Cash flows from financing activities:		
Borrowings of debt	1,477,250	—
Repayment of debt, capital lease, and tower obligations	(84,971)	—
Contributions from (distributions to) parent, net	(1,124,660)	(70,624)
Distribution to non-controlling interests	(3,273)	—
Indemnification payment to Qurate Retail	(132,725)	—
Derivative payments	(80,001)	—
Other financing activities, net	(11,973)	(325)
Net cash provided (used) by financing activities	<u>39,647</u>	<u>(70,949)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	194,699	(2,488)
Cash, cash equivalents and restricted cash at beginning of period	574,148	488,127
Cash, cash equivalents and restricted cash at end of period	<u>\$ 768,847</u>	<u>485,639</u>

GCI LIBERTY, INC. AND SUBSIDIARIES
Condensed Consolidated Statement of Equity
Six Months Ended June 30, 2018
(Unaudited)

	Series A common stock	Series B common stock	Parent's investment	Additional paid-in capital	Accumulated other comprehensive earnings (loss)	Retained earnings	Non-controlling interest in equity of subsidiaries	Total equity
amounts in thousands								
Balances at January 1, 2018	\$ —	—	2,305,440	—	—	1,914,963	3,633	4,224,036
Net earnings (loss)	—	—	—	—	—	(474,018)	(193)	(474,211)
Other comprehensive earnings (loss)	—	—	—	—	(13,118)	—	—	(13,118)
Stock-based compensation	—	—	—	11,885	—	—	—	11,885
Contribution of taxes in connection with HoldCo Split-Off	—	—	1,346,217	—	—	—	—	1,346,217
Contributions from (distributions to) former parent, net	—	—	(1,124,660)	—	—	—	—	(1,124,660)
Change in Capitalization in connection with HoldCo Split-Off	1,046	44	(2,526,997)	2,525,907	—	—	7,000	7,000
Issuance of GCI Liberty Stock in connection with the Transactions	—	—	—	1,111,206	—	—	—	1,111,206
Issuance of Indemnification Agreement	—	—	—	(281,255)	—	—	—	(281,255)
Distribution to non-controlling interests	—	—	—	—	—	—	(3,273)	(3,273)
Other	—	—	—	(209)	—	254	—	45
Balances at June 30, 2018	<u>\$ 1,046</u>	<u>44</u>	<u>—</u>	<u>3,367,534</u>	<u>(13,118)</u>	<u>1,441,199</u>	<u>7,167</u>	<u>4,803,872</u>

See accompanying notes to interim condensed consolidated financial statements.

GCI LIBERTY, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)

(1) Basis of Presentation

On April 4, 2017, Liberty Interactive Corporation, now known as Qurate Retail, Inc. ("Qurate Retail"), entered into an Agreement and Plan of Reorganization (as amended, the "reorganization agreement" and the transactions contemplated thereby, the "Transactions") with General Communication, Inc. ("GCI"), an Alaska corporation and parent company of GCI Holdings, LLC ("GCI Holdings"), and Liberty Interactive LLC, a Delaware limited liability company and a direct wholly-owned subsidiary of Qurate Retail ("LI LLC"). Pursuant to the reorganization agreement, GCI amended and restated its articles of incorporation (which resulted in GCI being renamed GCI Liberty, Inc. ("GCI Liberty")) and effected a reclassification and auto conversion of its common stock. Following these events, Qurate Retail acquired GCI Liberty on March 9, 2018 through a reorganization in which certain Qurate Retail interests, assets and liabilities attributed to its Ventures Group (following the reattribution by Qurate Retail of certain assets and liabilities from its Ventures Group to its QVC Group (the "reattribution")), were contributed to GCI Liberty in exchange for a controlling interest in GCI Liberty (the "contribution"). Qurate Retail and LI LLC contributed to GCI Liberty their entire equity interests in Liberty Broadband Corporation ("Liberty Broadband"), Charter Communications, Inc. ("Charter"), and LendingTree, Inc. ("LendingTree"), the Evite, Inc. ("Evite") operating business and other assets and liabilities (collectively, "HoldCo"), in exchange for (a) the issuance to LI LLC of 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 Qurate Retail's Series A Liberty Ventures common stock and Qurate Retail's Series B Liberty Ventures common stock on March 9, 2018, respectively, (b) cash and (c) the assumption of certain liabilities by GCI Liberty.

The contribution was treated as a reverse acquisition under the acquisition method of accounting in accordance with generally accepted accounting principles in the United States ("GAAP"). For accounting purposes, HoldCo is considered to have acquired GCI Liberty in the contribution based, among other considerations, upon the fact that in exchange for the contribution of HoldCo, Qurate Retail received a controlling interest in the combined company of GCI Liberty.

Following the contribution and acquisition of GCI Liberty, Qurate Retail effected a tax-free separation of its controlling interest in the combined company, GCI Liberty, to the holders of Qurate Retail's Liberty Ventures common stock in full redemption of all outstanding shares of such stock (the "HoldCo Split-Off"), in which each outstanding share of Qurate Retail's Series A Liberty Ventures common stock was redeemed for one share of GCI Liberty Class A common stock and each outstanding share of Qurate Retail's Series B Liberty Ventures common stock was redeemed for one share of GCI Liberty Class B common stock. In July 2018, the Internal Revenue Service completed its review of the HoldCo Split-Off and informed Qurate Retail that it agreed with the nontaxable characterization of the transactions. Qurate Retail received an Issue Resolution Agreement from the IRS documenting this conclusion.

On May 10, 2018, pursuant to the Agreement and Plan of Merger, dated as of March 22, 2018, GCI Liberty completed its reincorporation into Delaware by merging with its wholly owned Delaware subsidiary, which was the surviving corporation (the "Reincorporation Merger"). References to GCI Liberty or the Company prior to May 10, 2018 refer to GCI Liberty, Inc., an Alaska corporation and references to GCI Liberty after May 10, 2018 refer to GCI Liberty, Inc., a Delaware corporation.

The accompanying condensed consolidated financial statements have been prepared in accordance with GAAP for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X as promulgated by the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the results for the periods presented have been included. The results of operations for any interim period are not necessarily indicative of results for the full year. Additionally, certain prior period amounts have been reclassified for comparability with current period presentation. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

These notes to the condensed consolidated financial statements refer to the combination of GCI Holdings, non-controlling interests in Liberty Broadband, Charter and LendingTree, a controlling interest in Evite, and certain other assets and liabilities as "GCI Liberty", the "Company", "us", "we" and "our." Although HoldCo was reported as a combined company until the date of the HoldCo Split-Off, these financial statements present all periods as consolidated by the

GCI LIBERTY, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Company. All significant intercompany accounts and transactions have been eliminated in the condensed consolidated financial statements.

The Company, through its ownership of interests in subsidiaries and other companies, is primarily engaged in providing a full range of wireless, data, video, voice, and managed services to residential customers, businesses, governmental entities, and educational and medical institutions primarily in Alaska.

The Company holds investments that are accounted for using the equity method. The Company does not control the decision making process or business management practices of these affiliates. Accordingly, the Company relies on management of these affiliates to provide it with accurate financial information prepared in accordance with GAAP that the Company uses in the application of the equity method. In addition, the Company relies on audit reports that are provided by the affiliates' independent auditors on the financial statements of such affiliates. The Company is not aware, however, of any errors in or possible misstatements of the financial information provided by its equity affiliates that would have a material effect on its condensed consolidated financial statements.

Split-Off from Qurate Retail

Following the HoldCo Split-Off, Qurate Retail and GCI Liberty operate as separate, publicly traded companies, and neither have any stock ownership, beneficial or otherwise, in the other. In connection with the HoldCo Split-Off, Qurate Retail, Liberty Media Corporation ("Liberty Media") (or its subsidiary) and GCI Liberty entered into certain agreements in order to govern certain of the ongoing relationships among the companies after the HoldCo Split-Off and to provide for an orderly transition. These agreements include an indemnification agreement, a reorganization agreement, a services agreement, a facilities sharing agreement and a tax sharing agreement.

The reorganization agreement provides for, among other things, the principal corporate transactions (including the internal restructuring) required to effect the Transactions and certain conditions to and provisions governing the relationship between GCI Liberty and Qurate Retail with respect to and resulting from the Transactions. The tax sharing agreement provides for the allocation and indemnification of tax liabilities and benefits between Qurate Retail and GCI Liberty and other agreements related to tax matters. Pursuant to the services agreement, Liberty Media provides GCI Liberty with general and administrative services including legal, tax, accounting, treasury and investor relations support. Under the facilities sharing agreement, GCI Liberty shares office space with Qurate Retail and Liberty Media and related amenities at their corporate headquarters. GCI Liberty reimburses Liberty Media for direct, out-of-pocket expenses incurred by Liberty Media in providing these services and for costs that will be negotiated semi-annually. Under these agreements, approximately \$2.2 million and \$3.9 million was reimbursable to Liberty Media for the three and six months ended June 30, 2018, respectively.

See note 6 for information related to the indemnification agreement. In addition, Qurate Retail and GCI Liberty have agreed to indemnify each other with respect to certain potential losses in respect of the HoldCo Split-Off.

Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (the "FASB") issued new accounting guidance on revenue from contracts with customers. The new guidance requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This new guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In March 2016, the FASB issued additional guidance which clarifies principal versus agent considerations, and in April 2016, the FASB issued further guidance which clarifies the identification of performance obligations and the implementation guidance for licensing. The updated guidance replaced most existing revenue recognition guidance in GAAP. The Company adopted the new guidance, which established Accounting Standards Codification Topic 606 ("ASC 606"), effective January 1, 2018, under the modified retrospective transition method. The impact of the new guidance on Evite was not material to the condensed consolidated financial statements. GCI Holdings adopted the new guidance prior to its acquisition by HoldCo. As a result, there was no impact to the Company's condensed consolidated financial statements related to GCI Holdings' adoption of the new guidance.

GCI LIBERTY, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)

In January 2016, the FASB issued new accounting guidance that is intended to improve the recognition and measurement of financial instruments. The new guidance requires equity investments with readily determinable fair values (except those accounted for under the equity method of accounting or those that result in consolidation) to be measured at fair value, with changes in fair value recognized in net income, and simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. The new standard is effective for the Company for fiscal years and interim periods beginning after December 15, 2017. The Company adopted this guidance effective January 1, 2018. As the Company has historically measured its investments in equity securities with readily determinable fair values at fair value, the new guidance had no impact on the accounting for these instruments. The Company has elected the measurement alternative for its equity securities without readily determinable fair values and will perform a qualitative assessment of these instruments to identify potential impairments. See note 7 for information related to the Company's equity securities.

In November 2016, the FASB issued a new accounting standard which requires that the statement of cash flows include restricted cash and cash equivalents when reconciling beginning and ending cash. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The Company adopted this new guidance effective January 1, 2018. Upon adoption, the Company added restricted cash to the reconciliation of beginning and ending cash and cash equivalents and included a reconciliation of total cash and cash equivalents and restricted cash to the balance sheet for each period presented in the condensed consolidated statements of cash flows. The following table reconciles cash and cash equivalents and restricted cash reported in our condensed consolidated balance sheets to the total amount presented in our condensed consolidated statements of cash flows:

	June 30, 2018	December 31, 2017
	amounts in thousands	
Cash and cash equivalents	\$ 767,873	573,210
Restricted cash included in other current assets	974	938
Total cash and cash equivalents and restricted cash at end of period	\$ 768,847	574,148

New Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued new accounting guidance on lease accounting. This guidance requires a company to recognize lease assets and lease liabilities arising from operating leases in the statement of financial position. Additionally, the criteria for classifying a lease as a finance lease versus an operating lease are substantially the same as the previous guidance. In January 2018, the FASB issued an additional amendment that provides a practical expedient that gives companies the option to not evaluate existing or expired land easements that were not previously accounted for as leases under the current leases guidance. The amendments in these updates are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and early adoption is permitted. The Company plans to adopt this guidance on January 1, 2019. The new guidance requires the recognition and measurement of leases at the beginning of the earliest comparative period presented in the financial statements using a modified retrospective approach, with an option to apply the transition provisions of the new guidance at the adoption date without adjusting the comparative periods presented. The Company is considering the method of transition upon adoption of this guidance. The Company is currently working with its consolidated subsidiaries to evaluate the impact of the adoption of this new guidance on our consolidated financial statements, including identifying the population of leases, evaluating technology solutions and collecting lease data.

(2) Acquisition

The Company accounted for the Transactions contemplated under the reorganization agreement using the acquisition method of accounting. Under this method, HoldCo is the acquirer of GCI Liberty. The acquisition price was \$1.1 billion (level 1). The application of the acquisition method resulted in the assignment of purchase price to the GCI Liberty assets acquired and liabilities assumed based on our preliminary estimates of their acquisition date fair values (primarily level 3). The assets acquired and liabilities assumed, and as discussed within this note, are those assets and liabilities of GCI Liberty prior to the completion of the Transactions. The determination of the fair values of the acquired

GCI LIBERTY, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)

assets and liabilities (and the determination of estimated lives of depreciable tangible and identifiable intangible assets) requires significant judgment.

The preliminary acquisition price allocation for GCI Liberty is as follows (amounts in thousands):

Cash and cash equivalents	\$	132,563
Receivables		184,601
Property and equipment		1,211,392
Goodwill		932,403
Intangible assets not subject to amortization		572,500
Intangible assets subject to amortization		503,737
Other assets		97,279
Deferred revenue		(92,561)
Debt, including capital leases		(1,707,002)
Other liabilities		(251,692)
Deferred income tax liabilities		(290,092)
Preferred stock		(174,922)
Non-controlling interest		(7,000)
	<u>\$</u>	<u>1,111,206</u>

Goodwill is calculated as the excess of the consideration transferred over the identifiable net assets acquired and represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including assembled workforce, value associated with future customers, continued innovation and non-contractual relationships. Amortizable intangible assets of \$503.7 million were acquired and are comprised of a tradename with an estimated useful life of approximately 8 years, customer relationships with a weighted average useful life of approximately 13 years and right-to-use assets with a weighted average useful life of 8 years. Approximately \$170.0 million of the acquired goodwill will be deductible for income tax purposes. As of June 30, 2018, the determination of the estimated acquisition date fair value of the acquired assets and assumed liabilities is preliminary and subject to revision. The primary areas of our acquisition price allocation that changed from the initial allocation relate to an increase in property and equipment of \$16.3 million, an increase to intangible assets not subject to amortization of \$9.5 million, a decrease to intangible assets subject to amortization of \$40.2 million, an increase in deferred revenue of \$15.6 million, a decrease in other liabilities of \$21.3 million, and an increase to goodwill of \$7.8 million. The primary estimated acquisition date fair values that are not yet finalized are related to certain property and equipment, intangible assets, liabilities and tax balances.

Since the date of the acquisition, included in net earnings (loss) attributable to GCI Liberty shareholders for the three and six months ended June 30, 2018 is \$6.0 million and \$4.5 million in earnings related to GCI Holdings, respectively. The unaudited pro forma revenue, net earnings and basic and diluted net earnings per common share of GCI Liberty, prepared utilizing the historical financial statements of HoldCo, giving effect to acquisition accounting related adjustments made at the time of acquisition, as if the acquisition discussed above occurred on January 1, 2017, are as follows:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
	amounts in thousands, except per share amounts			
Revenue	\$ 234,214	231,876	455,019	461,168
Net earnings (loss)	\$ (296,701)	50,234	(475,575)	443,754
Net earnings (loss) attributable to GCI Liberty shareholders	\$ (296,546)	50,353	(475,265)	443,990
Basic net earnings (loss) attributable to Series A and Series B GCI Liberty, Inc. shareholders per common share	\$ (2.75)	0.46	(4.41)	4.07
Diluted net earnings (loss) attributable to Series A and Series B GCI Liberty, Inc. shareholders per common share	\$ (2.75)	0.46	(4.41)	4.07

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The pro forma results include adjustments primarily related to the amortization of acquired tangible and intangible assets, revenue, interest expense, stock-based compensation and the exclusion of transaction related costs. The pro forma information is not representative of the Company's future results of operations nor does it reflect what the Company's results of operations would have been if the acquisition had occurred previously and the Company consolidated the results of GCI Liberty during the periods presented.

(3) Revenue

Revenue Recognition

Revenue is measured based on consideration specified in a contract with a customer and excludes any sales incentives and amounts collected on behalf of third parties. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Substantially all of the Company's revenue is earned from services transferred over time. If at contract inception we determine the time period between when we transfer a promised good or service to a customer and when the customer pays us for that good or service is one year or less, we do not adjust the promised amount of consideration for the effects of a significant financing component.

Taxes assessed by a governmental authority that are both imposed on, and concurrent with, a specific revenue-producing transaction that are collected by the Company from a customer, are excluded from revenue from contracts with customers.

Nature of Services and Products

Wireless

Wireless revenue is generated by providing access to, and usage of the Company's network, as well as the sale of equipment. In general, access revenue is billed one month in arrears and recognized as services are provided. Equipment sales revenue associated with the sale of wireless devices and accessories is generally recognized when the products are delivered to and control transfers to the customer. Consideration received from the customer is allocated to the service and products based on stand-alone selling prices when purchased together.

New and existing wireless customers have 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 wireless equipment installment plan is exchanged for the used handset. The Company accounts for this upgrade option as a right of return with a reduction of Revenue and Operating expense for handsets expected to be upgraded based on historical data.

Data

Data revenue is generated by providing data network access, high-speed internet services, and product sales. Monthly service revenue for data network access and high-speed internet services is billed in advance, recorded as Deferred Revenue on the balance sheet, and recognized as the associated services are provided to the customer. Internet service excess usage revenue is recognized when the services are provided. The Company recognizes revenue for product sales when a customer takes possession of the equipment. The Company provides telecommunications engineering services on a time and materials basis. Revenue is recognized for these services as-invoiced.

Video

Video revenue is generated primarily from residential and business customers that subscribe to the Company's cable video plans. Video revenue is billed in advance, recorded as Deferred Revenue on the balance sheet, and recognized as the associated services are provided to the customer.

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Voice

Voice revenue is for fixed monthly fees for voice plans as well as usage based fees for long-distance service usage. Voice plan fees are billed in advance, recorded as Deferred Revenue on the balance sheet, and recognized as the associated services are provided to the customer. Usage based fees are recognized as services are provided.

Arrangements with Multiple Performance Obligations

Contracts with customers may include multiple performance obligations as customers purchase multiple services and products within those contracts. For such arrangements, revenue is allocated to each performance obligation based on the relative standalone selling price for each service or product within the contract. Standalone selling prices are generally determined based on the prices charged to customers.

Significant Judgments

Some contracts with customers include variable consideration, and may require significant judgment to determine the total transaction price, which impacts the amount and timing of revenue recognized. The Company uses historical customer data to estimate the amount of variable consideration included in the total transaction price and reassess its estimate at each reporting period. Any change in the total transaction price due to a change in the estimated variable consideration is allocated to the performance obligations on the same basis as at contract inception. Any portion of a change in transaction price that is allocated to a satisfied or partially satisfied performance obligation is recognized as revenue (or a reduction in revenue) in the period of the transaction price change. Variable consideration has been constrained to reduce the likelihood of a significant revenue reversal.

Often contracts with customers include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment.

Judgment is required to determine the standalone selling price for each distinct performance obligation. Services and products are generally sold separately, and help establish standalone selling price for services and products the Company provides.

Remaining Performance Obligations

The Company expects to recognize revenue in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of June 30, 2018 of \$125.5 million in the remainder of 2018, \$246.0 million in 2019, \$221.7 million in 2020, \$134.2 million in 2021 and \$113.1 million in 2022 and thereafter.

The Company applies certain practical expedients as permitted under ASC 606 and does not disclose information about remaining performance obligations that have original expected durations of one year or less, information about revenue remaining from usage based performance obligations that are recognized over time as-invoiced, or variable consideration allocated to wholly unsatisfied performance obligations.

Contract Balances

The Company had receivables of \$222.0 million and deferred revenue of \$21.5 million at June 30, 2018 from contracts with customers, which amounts exclude receivables and deferred revenue that are out of the scope of ASC 606. Our customers generally pay for services in advance of the performance obligation and therefore these prepayments are recorded as deferred revenue. The deferred revenue is recognized as revenue in the accompanying condensed consolidated statements of operations as the services are provided. Changes in the contract liability balance for the Company during the three and six months ended June 30, 2018 were not materially impacted by other factors.

Assets Recognized from the Costs to Obtain a Contract with a Customer

Management expects that incremental commission fees paid to intermediaries as a result of obtaining customer contracts are recoverable and therefore the Company capitalizes them as contract costs.

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Capitalized commission fees are amortized based on the transfer of goods or services to which the assets relate which typically range from two to five years, and are included in Selling, general, and administrative expenses.

The Company recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that the Company otherwise would have recognized is one year or less. These costs are included in Selling, general, and administrative expenses.

Revenue from contracts with customers, classified by customer type and significant service offerings follows:

	Three Months Ended	Six Months Ended
	June 30, 2018	June 30, 2018
amounts in thousands		
GCI Holdings		
Consumer Revenue		
Wireless	\$ 28,966	36,728
Data	39,243	49,269
Video	22,146	27,908
Voice	4,710	5,878
Business Revenue		
Wireless	21,391	26,818
Data	76,223	94,654
Video	3,487	4,509
Voice	6,294	7,921
Evite	5,709	10,121
Lease, grant, and revenue from subsidiaries	25,321	30,888
Total	<u>\$ 233,490</u>	<u>294,694</u>

(4) Stock-Based Compensation

GCI Liberty has granted to certain directors, employees and employees of its subsidiaries, restricted shares ("RSAs"), restricted stock units ("RSUs") and options to purchase shares of GCI Liberty's common stock (collectively, "Awards"). The Company measures the cost of employee services received in exchange for an equity classified Award (such as stock options, RSAs and RSUs) based on the grant-date fair value ("GDFV") of the Award, and recognizes that cost over the period during which the employee is required to provide service (usually the vesting period of the Award). The Company measures the cost of employee services received in exchange for a liability classified Award based on the current fair value of the Award, and remeasures the fair value of the Award at each reporting date.

Included in Selling, general and administrative expenses in the accompanying condensed consolidated statements of operations are \$7.9 million and \$3.9 million of stock based compensation during the three months ended June 30, 2018 and 2017, respectively, and \$13.2 million and \$6.6 million during the six months ended June 30, 2018 and 2017, respectively.

During the six months ended June 30, 2018, GCI Liberty granted to GCI Liberty directors five thousand options to purchase shares of GCI Liberty Series A common stock. Such options had a weighted average GDFV of \$13.36 per share and vest on December 12, 2018.

Also during the six months ended June 30, 2018, and in connection with our current CEO's employment agreement, GCI Liberty granted 143 thousand options to purchase shares of GCI Liberty Series B common stock to our current CEO. Such options had a weighted average GDFV of \$16.55 per share and vest on December 31, 2018.

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The Company has calculated the GDFV for all of its equity classified Awards and any subsequent remeasurement of its liability classified Awards using the Black-Scholes-Merton Model. The Company estimates the expected term of the Awards based on historical exercise and forfeiture data. The volatility used in the calculation for Awards is based on the historical volatility of GCI Liberty's stock and the implied volatility of publicly traded GCI Liberty options. The Company uses a zero dividend rate and the risk-free rate for Treasury Bonds with a term similar to that of the subject options.

GCI Liberty-Outstanding Awards

The following tables present the number and weighted average exercise price ("WAEP") of the Awards to purchase GCI Liberty common stock granted to certain officers, employees and directors of the Company. The options outstanding as of January 1, 2018 reflect Qurate Retail's Series A and Series B Liberty Ventures common stock. On March 9, 2018, Qurate Retail redeemed each outstanding share of Qurate Retail's Series A and Series B Liberty Ventures common stock for the corresponding class of GCI Liberty common stock using a one-for-one ratio.

	Series A			
	Awards (000's)	WAEP	Weighted average remaining	Aggregate intrinsic value
			life	(millions)
Outstanding at January 1, 2018	1,670	\$ 47.12		
Granted	5	\$ 42.99		
Exercised	(17)	\$ 14.94		
Forfeited/Cancelled	(3)	\$ 56.17		
Outstanding at June 30, 2018	<u>1,655</u>	<u>\$ 47.44</u>	2.1 years	\$ 8
Exercisable at June 30, 2018	<u>1,298</u>	<u>\$ 47.76</u>	1.6 years	\$ 7

	Series B			
	Awards (000's)	WAEP	Weighted average remaining	Aggregate intrinsic value
			life	(millions)
Outstanding at January 1, 2018	1,080	\$ 56.38		
Granted	143	\$ 54.01		
Exercised	—	\$ —		
Forfeited/Cancelled	—	\$ —		
Outstanding at June 30, 2018	<u>1,223</u>	<u>\$ 56.10</u>	4.5 years	\$ —
Exercisable at June 30, 2018	<u>443</u>	<u>\$ 56.38</u>	5.3 years	\$ —

As of June 30, 2018, the total unrecognized compensation cost related to unvested options and RSAs was approximately \$14 million and \$19 million, respectively. Such amounts will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 1.8 years and 2.0 years, respectively.

As of June 30, 2018, GCI Liberty reserved for issuance upon exercise of outstanding stock options approximately 1.7 million shares of GCI Liberty Series A common stock and 1.2 million shares of GCI Liberty Series B common stock.

As of June 30, 2018, GCI Liberty had approximately 1.3 million and 32 thousand unvested RSAs and RSUs, respectively, of GCI Liberty common stock and preferred stock held by certain directors, officers and employees of the Company. These Series A common stock, Series B common stock and Series A Cumulative Redeemable Preferred unvested RSAs, along with the Series A common stock unvested RSUs of GCI Liberty had a weighted average GDFV of \$46.75 per share.

The aggregate fair value of all restricted shares of GCI Liberty common and preferred stock that vested during the six months ended June 30, 2018 was \$2.2 million.

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(5) Earnings Attributable to GCI Liberty Stockholders Per Common Share

Basic earnings (loss) per common share ("EPS") is computed by dividing net earnings (loss) by the weighted average number of common shares outstanding ("WASO") for the period. Diluted EPS presents the dilutive effect on a per share basis of potential common shares as if they had been converted at the beginning of the periods presented. Potentially dilutive shares are excluded from the computation of diluted EPS during periods in which losses are reported since the result would be antidilutive.

The total number of Series A and Series B common shares outstanding on March 9, 2018, 109,004,250, is being used in the calculation of both basic and diluted earnings per share for all periods prior to the date of the HoldCo Split-Off.

Series A and Series B Common Stock

	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
	number of shares in thousands	
Basic and Diluted WASO	107,743	107,743
Antidilutive shares excluded from diluted WASO	1,566	1,526

(6) Assets and Liabilities Measured at Fair Value

For assets and liabilities required to be reported at fair value, GAAP provides a hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs, other than quoted market prices included within Level 1, are observable for the asset or liability, either directly or

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indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The Company does not have any recurring assets or liabilities measured at fair value that would be considered Level 3.

The Company's assets and liabilities measured at fair value are as follows:

Description	June 30, 2018			December 31, 2017		
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
amounts in thousands						
Cash equivalents	\$ 730,243	730,243	—	570,526	570,526	—
Equity securities	\$ 1,572,136	1,572,136	—	1,800,208	1,800,208	—
Investment in Liberty Broadband	\$ 3,231,869	3,231,869	—	3,634,786	3,634,786	—
Variable forward	\$ 22,255	—	22,255	94,807	—	94,807
Indemnification obligation	\$ 84,921	—	84,921	—	—	—
Exchangeable senior debentures	\$ 491,987	—	491,987	—	—	—

On June 6, 2017, Qurate Retail purchased 450,000 LendingTree shares and executed a 2-year variable forward with respect to 642,850 LendingTree shares. The variable forward was executed at the LendingTree closing price on June 6, 2017 of \$170.70 per share and has a floor price of \$128.03 per share and a cap price of \$211.67 per share. The liability associated with this instrument is included in the Other current liabilities line item in the condensed consolidated balance sheets. The fair value of the variable forward was derived from a Black-Scholes-Merton model using observable market data as the significant inputs.

Pursuant to an indemnification agreement, GCI Liberty has agreed to indemnify LI LLC for certain payments made to a holder of LI LLC's 1.75% exchangeable debentures due 2046 (the "1.75% Exchangeable Debentures"). An indemnity obligation in the amount of \$281.3 million was recorded upon completion of the HoldCo Split-Off. Within six months of the HoldCo Split-Off, Qurate Retail, LI LLC and GCI Liberty agreed to cooperate, and reasonably assist each other, with respect to the commencement and consummation of one or more privately negotiated transactions, a tender offer or other purchase transactions (each, a "Purchase Offer") whereby LI LLC will offer to purchase the 1.75% Exchangeable Debentures on terms and conditions (including maximum offer price) reasonably acceptable to GCI Liberty. GCI Liberty will indemnify LI LLC for each 1.75% Exchangeable Debenture repurchased by LI LLC in a Purchase Offer for an amount by which the purchase price for such debenture exceeds the amount of cash reattributed with respect to such purchased 1.75% Exchangeable Debenture net of certain tax benefits, if any, attributable to such 1.75% Exchangeable Debenture. In June 2018, Qurate Retail repurchased 417,759 of the 1.75% Exchangeable Debentures for approximately \$457 million, including accrued interest, and the Company made a payment under the indemnification agreement to Qurate Retail in the amount of \$133 million.

Following the initial six month period, the remaining indemnification to LI LLC for certain payments made to a holder of the 1.75% Exchangeable Debentures pertains to the holder's ability to exercise its exchange right according to the terms of the debentures on or before October 5, 2023. Such amount will equal the difference between the exchange value and par value of the 1.75% Exchangeable Debentures at the time the exchange occurs. The indemnification obligation recorded in the condensed consolidated balance sheets as of June 30, 2018 represents the fair value of the estimated exchange feature included in the 1.75% Exchangeable Debentures primarily based on observable market data as significant inputs (Level 2). As of June 30, 2018, a holder of the 1.75% Exchangeable Debentures does not have the ability to exchange and, accordingly, such indemnification obligation is included as a long-term liability in our condensed consolidated balance sheets. Additionally, as of June 30, 2018, 332,241 bonds of the 1.75% Exchangeable Debentures remain outstanding.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	amounts in thousands			
Equity securities	\$ (97,478)	51,212	(229,040)	262,497
Investment in Liberty Broadband	(425,538)	14,939	(402,917)	541,206
Variable forward	63,809	(5,702)	72,552	(5,702)
Indemnification obligation	34,891	—	63,608	—
Exchangeable senior debentures	(4,040)	—	(4,040)	—
	<u>\$ (428,356)</u>	<u>60,449</u>	<u>(499,837)</u>	<u>798,001</u>

The Company has elected to account for its exchangeable debt using the fair value option. Accordingly, a portion of the unrealized gain (loss) recognized on the Company's exchangeable debt is now presented in other comprehensive income as it relates to instrument specific credit risk and any other changes in fair value are presented in the accompanying condensed consolidated statements of operations.

(7) Investments in Equity Securities

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

	June 30,	December 31,
	2018	2017
	amounts in thousands	
Charter (a)	\$ 1,571,137	1,800,208
Other investments (b)	3,075	2,856
	<u>\$ 1,574,212</u>	<u>1,803,064</u>

(a) A portion of the Charter equity securities are considered covered shares and subject to certain contractual restrictions in accordance with the indemnification agreement. See note 6 for additional discussion of the indemnification agreement.

(b) The Company has elected the measurement alternative for the majority of these securities.

(8) Investments in Affiliates Accounted for Using the Equity Method

Investment in LendingTree

The Company has various investments accounted for using the equity method. The following table includes the Company's carrying amount and percentage ownership of the more significant investments in affiliates at June 30, 2018 and the carrying amount at December 31, 2017:

	June 30, 2018			December 31,
	Percentage ownership	Market value	Carrying amount	2017
	dollars in thousands			
LendingTree	25.89%	\$ 689,289	\$ 116,554	114,655
Other	various	NA	5,326	—
			<u>\$ 121,880</u>	<u>114,655</u>

The Company's share of LendingTree's earnings (losses) was \$7.7 million and \$1.6 million for the three months ended June 30, 2018 and 2017, respectively. The Company's share of LendingTree's earnings (losses) was \$5.3 million and \$3.3 million for the six months ended June 30, 2018 and 2017, respectively. Both our ownership interest in LendingTree and our share of LendingTree's earnings (losses) are reported on a three month lag.

Investment in Liberty Broadband

On May 18, 2016, Qurate Retail completed a \$2.4 billion investment in Liberty Broadband Series C non-voting shares (for accounting purposes a related party of the Company) in connection with the merger of Charter and Time Warner Cable Inc. ("TWC"). The proceeds of this investment were used by Liberty Broadband to fund, in part, its acquisition of \$5 billion of stock in the new public parent company, Charter, of the combined enterprises. Qurate Retail, along with third party investors, all of whom invested on the same terms as Qurate Retail, purchased newly issued shares of Liberty Broadband Series C common stock at a per share price of \$56.23, which was determined based upon the fair value of Liberty Broadband's net assets on a sum-of-the parts basis at the time the investment agreements were executed (May 2015). Qurate Retail, as part of the merger described above, exchanged, in a tax-free transaction, its shares of TWC common stock for shares of Charter Class A common stock, on a one-for-one basis, and Qurate Retail granted to Liberty Broadband a proxy and a right of first refusal with respect to the shares of Charter Class A common stock held by Qurate Retail following the

exchange, which proxy and right of first refusal was assigned to GCI Liberty in connection with the completion of the Transactions.

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As of June 30, 2018, the Company has a 23.5% economic ownership interest in Liberty Broadband. Due to overlapping boards of directors and management, the Company has been deemed to have significant influence over Liberty Broadband for accounting purposes, even though the Company does not have any voting rights. The Company has elected to apply the fair value option for its investment in Liberty Broadband (Level 1) as it is believed that investors value this investment based on the trading price of Liberty Broadband. The Company recognizes changes in the fair value of its investment in Liberty Broadband in realized and unrealized gains (losses) on financial instruments, net in the condensed consolidated statements of operations. Summarized financial information for Liberty Broadband is as follows:

	June 30, 2018	December 31, 2017
amounts in thousands		
Current assets	\$ 100,985	84,054
Investment in Charter, accounted for using the equity method	11,891,637	11,835,613
Other assets	10,306	12,122
Total assets	12,002,928	11,931,789
Long-term debt, including current portion	523,159	497,370
Deferred income tax liabilities	943,401	932,593
Other liabilities	14,885	14,925
Equity	10,521,483	10,486,901
Total liabilities and shareholders' equity	\$ 12,002,928	11,931,789

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
amounts in thousands				
Revenue	\$ 3,371	3,073	15,162	6,213
Operating expenses, net	(8,442)	(10,406)	(17,987)	(19,908)
Operating income (loss)	(5,071)	(7,333)	(2,825)	(13,695)
Share of earnings (losses) of affiliates	32,911	11,467	42,213	30,389
Gain (loss) on dilution of investment in affiliate	(5,205)	(6,659)	(31,962)	(38,797)
Realized and unrealized gains (losses) on financial instruments, net	(2,019)	1,370	(2,019)	2,351
Other income (expense), net	(5,842)	(4,364)	(10,654)	(8,582)
Income tax benefit (expense)	(4,194)	2,542	757	10,912
Net earnings (loss)	\$ 10,580	(2,977)	(4,490)	(17,422)

(9) Variable Interest Entities

New Markets Tax Credit Entities

GCI entered into several arrangements under the New Markets Tax Credit ("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

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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 \$1.0 million was held by Unicom at June 30, 2018 and is included in our condensed 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 interest in each investment fund for a nominal amount. 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 of 1986, as amended. 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 June 30, 2018. The value attributed to the put/calls is nominal.

The Company has determined that each of the investment funds are variable interest entities ("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. The Company concluded that it is the primary beneficiary of each and consolidated the VIEs in accordance with the accounting standard for consolidation.

The assets and liabilities of the consolidated VIEs were \$165.9 million and \$121.2 million, respectively, as of June 30, 2018.

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. The Company is not required and does not currently intend to provide additional financial support to these VIEs. While these subsidiaries are included in its consolidated financial statements, these subsidiaries are separate legal entities and their assets are legally owned by them and not available to the Company's 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 29, 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	\$52.0 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

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(10) Intangible Assets and Goodwill

Goodwill

	GCI Holdings	Corporate and other	Total
	amounts in thousands		
Balance at January 1, 2018	\$ —	25,569	25,569
Acquisitions	932,403	—	932,403
Balance at June 30, 2018	<u>\$ 932,403</u>	<u>25,569</u>	<u>957,972</u>

Intangible Assets Subject to Amortization

	June 30, 2018		
	Gross carrying amount	Accumulated amortization	Net carrying amount
	amounts in thousands		
Customer relationships	\$ 443,268	(36,446)	406,822
Other amortizable intangibles	112,596	(27,100)	85,496
Total	<u>\$ 555,864</u>	<u>(63,546)</u>	<u>492,318</u>

Amortization expense for intangible assets with finite useful lives was \$16.4 million and \$780 thousand for the three months ended June 30, 2018 and 2017, respectively. Amortization expense for intangible assets with finite useful lives was \$21.6 million and \$1.5 million for the six months ended June 30, 2018 and 2017, respectively. Amortization expense for amortizable intangible assets for each of the five succeeding fiscal years is estimated to be (amounts in thousands):

Remainder of 2018	\$ 30,506
2019	60,659
2020	52,643
2021	47,364
2022	40,946

(11) Long-Term Debt

Debt is summarized as follows:

	Outstanding Principal June 30, 2018	Carrying Value	
		June 30, 2018	December 31, 2017
	amounts in thousands		
Margin Loan	\$ 1,000,000	1,000,000	—
Exchangeable senior debentures	477,250	491,987	NA
Senior notes	775,000	805,596	NA
Senior credit facility	666,354	666,354	NA
Wells Fargo note payable	7,794	7,794	NA
Deferred financing costs	—	(3,262)	—
Total debt	<u>\$ 2,926,398</u>	<u>2,968,469</u>	<u>—</u>
Debt classified as current (included in other current liabilities)		(2,965)	—
Total long-term debt		<u>\$ 2,965,504</u>	<u>—</u>

GCI LIBERTY, INC. AND SUBSIDIARIES
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Margin Loan

On December 29, 2017, Broadband Holdco, LLC, a wholly owned subsidiary of, at such time, Qurate Retail, and now the Company, entered into a margin loan agreement with various lender parties consisting of a term loan in an aggregate principal amount of \$1 billion (the "Margin Loan"). Approximately 42.7 million shares of Liberty Broadband Series C common stock with a value of \$3.2 billion were pledged by Broadband Holdco, LLC as collateral for the loan as of June 30, 2018. This Margin Loan has a term of two years and bears interest at a rate of LIBOR plus 1.85% and contains an undrawn commitment fee of up to 1.0% per annum. Deferred financing costs incurred on the Margin Loan are reflected in Long-term debt, net in the condensed consolidated balance sheet. In connection with the completion of the Transactions, Broadband Holdco, LLC borrowed the full principal amount of the Margin Loan. A portion of the proceeds of the Margin Loan was used to make a distribution to Qurate Retail to be used within one year for the repurchase of QVC Group stock (now the Qurate Retail common stock) or to pay down certain debt at Qurate Retail, and for the payment of fees and other costs and expenses, in each case, pursuant to the terms of the reorganization agreement. The distributed loan proceeds constituted a portion of the cash reattributed to the QVC Group.

Exchangeable Senior Debentures

On June 18, 2018, GCI Liberty issued 1.75% exchangeable senior debentures due 2046 ("Exchangeable Senior Debentures"). Upon an exchange of debentures, GCI Liberty, at its option, may deliver Charter Class A common stock, cash or a combination of Charter Class A common stock and cash. Initially, 2,6989 shares of Charter Class A common stock are attributable to each \$1,000 principal amount of debentures, representing an initial exchange price of approximately \$370.52 for each share of Charter Class A common stock. A total of 1,288,051 shares of Charter Class A common stock are attributable to the debentures. Interest is payable quarterly on March 31, June 30, September 30 and December 31 of each year, commencing September 30, 2018. The debentures may be redeemed by GCI Liberty, in whole or in part, on or after October 5, 2023. Holders of debentures also have the right to require GCI Liberty to purchase their debentures on October 5, 2023. The redemption and purchase price will generally equal 100% of the adjusted principal amount of the debentures plus accrued and unpaid interest.

Senior Notes

Interest on the 6.75% Senior Notes due 2021 (the "2021 Notes") and the 6.875% Senior Notes due 2025, both of which were issued by GCI, Inc., which is now GCI, LLC (collectively, the "Senior Notes"), is payable semi-annually in arrears. The Senior Notes are redeemable at our option, in whole or in part, at a redemption price defined in the respective indentures, and accrued and unpaid interest (if any) to the date of redemption. The Senior Notes are stated net of an aggregate unamortized premium of \$30.6 million at June 30, 2018. Such premium is being amortized to interest expense in the accompanying consolidated statements of operations.

Senior Credit Facility

GCI, LLC and GCI Holdings, each of which are wholly-owned subsidiaries of the Company, are party to a Seventh Amended and Restated Credit Agreement which provides a \$245.9 million term loan B ("Term Loan B"), \$215.0 million term loan A ("Term Loan A") and a \$300.0 million revolving credit facility (collectively, the "Senior Credit Facility"). GCI, LLC is the borrower under the Senior Credit Facility.

Under the Senior Credit Facility, the interest rate for the Term Loan A is LIBOR plus margin based on the Company's leverage ratio and ranges from 2.00% to 3.00%. Our Senior Credit Facility Total Leverage Ratio (as defined in the Senior Credit Facility) may not exceed 5.95 to one; the Secured Leverage Ratio (as defined in the Senior Credit Facility) may not exceed 3.50 to one; and the Company's Interest Coverage Ratio (as defined in the Senior Credit Facility) must not be less than 2.50 to one at any time. The full principal amount of our Term Loan A and revolving credit facility included in the Senior Credit Facility will mature on November 17, 2021 or December 3, 2020 if our 2021 Notes are not refinanced prior to such date.

The interest rate for the Term Loan B is LIBOR plus 2.25%. The Term Loan B requires principal payments of 0.25% of the original principal amount on the last day of each calendar quarter with the full amount maturing on February 2, 2022 or December 3, 2020 if our 2021 Notes are not refinanced prior to such date.

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The terms of the Senior Credit Facility include customary representations and warranties, customary affirmative and negative covenants and customary events of default. At any time after the occurrence of an event of default under the Senior Credit Facility, the lenders may, among other options, declare any amounts outstanding under the Senior Credit Facility immediately due and payable and terminate any commitment to make further loans under the Senior Credit Facility. The obligations under the Senior Credit Facility are secured by a security interest on substantially all of the assets of GCI Holdings and the subsidiary guarantors, as defined in the Senior Credit Facility, and on the stock of GCI Holdings.

As of June 30, 2018, there is \$241.4 million outstanding under the Term Loan B, \$215.0 million outstanding under the Term Loan A, \$210.0 million outstanding under the revolving portion of the Senior Credit Facility and \$10.1 million in letters of credit under the Senior Credit Facility, which leaves \$79.9 million available for borrowing.

Wells Fargo Note Payable

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

The note is subject to similar affirmative and negative covenants as the Senior Credit Facility. The obligations under the note are secured by a security interest and lien on the building purchased with the note.

Debt Covenants

GCI, LLC is subject to covenants and restrictions under its Senior Notes and Senior Credit Facility. The Company and GCI, LLC are in compliance with all debt covenants as of June 30, 2018.

Fair Value of Debt

The fair value of the Senior Notes was \$797.4 million at June 30, 2018.

Due to the variable rate nature of the Margin Loan, Senior Credit Facility and Wells Fargo Note Payable, the Company believes that the carrying amount approximates fair value at June 30, 2018.

(12) Preferred Stock

GCI Liberty Series A Cumulative Redeemable Preferred Stock (the "Preferred Stock") was issued as a result of the auto conversion that occurred on March 8, 2018. The Company is required to redeem all outstanding shares of Preferred Stock out of funds legally available, at the liquidation price plus all unpaid dividends (whether or not declared) accrued from the most recent dividend payment date through the redemption date, on the first business day following the twenty-first anniversary of the March 8, 2018 auto conversion. There were 7,500,000 shares of Preferred Stock authorized and 7,250,336 shares issued and outstanding at June 30, 2018. An additional 42,500,000 shares of preferred stock of the Company are authorized and are undesignated as to series.

The liquidation price is measured per share and shall mean the sum of (i) \$25, plus (ii) an amount equal to all unpaid dividends (whether or not declared) accrued with respect to such share have been added to and then remain part of the liquidation price as of such date.

The holders of shares of Preferred Stock are entitled to receive, when and as declared by the GCI Liberty Board of Directors, out of legally available funds, preferential dividends that accrue and cumulate as provided in the restated GCI Liberty certificate of incorporation.

Dividends on each share of Preferred Stock accrued on a daily basis at an initial rate of 5.00% per annum of the liquidation price, and increased to 7.00% per annum of the liquidation price effective July 16, 2018 as a result of the Reincorporation Merger in the State of Delaware in May 2018.

Accrued dividends are payable quarterly on each dividend payment date, which is January 15, April 15, July 15, and October 15 of each year, commencing on the first such date following the auto conversion, which occurred immediately after the market closed on March 8, 2018. If GCI Liberty fails to pay cash dividends on the Preferred Stock in full for any

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four consecutive or non-consecutive dividend periods then the dividend rate shall increase by 2.00% per annum of the liquidation price until cured. The Company paid a special cash dividend of approximately \$0.13 per share of Preferred Stock on May 3, 2018. On June 21, 2018, the Company declared a quarterly cash dividend of approximately \$0.31 per share of Preferred Stock which was paid on July 16, 2018 to shareholders of record of the Preferred Stock at the close of business on July 2, 2018.

(13) Information About the Company's Operating Segments

The Company, through its interests in subsidiaries and other companies, is primarily engaged in the broadband communications services industry. The Company identifies its reportable segments as (A) those consolidated companies that represent 10% or more of its consolidated annual revenue, annual Adjusted OIBDA (as defined below) or total assets and (B) those equity method affiliates whose share of earnings represent 10% or more of the Company's annual pre-tax earnings. The segment presentation for prior periods has been conformed to the current period segment presentation.

The Company evaluates performance and makes decisions about allocating resources to its operating segments based on financial measures such as revenue, Adjusted OIBDA, and subscriber metrics.

The Company defines Adjusted OIBDA as revenue less cost of sales, operating expenses, and selling, general and administrative expenses (excluding stock-based compensation). The Company believes this measure is an important indicator of the operational strength and performance of its businesses, including each business's ability to service debt and fund capital expenditures. In addition, this measure allows management to view operating results and perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. This measure of performance excludes depreciation and amortization, stock-based compensation, separately reported litigation settlements and restructuring and impairment charges that are included in the measurement of operating income pursuant to GAAP. Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with GAAP.

For the three and six months ended June 30, 2018 the Company has identified the following subsidiary as a reportable segment:

- GCI Holdings-provides a full range of wireless, data, video, voice, and managed services to residential, businesses, governmental entities, and educational and medical institutions primarily in Alaska.

For presentation purposes the Company is providing financial information for Liberty Broadband. While the Company's equity method investment in Liberty Broadband does not meet the reportable segment threshold defined above, the Company believes that the inclusion of such information is relevant to users of these financial statements.

- Liberty Broadband-an equity method affiliate of the Company, accounted for at fair value, has a non-controlling interest in Charter, and a wholly-owned subsidiary, Skyhook Wireless, Inc. ("Skyhook"). Charter is the second largest cable operator in the United States and a leading broadband communications services company providing video, Internet and voice services. Skyhook provides a Wi-Fi based location platform focused on providing positioning technology and contextual location intelligence solutions.

The Company's operating segments are strategic business units that offer different products and services. They are managed separately because each segment requires different technologies, distribution channels and marketing strategies. The accounting policies of the consolidated subsidiaries included in the segments are the same as those described in the Company's summary of significant accounting policies.

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Performance Measures

	Three Months Ended June 30,			
	2018		2017	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
	amounts in thousands			
GCI Holdings	\$ 227,781	78,915	—	—
Liberty Broadband	3,371	(2,776)	3,073	(4,955)
Corporate and other	5,709	(7,191)	6,177	(6,922)
	<u>236,861</u>	<u>68,948</u>	<u>9,250</u>	<u>(11,877)</u>
Eliminate Liberty Broadband	(3,371)	2,776	(3,073)	4,955
	<u>\$ 233,490</u>	<u>71,724</u>	<u>6,177</u>	<u>(6,922)</u>

	Six Months Ended June 30,			
	2018		2017	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
	amounts in thousands			
GCI Holdings	\$ 284,573	98,663	—	—
Liberty Broadband	15,162	1,784	6,213	(8,916)
Corporate and other	10,121	(13,051)	10,146	(14,794)
	<u>309,856</u>	<u>87,396</u>	<u>16,359</u>	<u>(23,710)</u>
Eliminate Liberty Broadband	(15,162)	(1,784)	(6,213)	8,916
	<u>\$ 294,694</u>	<u>85,612</u>	<u>10,146</u>	<u>(14,794)</u>

Other Information

	June 30, 2018		
	Total assets	Investments in affiliates	Capital expenditures
	amounts in thousands		
GCI Holdings	\$ 3,530,980	—	38,788
Liberty Broadband	12,002,928	11,891,637	24
Corporate and other	5,813,117	121,880	1,515
	<u>21,347,025</u>	<u>12,013,517</u>	<u>40,327</u>
Eliminate Liberty Broadband	(12,002,928)	(11,891,637)	(24)
Consolidated	<u>\$ 9,344,097</u>	<u>121,880</u>	<u>40,303</u>

The following table provides a reconciliation of segment Adjusted OIBDA to operating income and earnings (loss) from continuing operations before income taxes:

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	amounts in thousands			
Consolidated segment Adjusted OIBDA	\$ 71,724	(6,922)	85,612	(14,794)
Stock-based compensation	(7,929)	(3,873)	(13,165)	(6,599)
Depreciation and amortization	(64,388)	(822)	(80,409)	(1,575)
Operating income	(593)	(11,617)	(7,962)	(22,968)
Interest expense	(35,442)	(5)	(43,690)	(5)
Share of earnings (loss) of affiliates, net	10,350	1,600	7,858	3,323
Realized and unrealized gains (losses) on financial instruments, net	(428,356)	60,449	(499,837)	798,001
Other, net	(1,845)	541	(148)	750
Earnings (loss) from continuing operations before income taxes	<u>\$ (455,886)</u>	<u>50,968</u>	<u>(543,779)</u>	<u>779,101</u>

Part I

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Certain statements in this Quarterly Report on Form 10-Q constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our business, product and marketing strategies; product and service offerings; the recoverability of our goodwill and other long-lived assets; our projected sources and uses of cash; and the anticipated impact of certain contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. The following include some but not all of the factors (as they relate to our consolidated subsidiaries and equity affiliates) that could cause actual results or events to differ materially from those anticipated:

- The ability of GCI Liberty, Inc. (the "Company") to successfully integrate and recognize anticipated efficiencies and benefits from the Transactions (as defined below);
- customer demand for the Company's products and services and the Company's ability to adapt to changes in demand;
- competitor responses to the Company's and its businesses' products and services;
- the levels of online traffic to the Company's businesses' websites and its ability to convert visitors into consumers or contributors;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- future financial performance, including availability, terms and deployment of capital;
- the ability of suppliers and vendors to deliver products, equipment, software and services;
- the outcome of any pending or threatened litigation;
- availability of qualified personnel;
- changes in, or failure or inability to comply with, government regulations, including, without limitation, regulations of the Federal Communications Commission (the "FCC"), and adverse outcomes from regulatory proceedings;
- changes in the nature of key strategic relationships with partners, distributors, suppliers and vendors;
- domestic and international economic and business conditions and industry trends;
- consumer spending levels, including the availability and amount of individual consumer debt;
- rapid technological changes;
- failure to protect the security of personal information about the Company's and its businesses' customers, subjecting the Company and its businesses to potentially costly government enforcement actions or private litigation and reputational damage; and
- the regulatory and competitive environment of the industries in which the Company operates.

For additional risk factors, please see Part II, Item 1A. Risk Factors of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2018. Any forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Quarterly Report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based.

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

Overview

On April 4, 2017, Liberty Interactive Corporation, now known as Qurate Retail, Inc. ("Qurate Retail"), entered into an Agreement and Plan of Reorganization (as amended, the "reorganization agreement" and the transactions contemplated thereby, the "Transactions") with General Communication, Inc. ("GCI"), an Alaska corporation, and Liberty Interactive LLC, a Delaware limited liability company and a direct wholly owned subsidiary of Qurate Retail ("LI LLC"). Pursuant to the reorganization agreement, GCI amended and restated its articles of incorporation (which resulted in GCI being renamed GCI Liberty, Inc. ("GCI Liberty")) and effected a reclassification and auto conversion of its common stock. Following these events, Qurate Retail acquired GCI Liberty on March 9, 2018 through a reorganization in which certain Qurate Retail interests, assets and liabilities attributed to its Ventures Group (following the reattribution by Qurate Retail of certain assets and liabilities from its Ventures Group to its QVC Group (the "reattribution")) were contributed to GCI Liberty in exchange for a controlling interest in GCI Liberty (the "contribution"). Qurate Retail and LI LLC contributed to GCI Liberty their entire equity interests in

Liberty Broadband Corporation ("Liberty Broadband"), Charter Communications, Inc. ("Charter"), and LendingTree, Inc. ("LendingTree"), the Evite, Inc. ("Evite") operating business and other assets and liabilities (collectively, "HoldCo"), in exchange for (a) the issuance to LI LLC of 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 Qurate Retail's Series A Liberty Ventures common stock and Qurate Retail's Series B Liberty Ventures common stock on March 9, 2018, respectively, (b) cash and (c) the assumption of certain liabilities by GCI Liberty.

The contribution was treated as a reverse acquisition under the acquisition method of accounting in accordance with generally accepted accounting principles in the United States ("GAAP"). For accounting purposes, HoldCo is considered to have acquired GCI Liberty in the contribution based, among other considerations, upon the fact that in exchange for the contribution of HoldCo, Qurate Retail received a controlling interest in the combined company of GCI Liberty.

Following the contribution and acquisition of GCI Liberty, Qurate Retail effected a tax free separation of its controlling interest in the combined company, GCI Liberty, to the holders of Qurate Retail's Liberty Ventures common stock in full redemption of all outstanding shares of such stock (the "HoldCo Split-Off"), in which each outstanding share of Qurate Retail's Series A Liberty Ventures common stock was redeemed for one share of GCI Liberty Class A common stock and each outstanding share of Qurate Retail's Series B Liberty Ventures common stock was redeemed for one share of GCI Liberty Class B common stock. In July 2018, the Internal Revenue Service completed its review of the HoldCo Split-Off and informed Qurate Retail that it agreed with the nontaxable characterization of the transactions. Qurate Retail received an Issue Resolution Agreement from the IRS documenting this conclusion.

On May 10, 2018, pursuant to the Agreement and Plan of Merger, dated as of March 22, 2018, GCI Liberty completed its reincorporation into Delaware by merging with its wholly owned Delaware subsidiary, which was the surviving corporation (the "Reincorporation Merger"). References to GCI Liberty or the Company prior to May 10, 2018 refer to GCI Liberty, Inc., an Alaska corporation and references to GCI Liberty after May 10, 2018 refer to GCI Liberty, Inc., a Delaware corporation.

We refer to the combination of GCI Holdings, LLC ("GCI Holdings"), non controlling interests in Liberty Broadband, Charter and LendingTree, a controlling interest in Evite, and certain other assets and liabilities as "GCI Liberty", the "Company", "us", "we" and "our." Although HoldCo was reported as a combined company until the date of the HoldCo Split-Off, the accompanying financial statements and the following discussion present all periods as consolidated by the Company.

Update on Economic Conditions

GCI Holdings offers wireless and wireline telecommunication services, data services, video services, and managed services to customers primarily throughout Alaska. Because of this geographic concentration, growth of GCI Holdings' business and operations depends upon economic conditions in Alaska. 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 GCI Holdings' products and services and on its results of operations and financial condition.

Low oil prices have put significant pressure on the Alaska state government budget since the majority of its revenue comes from the oil industry. While the Alaska state government has significant reserves that GCI Holdings believes will help fund the state government for the next couple of years, major structural budgetary reforms will need to be implemented in order to offset the impact of low oil prices.

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

Rural Health Care ("RHC") Program

In November 2017, the Universal Service Administrative Company ("USAC") requested further information in support of the rural rates charged to a number of our RHC customers in connection with the funding requests for the year that runs July 1, 2017 through June 30, 2018. Similar requests have been made of other Alaska carriers. We have fully responded to that request and subsequent requests for additional information. The ongoing review has caused a continuing delay of support payments. While we have presented data to support the rates, it is possible the FCC may require a reduction before it will award funding for the 2017 funding year.

On March 15, 2018, USAC announced that the funding requests for the year that runs July 1, 2017 through June 30, 2018 exceeded the funding available for the RHC Program. Since that time, on June 25, 2018, the FCC issued an order resulting in an increase of the annual RHC Program funding cap from \$400 to \$571 million and applied it to the funding year that ended on June 30, 2018. The FCC also determined that it would annually adjust the RHC Program funding cap for inflation, beginning with the funding year ending on June 30, 2019 and carry-forward unused funds from past funding years for use in future funding years. As a result, funding is available to pay in full any approved funding for the 2017 funding year. As of June 30, 2018, we have maintained a total net reduction of approximately \$6 million to the RHC Program support receivable given the continued delay of support payments as discussed in the previous paragraph. We may need to further reduce the RHC Program support receivable as we pursue avenues for payment of the shortfall.

In addition, on March 23, 2018, we received a letter of inquiry and request for information from the Enforcement Bureau of the FCC, to which we are in the process of responding. This inquiry into the rates charged by us is still pending, and we presently are unable to assess the ultimate resolution of this matter. The ongoing uncertainty in program funding could have an adverse effect on our business, financial position, results of operations or liquidity.

Results of Operations - Consolidated

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
amounts in thousands				
Revenue				
GCI Holdings	\$ 227,781	—	284,573	—
Corporate and other	5,709	6,177	10,121	10,146
Consolidated	\$ 233,490	6,177	294,694	10,146
Operating Income (Loss)				
GCI Holdings	\$ 10,424	—	13,520	—
Corporate and other	(11,017)	(11,617)	(21,482)	(22,968)
Consolidated	\$ (593)	(11,617)	(7,962)	(22,968)
Adjusted OIBDA				
GCI Holdings	\$ 78,915	—	98,663	—
Corporate and other	(7,191)	(6,922)	(13,051)	(14,794)
Consolidated	\$ 71,724	(6,922)	85,612	(14,794)

Revenue. Our consolidated revenue increased \$227.3 million and \$284.5 million during the three and six months ended June 30, 2018, respectively, as compared to the corresponding periods in the prior year. The increase during the three and six months ended June 30, 2018 is primarily due to an increase of \$227.8 million and \$284.6 million, respectively, at GCI Holdings for the same periods as a result of the acquisition of GCI Holdings on March 9, 2018. See "Results of Operations-GCI Holdings, LLC" below for a more complete discussion of the results of operations of GCI Holdings.

Operating Income (Loss). Our consolidated operating loss decreased \$11.0 million and \$15.0 million during the three and six months ended June 30, 2018, respectively, as compared to the corresponding periods in the prior year. The decrease is primarily due to \$10.4 million and \$13.5 million of operating income at GCI Holdings for the three and six months ended June 30, 2018, respectively, as a result of the acquisition of GCI Holdings on March 9, 2018. Additionally, there was a decrease of \$0.6 million and \$1.5 million of corporate and other operating loss for the three and six months ended June 30, 2018, respectively, as compared to the corresponding periods in the prior year due to lower operating expenses. See “Results of Operations-GCI Holdings, LLC” below for a more complete discussion of the results of operations of GCI Holdings.

Stock-based compensation. Stock based compensation includes compensation related to restricted shares of GCI Liberty's common stock and preferred stock, restricted stock units with respect to GCI Liberty's common stock, and options to purchase shares of GCI Liberty's common stock granted to certain of the Company's directors, employees, and employees of its subsidiaries. We recorded \$7.9 million and \$3.9 million of stock compensation expense for the three months ended June 30, 2018 and 2017, respectively. We recorded \$13.2 million and \$6.6 million of stock compensation expense for the six months ended June 30, 2018 and 2017, respectively. The increase for the three and six months ended June 30, 2018 as compared to the corresponding prior year periods is primarily due to the acquisition of GCI Holdings on March 9, 2018. See “Results of Operations-GCI Holdings, LLC” below for a more complete discussion of the results of operations of GCI Holdings. As of June 30, 2018, the total unrecognized compensation cost related to outstanding awards was approximately \$33 million. Such amounts will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 1.8 years.

Adjusted OIBDA. The Company defines Adjusted OIBDA as revenue less cost of sales, operating expenses, and selling, general and administrative expenses (excluding stock based compensation). The Company believes this measure is an important indicator of the operational strength and performance of its businesses, including each business's ability to service debt and fund capital expenditures. In addition, this measure allows management to view operating results and perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. This measure of performance excludes depreciation and amortization, stock based compensation, separately reported litigation settlements and restructuring and impairment charges that are included in the measurement of operating income pursuant to GAAP. Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with GAAP. See note 13 to the accompanying condensed consolidated financial statements for a reconciliation of Adjusted OIBDA to operating income (loss) and earnings (loss) before income taxes.

Consolidated Adjusted OIBDA increased \$78.6 million and \$100.4 million during the three and six months ended June 30, 2018, respectively, as compared to the corresponding periods in the prior year primarily due to the acquisition of GCI Holdings on March 9, 2018. See “Results of Operations-GCI Holdings, LLC” below for a more complete discussion of the results of operations of GCI Holdings.

Other Income and Expense

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
amounts in thousands				
<i>Interest expense</i>				
GCI Holdings	\$ (20,984)	—	(26,189)	—
Corporate and other	(14,458)	(5)	(17,501)	(5)
Consolidated	\$ (35,442)	(5)	(43,690)	(5)
<i>Share of earnings (losses) of affiliates, net</i>				
GCI Holdings	\$ (50)	—	(50)	—
Corporate and other	10,400	1,600	7,908	3,323
Consolidated	\$ 10,350	1,600	7,858	3,323
<i>Realized and unrealized gains (losses) on financial instruments, net</i>				
GCI Holdings	\$ —	—	—	—
Corporate and other	(428,356)	60,449	(499,837)	798,001
Consolidated	\$ (428,356)	60,449	(499,837)	798,001
<i>Other, net</i>				
GCI Holdings	\$ 688	—	818	—
Corporate and other	(2,533)	541	(966)	750
Consolidated	\$ (1,845)	541	(148)	750

Interest Expense. Consolidated interest expense increased \$35.4 million and \$43.7 million during the three and six months ended June 30, 2018, respectively, as compared to the corresponding periods in the prior year primarily due to the acquisition of GCI Holdings on March 9, 2018 and the \$1.0 billion margin loan. The Company issued exchangeable senior debentures on June 18, 2018 that is expected to result in increased interest expense in future periods.

Share of earnings (losses) of affiliates, net. Share of earnings (losses) of affiliates, net increased \$8.8 million and \$4.5 million during the three and six months ended June 30, 2018, respectively, as compared to the corresponding periods in the prior year due to increases in LendingTree's results.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
amounts in thousands				
Equity securities	\$ (97,478)	51,212	(229,040)	262,497
Investment in Liberty Broadband	(425,538)	14,939	(402,917)	541,206
Variable forward	63,809	(5,702)	72,552	(5,702)
Indemnification obligation	34,891	—	63,608	—
Exchangeables senior debentures	(4,040)	—	(4,040)	—
	\$ (428,356)	60,449	(499,837)	798,001

The changes in these accounts are primarily due to market factors and changes in the fair value of the underlying stocks or financial instruments to which these related. The decrease for the three months and six months ended June 30, 2018 as

compared to the corresponding prior periods was primarily driven by the investments in Liberty Broadband and Charter experiencing an unrealized loss during the three and six months ended June 30, 2018 as compared to the corresponding periods in the prior year.

Income taxes. The Company had losses before income taxes of \$455.9 million and income tax benefit of \$152.4 million during the three months ended June 30, 2018 and losses before income taxes of \$543.8 million and income tax benefit of \$69.6 million during the six months ended June 30, 2018.

The Company recognized additional income tax benefit in the three months ended June 30, 2018, primarily due to a decrease in the Company's state effective tax rate used to measure deferred taxes resulting from a state law change during the period and the effect of additional state tax benefits for the period.

The Company recognized additional income tax expense in the six months ended June 30, 2018 primarily related to an increase in the Company's state effective tax rate used to measure deferred taxes resulting from the HoldCo Split-Off in March 2018, partially offset by a decrease in the Company's state effective tax rate used to measure deferred taxes resulting from a state law change during the second quarter and the effect of additional state tax benefits.

The Company had earnings before income taxes of \$51.0 million and income tax expense of \$19.4 million during the three months ended June 30, 2017 and earnings before income taxes of \$779.1 million and income tax expense of \$296.8 million during the six months ended June 30, 2017. The Company recognized additional income tax expense in the three and six months ended June 30, 2017 primarily due to the effect of state income taxes.

Net earnings (loss). The Company had a net loss of \$303.3 million and net earnings of \$31.6 million for the three months ended June 30, 2018 and 2017, respectively. The Company had a net loss of \$474.0 million and net earnings of \$482.3 million for the six months ended June 30, 2018 and 2017, respectively. The change in net earnings was the result of the above-described fluctuations in our revenue, expenses, and other income and expenses.

Liquidity and Capital Resources

As of June 30, 2018, substantially all of our cash and cash equivalents were invested in U.S. Treasury securities, other government agencies, AAA rated money market funds and other highly rated financial and corporate debt instruments.

The following are potential sources of liquidity: available cash balances, proceeds from asset sales, monetization of our investments, outstanding or anticipated debt facilities, and debt and equity issuances.

As of June 30, 2018, the Company had a cash balance of \$767.9 million.

	Six Months Ended June 30,	
	2018	2017
	amounts in thousands	
Cash flow information		
Net cash provided (used) by operating activities	\$ 47,397	145,421
Net cash provided (used) by investing activities	107,655	(76,960)
Net cash provided (used) by financing activities	39,647	(70,949)
	<u>\$ 194,699</u>	<u>(2,488)</u>

During the six months ended June 30, 2018, the Company's primary uses of cash included a \$1.1 billion distribution to its former parent in connection with the Transactions, repayments of debt, an indemnification payment to Qurate Retail, and a derivative payment. The Company's primary sources of cash included borrowing \$1.5 billion under the Company's margin loan and exchangeable senior debentures.

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.

Proceeds from 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.

The projected uses of the Company's cash for the remainder of 2018 are capital expenditures of approximately \$114.4 million, approximately \$67.6 million for interest payments on outstanding debt, approximately \$6.5 million for preferred stock dividends, and potential additional investments in existing or new businesses. We expect that cash on hand and cash provided by operating activities and borrowing capacity in future periods will be sufficient to fund projected uses of cash.

Results of Operations - GCI Holdings, LLC

GCI Holdings provides a full range of wireless, data, video, voice, and managed services to residential, businesses, governmental entities, and educational and medical institutions primarily in Alaska.

As described in notes 1 and 2 to the accompanying condensed consolidated financial statements, for accounting purposes, HoldCo is considered to have acquired GCI Liberty in the contribution. Although GCI Holdings' results are only included in the Company's results beginning on March 9, 2018, we believe a discussion of GCI Holdings' results for all periods presented promotes a better understanding of the overall results of its business. For comparison and discussion purposes we are presenting the pro forma results of GCI Holdings for the full three and six months ended June 30, 2018 and 2017, inclusive of acquisition accounting adjustments. The pro forma financial information was prepared based on the historical financial information of GCI Holdings and assuming the acquisition of GCI Holdings took place on January 1, 2017. The acquisition price allocation related to the GCI Holdings business combination is preliminary. Accordingly, the pro forma adjustments are based on this preliminary allocation and have been made solely for the purpose of providing comparative pro forma financial information. Additionally, we have made pro forma adjustments to the results for the three and six months ended June 30, 2017 for the impact of the new revenue standard (as described in note 1) to assist in the comparability of the three and six months ended June 30, 2018. The financial information below is presented for illustrative purposes only and does not purport to represent what the results of operations of GCI Holdings would actually have been had the business combination occurred on January 1, 2017, or to project the results of operations of the Company for any future periods. The pro forma adjustments are based on available information and certain assumptions that the Company's management believes are reasonable. The pro forma adjustments are directly attributable to the business combination (as described in note 2) and the new revenue standard and are expected to have a continuing impact on the results of operations of the Company.

GCI Holdings' pro forma operating results were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	amounts in thousands			
Revenue	\$ 228,505	225,699	444,898	451,022
Operating expenses (excluding stock-based compensation included below):				
Operating expense	(65,809)	(67,488)	(128,819)	(135,907)
Selling, general and administrative expenses	(84,161)	(81,745)	(167,356)	(165,003)
Adjusted OIBDA	78,535	76,466	148,723	150,112
Stock-based compensation	(1,667)	(4,157)	(3,343)	(8,333)
Legal settlement	—	—	(3,600)	—
Depreciation and amortization	(57,347)	(58,458)	(116,662)	(119,407)
Operating income	\$ 19,521	13,851	25,118	22,372

Pro forma revenue

The components of pro forma revenue for the three months ended March 31, 2018 and 2017 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
amounts in thousands				
Consumer				
Wireless	\$ 41,935	40,557	82,925	81,213
Data	39,243	35,418	78,305	71,506
Video	22,150	24,937	44,627	49,876
Voice	5,389	5,394	10,688	11,042
Business				
Wireless	27,678	29,738	51,092	53,401
Data	77,189	72,251	147,240	149,401
Video	3,488	4,794	7,173	8,916
Voice	11,433	12,610	22,848	25,667
Total pro forma revenue	\$ 228,505	225,699	444,898	451,022

Pro forma consumer wireless revenue increased \$1.4 million and \$1.7 million for the three and six months ended June 30, 2018, respectively, as compared to the corresponding periods in the prior year. The increases were primarily due to a \$2.1 million and \$3.2 million increase in wireless equipment revenue for the three and six months ended June 30, 2018 as compared to the corresponding periods in the prior year, respectively, which was primarily driven by an increase in the number of higher priced wireless devices sold. The increase was partially offset by a decrease of \$1.0 million and \$1.9 million in Universal Service Fund high cost support ("High Cost Support") for the three and six months ended June 30, 2018 as compared to the corresponding periods in the prior year, respectively, due to a scheduled decrease in cash received for High Cost Support for urban areas. As previously disclosed, High Cost Support for urban areas ends as of December 31, 2018. We expect High Cost Support to decrease by \$4.1 million in 2019 as compared to 2018 due to the end of High Cost Support provided for urban areas.

Pro forma consumer data revenue increased \$3.8 million and \$6.8 million for the three and six months ended June 30, 2018 as compared to the corresponding periods in the prior year, respectively. The increases were primarily attributable to a \$3.5 million and \$6.5 million increase in cable modem plan fee revenue due to subscribers' selection of plans with higher recurring monthly charges that offer higher speeds and higher usage limits. The increase was partially offset by a decrease in the overall number of subscribers.

Pro forma consumer video revenue decreased for the three and six months ended June 30, 2018 as compared to the corresponding periods in the prior year. The decrease was primarily due to an 11% decrease in the number of subscribers.

Pro forma consumer voice revenue was relatively flat for the three months ended June 30, 2018 as compared to the corresponding period in the prior year due to a \$0.2 million increase in plan fees that was offset by a decrease in High Cost Support due to a scheduled decrease in funding for urban areas. Pro forma consumer voice revenue decreased \$0.4 million for the six months ended June 30, 2018 as compared to the corresponding period in the prior year. The decrease was primarily due to a \$0.6 million decrease in High Cost Support due to a scheduled decrease in funding for urban areas.

Pro forma business wireless revenue decreased \$2.1 million and \$2.3 million for the three and six months ended June 30, 2018, respectively, as compared to the corresponding periods in the prior year. The decrease is due to wholesale customers moving backhaul circuits from our network and a reduction of roaming traffic due to a wholesale customer's construction of its own facilities.

Pro forma business data revenue increased \$4.9 million and decreased \$2.2 million for the three and six months ended June 30, 2018 as compared to the corresponding periods in the prior year, respectively. The increase for the three months ended June 30, 2018 is primarily due to the \$5.5 million write-off of RHC receivables that occurred in the second quarter of 2017, but did not recur in the second quarter of 2018. The decrease for the six months ended June 30, 2018 was primarily due to a \$3.2 million decrease in professional services revenue due to a decrease in special project work.

Pro forma business video revenue decreased \$1.3 million and \$1.7 million for the three and six months ended June 30, 2018 as compared to the corresponding periods in the prior year. The decrease is primarily due to a decrease in advertising revenue due to a decrease in the number of ads placed.

Pro forma business voice revenue decreased \$1.2 million and \$2.8 million for the three and six months ended June 30, 2018, respectively, as compared to the corresponding periods in the prior year. The decrease for the three months ended June 30, 2018 is primarily due to a \$0.5 million decrease in long distance revenue as a result of decreased long distance traffic and rate compression and a \$0.7 million decrease in local voice revenue as a result of a decrease in access lines in service. The decrease for the six months ended June 30, 2018 is primarily due to a \$1.0 million decrease in long distance revenue as a result of decreased long distance traffic and rate compression and a \$1.8 million decrease in local voice revenue as a result of a decrease in access lines in service.

Selected key performance indicators follow:

	June 30,	
	2018	2017
Consumer		
Data:		
Cable modem subscribers ¹	125,200	128,100
Video:		
Basic subscribers ²	91,600	102,700
Homes passed	253,400	251,200
Voice:		
Total local access lines in service ³	47,800	51,700
Business		
Data:		
Cable modem subscribers ¹	9,200	10,000
Voice:		
Total local access lines in service ³	37,000	40,200
Combined Consumer and Business		
Wireless		
Consumer wireless lines in service ⁴	200,900	201,200
Business wireless lines in service ⁴	22,100	23,300
Total wireless lines in service	<u>223,000</u>	<u>224,500</u>

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, 2018, we transferred 700 small business cable modem subscribers from Business to Consumer.

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, 2018, we transferred 100 small business basic subscribers from Business to Consumer.

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, 2018, we transferred 1,600 small business local access lines from Business to Consumer.

⁴ A wireless line in service is defined as a revenue generating wireless device. On January 1, 2018, we transferred 600 small business wireless lines from Business to Consumer.

Pro forma Operating expenses decreased \$1.7 million and \$7.1 million for the three and six months ended June 30, 2018 as compared to the corresponding periods in the prior year, respectively. The decrease for the three months ended June 30, 2018 was primarily due to a \$1.0 million decrease in time and materials costs for special project work and a \$1.0 million decrease in video distribution and programming costs primarily due to a decrease in the number of video subscribers. The decreases for the three months ended June 30, 2018 were partially offset by a \$0.8 million increase in data and transport costs due to increased traffic. The decrease for the six months ended June 30, 2018 was primarily due to a \$2.1 million decrease in time and materials costs for special project work; a \$2.4 million decrease in video distribution and programming costs primarily due to a decrease in the number of video subscribers; and, a \$1.2 million decrease in voice costs due to the decrease in long distance traffic and a reduction of local access lines in service.

Pro forma Selling, general and administrative expenses increased \$2.4 million for the three and six months ended June 30, 2018, as compared to the corresponding periods in the prior year. The increase for the three months ended June 30, 2018 was primarily due to an increase in labor costs.

Pro forma Stock based compensation decreased \$2.5 million and \$5.0 million for the three and six months ended June 30, 2018 as compared to the corresponding periods in the prior year due to awards for which the expense was completely recognized during 2017.

Pro forma Depreciation and amortization decreased \$1.1 million or 2% and \$2.7 million or 2% during the three and six months ended June 30, 2018 as compared to the corresponding periods in the prior year. The decrease was primarily due to expected accelerated amortization expense in earlier periods related to intangible assets acquired in the acquisition of GCI Holdings.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk in the normal course of business due to our ongoing investing and financial activities. Market risk refers to the risk of loss arising from adverse changes in stock prices and interest rates. The risk of loss can be assessed from the perspective of adverse changes in fair values, cash flows and future earnings. We have established policies, procedures and internal processes governing our management of market risks and the use of financial instruments to manage our exposure to such risks.

We are exposed to changes in interest rates primarily as a result of our borrowing and investment activities, which include investments in fixed and floating rate debt instruments and borrowings used to maintain liquidity and to fund business operations. The nature and amount of our long-term and short-term debt are expected to vary as a result of future requirements, market conditions and other factors. We manage our exposure to interest rates by maintaining what we believe is an appropriate mix of fixed and variable rate debt. We believe this best protects us from interest rate risk. We have achieved this mix by (i) issuing fixed rate debt that we believe has a low stated interest rate and significant term to maturity, (ii) issuing variable rate debt with appropriate maturities and interest rates and (iii) entering into interest rate swap arrangements when we deem appropriate. As of June 30, 2018, our debt is comprised of the following amounts:

	Variable rate debt		Fixed rate debt	
	Principal amount	Weighted average interest rate	Principal amount	Weighted average interest rate
dollar amounts in thousands				
GCI Holdings	\$ 674,148	4.5%	\$ 775,000	6.8%
Corporate and other	\$ 1,000,000	4.2%	\$ 477,250	1.8%

We are exposed to changes in stock prices primarily as a result of our significant holdings in publicly traded securities. We continually monitor changes in stock markets, in general, and changes in the stock prices of our holdings, specifically. We believe that changes in stock prices can be expected to vary as a result of general market conditions, technological changes, specific industry changes and other factors. We periodically use equity collars and other financial instruments to manage market risk associated with certain investment positions. These instruments are recorded at fair value based on option pricing models.

At June 30, 2018, the fair value of our equity securities was \$1.6 billion. Had the market price of such securities been 10% lower at June 30, 2018, the aggregate value of such securities would have been \$157.1 million lower. At June 30, 2018, the fair value of our investment in Liberty Broadband was \$3.2 billion. Had the market price of such security been 10% lower at June 30, 2018, the fair value of such security would have been \$323.2 million lower.

Item 4. Controls and Procedures

In accordance with Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company carried out an evaluation, under the supervision and with the participation of management, including its chief executive officer and its principal accounting and financial officer (the "Executives"), of the effectiveness of its disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, the Executives concluded that the Company's disclosure controls and procedures were effective as of June 30, 2018 to provide reasonable assurance that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's (the "SEC") rules and forms.

In March 2018, GCI Liberty completed the Transactions, pursuant to which the contribution was treated as a reverse acquisition under the acquisition method of accounting in accordance with GAAP. The Transactions resulted in changes to the management of the Company. As a result of the Transactions, the Company and new members of management are re-evaluating the internal controls of the legacy GCI Liberty operating business and are making appropriate changes as deemed necessary. The Company also notes that, although Qurate Retail had previously certified the effectiveness of internal controls with respect to the HoldCo assets that were contributed to the Company prior to the completion of the Transactions, the effectiveness of such internal control has not previously been certified to by HoldCo. Except as described above, there has been no change in the Company's internal control over financial reporting that occurred during the three months ended June 30, 2018 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. 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 2. Unregistered Sales of Equity Securities and Use of Proceeds

Share Repurchase Programs

On March 9, 2018, the board of directors authorized a share repurchase program for \$650 million of GCI Liberty Class A and Class B common stock. On June 25, 2018, the board of directors of GCI Liberty reapproved such repurchase program with respect to GCI Liberty's Series A and Series B (or Class A or Class B) common stock. There were no repurchases of GCI Liberty Series A or Series B common stock or GCI Liberty Preferred Stock during the three months ended June 30, 2018.

2,048 shares of GCI Liberty common stock and 655 shares of GCI Liberty Preferred Stock were surrendered by our officers and employees to pay withholding taxes and other deductions in connection with the vesting of their restricted stock and restricted stock units during the three months ended June 30, 2018.

Item 6. 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
2.1	Agreement and Plan of Merger, dated as of March 22, 2018, between GCI Liberty, Inc., an Alaska corporation, and GCI Merger Sub, Inc., a Delaware corporation (incorporated by reference to Annex A to GCI Liberty, Inc.'s Proxy Statement on Schedule 14A, filed on April 12, 2018 (File No. 001-38385)).
3.1	Restated Certificate of Incorporation of GCI Liberty, Inc. (incorporated by reference to Exhibit 3.1 to Amendment No. 1 to GCI Liberty, Inc.'s Registration Statement on Form 8-A, filed on May 10, 2018 (File No. 001-38385) (the "8-A/A")).
3.2	Amended and Restated Bylaws of GCI Liberty, Inc., effective as of May 11, 2018 (incorporated by reference to Exhibit 3.3 to GCI Liberty, Inc.'s Current Report on Form 8-K filed May 16, 2018 (File No. 001-38385)).
4.1	Specimen Certificate for shares of Series A Common Stock of GCI Liberty, Inc. (incorporated by reference to Exhibit 4.1 to the 8-A/A).
4.2	Specimen Certificate for shares of Series B Common Stock of GCI Liberty, Inc. (incorporated by reference to Exhibit 4.2 to Post-Effective Amendment No. 1 to GCI Liberty, Inc.'s Registration Statement on Form S-8, filed on May 14, 2018 (File No. 333-223668)).
4.3	Specimen Certificate for shares of Series A Cumulative Redeemable Preferred Stock of GCI Liberty, Inc. (incorporated by reference to Exhibit 4.2 to the 8-A/A).
10.1	GCI Liberty, Inc. 2018 Omnibus Incentive Plan (incorporated by reference to Annex A to GCI Liberty, Inc.'s Proxy Statement on Schedule 14A, filed on May 22, 2018 (File No. 001-38385)).
10.2	Form of Indemnification Agreement between the Registrant and its executive officers/directors*
31.1	Rule 13a-14(a)/15d-14(a) Certification*
31.2	Rule 13a-14(a)/15d-14(a) Certification*
32	Section 1350 Certification**
101	The following materials from GCI Liberty, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets; (ii) Condensed Consolidated Statements of Operations; (iii) Condensed Consolidated Statements of Comprehensive Earnings; (iv) Condensed Consolidated Statements of Cash Flows; (v) Condensed Consolidated Statement of Equity; and (vi) Notes to Condensed Consolidated Financial Statements *
*	Filed herewith.
**	Furnished herewith

SIGNATURES

Pursuant to the requirements 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.

Signature	Title	Date
<u>/s/ Gregory B. Maffei</u> Gregory B. Maffei	President and Chief Executive Officer (Principal Executive Officer)	<u>August 8, 2018</u>
<u>/s/ Mark D. Carleton</u> Mark D. Carleton	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	<u>August 8, 2018</u>

FORM OF INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (this “**Agreement**”) is effective as of [] (the “**Effective Date**”), by and between GCI Liberty, Inc., a Delaware corporation (the “**Company**”), and [] (“**Indemnitee**”).

WHEREAS, it is essential to the Company and its mission to retain and attract as officers and directors the most capable persons available;

WHEREAS, the Company has asked Indemnitee to serve as [an officer/a director] of the Company;

WHEREAS, both the Company and Indemnitee recognize the omnipresent risk of litigation and other claims that are routinely asserted against officers and directors of companies operating in the public arena in the current environment, and the attendant costs of defending even wholly frivolous claims;

WHEREAS, the certificate of incorporation and Bylaws of the Company provide certain indemnification rights to the officers and directors of the Company, as provided by Delaware law; and

WHEREAS, to induce Indemnitee to serve as [an officer/a director] of the Company, and in recognition of Indemnitee’s need for substantial protection against personal liability in order to enhance Indemnitee’s service to the Company in an effective manner, and Indemnitee’s reliance on assurance of indemnification, the Company wishes to provide in this Agreement for the indemnification of and the advancing of expenses to Indemnitee to the fullest extent permitted by law (whether partial or complete) and as set forth in this Agreement, and, to the extent insurance is maintained, for the continued coverage of Indemnitee under the Company’s directors’ and officers’ liability insurance policies.

NOW, THEREFORE, in consideration of the premises, the mutual covenants and agreements contained herein and Indemnitee’s service to the Company, the parties hereto agree as follows:

1. Certain Definitions.

(a) Change in Control: shall be deemed to have occurred if (i) any “person” (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than (x) a trustee or other fiduciary holding securities under an employee benefit plan of the Company, (y) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, or (z) any Significant Stockholder (as defined below) as of the Effective Date, becomes the “beneficial owner” (as defined in Rule 13d-3 under such Act), directly or indirectly, of securities of the Company representing 20% or more of the total voting power represented by the Company’s then outstanding Voting Securities

(a “**Significant Stockholder**”), or (ii) during any period of two consecutive years, individuals who at the beginning of such period constituted the Company’s Board of Directors and any new director whose election by the Company’s Board of Directors or nomination for election by the Company’s stockholders was approved by a vote of at least two-thirds (66-2/3%) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least 80% of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of (in one transaction or a series of transactions) all or substantially all the Company’s assets.

(b) Claim: any threatened, pending or completed action, suit, arbitration, alternative dispute resolution mechanism, administrative hearing, or any other threatened, pending, or completed proceeding, whether brought by or in the right of the Company or any other party, or any inquiry or investigation (including any internal investigation), whether instituted by the Company or any other party or otherwise, whether civil (including intentional and unintentional tort claims), criminal, administrative, investigative or other.

(c) Corporate Status: describes the status of a person who is or was a director, officer, employee, agent or fiduciary of the Company, or is or was serving at the request of the Company as a director, officer, employee, trustee, agent or fiduciary of another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise.

(d) Expenses: include attorneys’ fees and all other costs, expenses and obligations paid or incurred in connection with investigating, defending, being a witness in, subject or target of, or participating in (including on appeal), or preparing to defend, be a witness in, subject or target of, or participate in, any Claim.

(e) Independent Legal Counsel: an attorney or firm of attorneys, selected in accordance with the provisions of Section 3, who shall not have otherwise performed services for the Company or Indemnitee within the last five years (other than with respect to matters concerning the rights of Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements).

(f) Reviewing Party: any appropriate person or body consisting of a member or members of the Company’s Board of Directors or any other person or body appointed by the Company’s Board of Directors who is not a party to, or witness or other participant in, nor threatened to be made a party to, or witness or participant in, the particular Claim for which Indemnitee is seeking indemnification, or Independent Legal Counsel.

(g) Voting Securities: shares of any series or class of common stock or preferred stock of the Company, in each case, entitled to vote generally upon all matters that may be submitted to a vote of stockholders of the Company at any annual or special meeting thereof.

2. Basic Indemnification and Advancement Arrangement.

(a) In the event Indemnitee was, is or becomes a party to, subject or target of, or witness or other participant in, or is threatened to be made a party to, subject or target of, or witness or other participant in, a Claim by reason of (or arising in part out of) Indemnitee's Corporate Status, the Company shall indemnify Indemnitee to the fullest extent permitted by law as soon as practicable but in any event no later than thirty days after written demand is presented to the Company (which demand may only be presented to the Company following the final judicial disposition of the Claim, as to which all rights of appeal therefrom have been exhausted or lapsed (a "**Final Disposition**")), against any and all Expenses, judgments, fines, penalties and amounts paid or payable in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties or amounts paid or payable in settlement) of such Claim. If so requested by Indemnitee, prior to the Final Disposition of a Claim, the Company shall advance (within two business days of such request) any and all Expenses to Indemnitee as incurred in defending such Claim (an "**Expense Advance**").

(b) Notwithstanding the foregoing, (i) the obligations of the Company under Section 2(a) shall be subject to the condition that the Reviewing Party shall not have determined (in a written determination, or, in any case in which the Independent Legal Counsel referred to in Section 3 hereof is involved, in a written opinion) that Indemnitee would not be permitted to be indemnified under applicable law, and (ii) the obligation of the Company to make an Expense Advance pursuant to Section 2(a) shall be subject to the condition that, if, when and to the extent that the Reviewing Party determines in good faith that Indemnitee would not be permitted to be indemnified under applicable law, the Company shall be entitled to be reimbursed by Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid; provided, however, that if Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee should be indemnified under applicable law, any determination made by the Reviewing Party that Indemnitee would not be permitted to be indemnified under applicable law shall not be binding and Indemnitee shall not be required to reimburse the Company for any Expense Advance until a Final Disposition is made with respect thereto. If there has not been a Change in Control, the Reviewing Party shall be selected by the Company's Board of Directors, and if there has been such a Change in Control, the Reviewing Party shall be the Independent Legal Counsel referred to in Section 3 hereof. If there has been no determination by the Reviewing Party as contemplated by Section 2(a) or if the Reviewing Party determines that Indemnitee substantively would not be permitted to be indemnified in whole or in part under applicable law, Indemnitee shall have the right to commence litigation in any court in the State of Delaware having subject matter jurisdiction thereof and in which venue is proper, challenging any such determination by the Reviewing Party or any aspect thereof (or, if the Reviewing Party has made no determination as contemplated by Section 2(a), seeking to enforce Indemnitee's rights to indemnification hereunder), including the legal or factual bases therefor, and, in all events, the Company hereby consents to service of process and agrees to appear in any such

proceeding. Any determination by the Reviewing Party that Indemnitee is entitled to indemnification shall be conclusive and binding on the Company and Indemnitee. Any determination by the Reviewing Party that Indemnitee is not permitted to be indemnified (in whole or in part) under applicable law shall be in writing (or, in any case in which the Independent Legal Counsel referred to in Section 3 hereof is involved, set forth in a written opinion).

3. Change in Control. The Company agrees that if there is a Change in Control of the Company then with respect to all matters thereafter arising concerning the rights of Indemnitee to indemnity payments and Expense Advances under this Agreement or any other agreement or Company Bylaw or charter provision now or hereafter in effect, the Company shall seek legal advice only from Independent Legal Counsel selected by Indemnitee and approved by the Company (which approval shall not be unreasonably withheld). Such counsel, among other things, shall render its written opinion to the Company and Indemnitee as to whether and to what extent Indemnitee would be permitted to be indemnified under applicable law. The Company agrees to pay the reasonable fees of the Independent Legal Counsel referred to above and to fully indemnify such counsel against any and all expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

4. Indemnification for Additional Expenses. The Company shall (i) indemnify Indemnitee (to the extent Indemnitee is successful on the merits or otherwise in the action provided for in this Section 4) against any and all expenses (including attorneys' fees) and, (ii) if requested by Indemnitee, advance (within two business days of such request) such expenses to Indemnitee (and Indemnitee hereby agrees to reimburse the Company for any amounts so advanced if, when, and to the extent Indemnitee is not successful on the merits or otherwise in the action provided for in this Section 4), which are incurred by Indemnitee in connection with any action brought by Indemnitee (whether pursuant to Section 19 of this Agreement or otherwise), in each case, for (a) indemnification or advance payment of Expenses by the Company under this Agreement or any other agreement or Company Bylaw or charter provision now or hereafter in effect or (b) recovery under any directors' and officers' liability insurance policies maintained by the Company, to the fullest extent permitted by law.

5. Proceedings Against the Company; Certain Securities Laws Claims.

(a) Anything in this Agreement to the contrary notwithstanding, except as provided in Section 4 hereof, with respect to a Claim initiated against the Company by Indemnitee (whether initiated by Indemnitee in or by reason of such person's capacity as an officer or director of the Company or in or by reason of any other capacity), the Company shall not be required to indemnify or to advance Expenses to Indemnitee in connection with prosecuting such Claim (or any part thereof) or in defending any counterclaim, cross-claim, affirmative defense, or like claim of the Company in connection with such Claim (or part thereof) unless such Claim was authorized by the Company's Board of Directors. For purposes of this Section 5, a compulsory counterclaim by Indemnitee against the Company in connection with a Claim initiated against Indemnitee by the Company shall not be considered a Claim (or part thereof) initiated against the Company by Indemnitee, and Indemnitee shall have all rights of indemnification and advancement with respect to any such compulsory counterclaim in accordance with and subject to the terms of this Agreement.

(b) Anything in this Agreement to the contrary notwithstanding, except as provided in Section 6 hereof with respect to indemnification of Expenses in connection with whole or partial success on the merits or otherwise in defending any Claim, the Company shall not be required to indemnify Indemnitee in connection with any Claim made against Indemnitee for (i) an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Securities Exchange Act of 1934 or similar provisions of state statutory law or common law, or (ii) any reimbursement of the Company by Indemnitee of any bonus or other incentive-based or equity-based compensation or of any profits realized by Indemnitee from the sale of securities of the Company, as required in each case under the Securities Exchange Act of 1934 (including any such reimbursements that arise from an accounting restatement of the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 (the “**Sarbanes-Oxley Act**”), or the payment to the Company of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act).

6. Partial Indemnity. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Expenses, judgments, fines, penalties and amounts paid or payable in settlement of a Claim but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled. Moreover, notwithstanding any other provision of this Agreement, to the extent that Indemnitee is successful, on the merits or otherwise, in defending a Claim (including dismissal without prejudice), or in defense of any claim, issue, or matter therein, Indemnitee shall be indemnified to the fullest extent permitted by law against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee’s behalf in connection therewith.

7. Burden of Proof. In connection with any determination by the Reviewing Party or otherwise as to whether Indemnitee is entitled to be indemnified hereunder or otherwise, the burden shall be on the Company to prove by clear and convincing evidence that Indemnitee is not so entitled.

8. No Presumptions. For purposes of this Agreement, the termination of any Claim, by judgment, order, settlement (whether with or without court approval) conviction, or otherwise, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law. In addition, neither the failure of the Reviewing Party to have made a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by the Reviewing Party that Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by Indemnitee to secure a judicial determination that Indemnitee should be indemnified under applicable law shall be a defense to Indemnitee’s claim or create a presumption that Indemnitee has not met any particular standard of conduct or did not have any particular belief.

9. Settlement. Indemnitee shall be entitled to settle any Claim, in whole or in part, in Indemnitee’s sole discretion. To the fullest extent permitted by law, any settlement of an Claim by Indemnitee shall be deemed the Final Disposition of such Claim for all purposes of this Agreement. The Company acknowledges that a settlement or other disposition short of final judgment on the

merits may be successful if it permits a party to avoid expense, delay, distraction, disruption, and uncertainty. In the event that any Claim is resolved other than by adverse judgment against Indemnitee (including, without limitation, settlement of such Claim with or without payment or other consideration) it shall be presumed that Indemnitee has been successful on the merits or otherwise in such Claim. Any individual or entity seeking to overcome this presumption shall have the burden to prove by clear and convincing evidence that Indemnitee has not been successful on the merits or otherwise in such Claim.

10. Nonexclusivity; Subsequent Change in Law. The rights of Indemnitee hereunder shall be in addition to any other rights Indemnitee may have under the Company's Bylaws or certificate of incorporation, under Delaware law or otherwise. To the extent that a change in Delaware law (whether by statute or judicial decision) permits greater indemnification by agreement than would be afforded currently under the Company's Bylaws and certificate of incorporation and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change.

11. Liability Insurance. To the extent the Company maintains an insurance policy or policies providing directors' and officers' liability insurance, Indemnitee shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any Company director or officer.

12. Amendments; Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

13. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

14. No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment in connection with any Claim made against Indemnitee to the extent Indemnitee has otherwise actually received payment (under any insurance policy, Bylaw of the Company, or otherwise) of the amounts otherwise indemnifiable hereunder.

15. Binding Effect. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns, administrators, heirs, executors and personal and legal representatives. The Company agrees that in the event the Company or any of its successors or assigns (i) consolidates with or merges into any other corporation or entity and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers or conveys all or substantially all of its properties and assets to any corporation or entity, then, and in each such case, to the extent necessary, proper provision shall be made so that the successors and assigns of the Company as a result of such transaction assume the obligations of the Company set forth in this Agreement. This Agreement shall continue in effect regardless of

whether Indemnitee continues to serve as a director, officer, employee, agent or fiduciary of the Company or of any other enterprise at the Company's request.

16. Severability. The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) is held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable in any respect, and the validity and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired and shall remain enforceable to the fullest extent permitted by law.

17. Effective Date. This Agreement shall be effective as of the date hereof and shall apply to any claim for indemnification by Indemnitee on or after such date.

18. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware applicable to contracts made and to be performed in such state without giving effect to the principles of conflicts of laws.

19. Injunctive Relief. The parties hereto agree that Indemnitee may enforce this Agreement by seeking specific performance hereof, without any necessity of showing irreparable harm or posting a bond, which requirements are hereby waived, and that by seeking specific performance, Indemnitee shall not be precluded from seeking or obtaining any other relief to which he or she may be entitled.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the Effective Date.

GCI LIBERTY, INC.

By: _____
Name: _____
Title: _____
Date: _____

INDEMNITEE

Name: _____
Date: _____

Indemnification Agreement

CERTIFICATION

I, Gregory B. Maffei, certify that:

1. I have reviewed this quarterly report on Form 10-Q of GCI Liberty, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers 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 quarterly 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) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - d) disclosed in this quarterly 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 officers 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.

Date: August 8, 2018

/s/ Gregory B. Maffei
Gregory B. Maffei
President and Chief Executive Officer

CERTIFICATION

I, Mark D. Carleton, certify that:

1. I have reviewed this quarterly report on Form 10-Q of GCI Liberty, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers 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 quarterly 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) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - d) disclosed in this quarterly 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 officers 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.

Date: August 8, 2018

/s/ Mark D. Carleton
Mark D. Carleton
Chief Financial Officer and Treasurer

Certification

**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of GCI Liberty, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the period ended June 30, 2018 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 8, 2018

/s/ Gregory B. Maffei

Gregory B. Maffei
President and Chief Executive Officer

Date: August 8, 2018

/s/ Mark D. Carleton

Mark D. Carleton
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Form 10-Q or as a separate disclosure document.

