

FORM 10-Q

GENERAL COMMUNICATION INC - GNCMA

Filed: August 05, 2010 (period: June 30, 2010)

Quarterly report which provides a continuing view of a company's financial position

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2010

OR

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

For the transition period from to

Commission File No. 0-15279

GENERAL COMMUNICATION, INC.

(Exact name of registrant as specified in its charter)

State of Alaska

(State or other jurisdiction of
incorporation or organization)

92-0072737

(I.R.S Employer
Identification No.)

**2550 Denali Street
Suite 1000**

Anchorage, Alaska

(Address of principal
executive offices)

99503

(Zip Code)

Registrant's telephone number, including area code: **(907) 868-5600**

Not Applicable

Former name, former address and former fiscal year, if changed since
last report

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 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, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

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 30, 2010 was:

51,980,574 shares of Class A common stock; and
3,183,036 shares of Class B common stock.

GENERAL COMMUNICATION, INC.
FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2010

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Cautionary Statement Regarding Forward-Looking Statements

You should carefully review the information contained in this Quarterly Report, but should particularly consider any risk factors that we set forth in this Quarterly Report and in other reports or documents that we file from time to time with the Securities and Exchange Commission ("SEC"). In this Quarterly Report, in addition to historical information, we state our future strategies, plans, objectives or goals and our beliefs of future events and of our future operating results, financial position and cash flows. In some cases, you can identify these so-called "forward-looking statements" by words such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "project," or "continue" or the negative of these words and other comparable words. All forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance, achievements, plans and objectives to differ materially from any future results, performance, achievements, plans and objectives expressed or implied by these forward-looking statements. In evaluating these statements, you should specifically consider various factors, including those identified under "Risk Factors" in Item 1A of our December 31, 2009 annual report on Form 10-K. Those factors may cause our actual results to differ materially from any of our forward-looking statements. For these forward looking statements, we claim the protection of the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995.

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

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

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

(Amounts in thousands)

ASSETS	June 30, 2010	December 31, 2009
Current assets:		
Cash and cash equivalents	\$ 66,595	48,776
Receivables	157,670	147,859
Less allowance for doubtful receivables	11,144	7,060
Net receivables	146,526	140,799
Deferred income taxes	17,618	17,618
Prepaid expenses	7,394	4,491
Inventories	5,656	9,278
Other current assets	5,592	5,872
Total current assets	249,381	226,834
Property and equipment in service, net of depreciation	801,019	823,080
Construction in progress	33,046	26,161
Net property and equipment	834,065	849,241
Cable certificates	191,635	191,565
Goodwill	73,452	73,452
Wireless licenses	25,967	25,967
Other intangible assets, net of amortization	17,670	19,561
Deferred loan and senior notes costs, net of amortization	14,528	13,168
Other assets	17,787	18,609
Total other assets	341,039	342,322
Total assets	\$ 1,424,485	1,418,397

See accompanying condensed notes to interim consolidated financial statements.

(Continued)

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

(Amounts in thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY	June 30, 2010	December 31, 2009
Current liabilities:		
Current maturities of obligations under long-term debt and capital leases	\$ 10,302	9,892
Accounts payable	32,811	30,697
Deferred revenue	22,444	21,404
Accrued payroll and payroll related obligations	19,149	21,874
Accrued interest	13,428	14,821
Accrued liabilities	12,964	15,037
Subscriber deposits	1,358	1,549
Total current liabilities	<u>112,456</u>	<u>115,274</u>
Long-term debt, net	773,292	771,247
Obligations under capital leases, excluding current maturities	86,752	89,279
Obligation under capital lease due to related party	1,880	1,876
Deferred income taxes	105,686	100,386
Long-term deferred revenue	51,060	52,342
Other liabilities	<u>22,351</u>	<u>21,676</u>
Total liabilities	<u>1,153,477</u>	<u>1,152,080</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock (no par):		
Class A. Authorized 100,000 shares; issued 51,978 and 51,899 shares at June 30, 2010 and December 31, 2009, respectively; outstanding 51,485 and 51,627 shares at June 30, 2010 and December 31, 2009, respectively	149,450	150,911
Class B. Authorized 10,000 shares; issued and outstanding 3,185 and 3,186 shares at June 30, 2010 and December 31, 2009, respectively; convertible on a share-per-share basis into Class A common stock	2,683	2,684
Less cost of 493 and 272 Class A common shares held in treasury at June 30, 2010 and December 31, 2009, respectively	(2,328)	(2,339)
Paid-in capital	34,254	30,410
Retained earnings	<u>86,949</u>	<u>84,651</u>
Total stockholders' equity	<u>271,008</u>	<u>266,317</u>
Total liabilities and stockholders' equity	<u>\$ 1,424,485</u>	<u>1,418,397</u>

See accompanying condensed notes to interim consolidated financial statements.

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

**CONSOLIDATED INCOME STATEMENTS
(Unaudited)**

(Amounts in thousands, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Revenues	\$ 162,326	148,796	314,745	297,485
Cost of goods sold (exclusive of depreciation and amortization shown separately below)	51,754	47,348	100,661	95,205
Selling, general and administrative expenses	54,704	51,719	107,961	108,305
Depreciation and amortization expense	<u>30,820</u>	<u>31,170</u>	<u>61,946</u>	<u>61,904</u>
Operating income	25,048	18,559	44,177	32,071
Other income (expense):				
Interest expense (including amortization of deferred loan fees)	(17,729)	(13,273)	(35,409)	(25,920)
Interest income	<u>76</u>	<u>11</u>	<u>137</u>	<u>19</u>
Other expense, net	(17,653)	(13,262)	(35,272)	(25,901)
Income before income tax expense	7,395	5,297	8,905	6,170
Income tax expense	<u>5,465</u>	<u>2,733</u>	<u>5,301</u>	<u>3,252</u>
Net income	\$ <u>1,930</u>	<u>2,564</u>	<u>3,604</u>	<u>2,918</u>
Basic net income per Class A common share	\$ <u>0.04</u>	<u>0.05</u>	<u>0.07</u>	<u>0.06</u>
Basic net income per Class B common share	\$ <u>0.04</u>	<u>0.05</u>	<u>0.07</u>	<u>0.06</u>
Diluted net income per Class A common share	\$ <u>0.04</u>	<u>0.05</u>	<u>0.07</u>	<u>0.05</u>
Diluted net income per Class B common share	\$ <u>0.04</u>	<u>0.05</u>	<u>0.07</u>	<u>0.05</u>

See accompanying condensed notes to interim consolidated financial statements

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(Unaudited)**

(Amounts in thousands)	2010	2009
Cash flows from operating activities:		
Net income	\$ 3,604	2,918
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	61,946	61,904
Deferred income tax expense	5,301	3,252
Share-based compensation expense	2,446	3,229
Other noncash income and expense items	3,824	3,862
Change in operating assets and liabilities	<u>(6,434)</u>	<u>(32,418)</u>
Net cash provided by operating activities	70,687	42,747
Cash flows from investing activities:		
Purchases of property and equipment	(41,943)	(57,269)
Purchase of businesses, net of cash received	(5,545)	(108)
Purchase of marketable securities	(182)	(225)
Proceeds from sale of marketable securities	178	613
Purchases of other assets and intangible assets	<u>(1,694)</u>	<u>(2,066)</u>
Net cash used in investing activities	(49,186)	(59,055)
Cash flows from financing activities:		
Repayment of debt and capital lease obligations	(4,824)	(6,330)
Issuance of long-term debt	4,532	-
Payment of debt issuance costs	(2,182)	-
Purchase of treasury stock to be retired	(1,306)	-
Borrowing on Senior Credit Facility	-	20,000
Other	98	165
Net cash provided by (used in) financing activities	<u>(3,682)</u>	<u>13,835</u>
Net increase (decrease) in cash and cash equivalents	17,819	(2,473)
Cash and cash equivalents at beginning of period	48,776	29,904
Cash and cash equivalents at end of period	<u>\$ 66,595</u>	<u>27,431</u>

See accompanying condensed notes to interim consolidated financial statements.

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
Condensed Notes to Interim Consolidated Financial Statements
(Unaudited)

The accompanying unaudited interim consolidated financial statements include the accounts of General Communication, Inc. ("GCI") and its subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. They should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2009, filed with the SEC on March 12, 2010 as part of our annual report on Form 10-K. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results of operations for interim periods are not necessarily indicative of the results that may be expected for an entire year or any other period.

(1) Business and Summary of Significant Accounting Principles

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

(a) Business

GCI, an Alaska corporation, was incorporated in 1979. We offer the following services:

- Origination and termination of traffic in Alaska for certain common carriers,
- Cable television services throughout Alaska,
- Competitive local access services throughout Alaska,
- Incumbent local access services in rural Alaska,
- Long-distance telephone service,
- Sale of postpaid and prepaid wireless telephone services and sale of wireless telephone handsets and accessories,
- Data network services,
- Internet access services,
- Wireless roaming for certain wireless carriers,
- Broadband services, including our SchoolAccess® offering to rural school districts, our ConnectMD® offering to rural hospitals and health clinics, and managed video conferencing,
- Managed services to certain commercial customers,
- Sales and service of dedicated communications systems and related equipment,
- Lease, service arrangements and maintenance of capacity on our fiber optic cable systems used in the transmission of voice and data services within Alaska and between Alaska and the remaining United States and foreign countries, and
- Distribution of white and yellow pages directories to residential and business customers in certain markets we serve and on-line directory products.

(b) Principles of Consolidation

The consolidated financial statements include the consolidated accounts of GCI and its wholly-owned subsidiaries. All significant intercompany transactions between non-regulated affiliates of our company are eliminated. Intercompany transactions generated between regulated and non-regulated affiliates of the company are not eliminated in consolidation.

(c) Recently Issued Accounting Pronouncements

Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2009-13 addresses the accounting for multiple deliverable arrangements to enable vendors to account for products or services ("deliverables") separately rather than as a combined unit. Specifically, this guidance amends the criteria in Subtopic 605-25, "Revenue Recognition - Multiple-Element Arrangements", for separating consideration in multiple-deliverable arrangements. This guidance establishes a selling price hierarchy for determining the selling price of a deliverable, which is based on: (a) vendor-specific objective evidence; (b) third-party evidence; or (c) estimates. This guidance also eliminates the residual method of allocation and requires that arrangement consideration be allocated at the inception of

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
Condensed Notes to Interim Consolidated Financial Statements
(Unaudited)

the arrangement to all deliverables using the relative selling price method. In addition, this guidance significantly expands required disclosures related to a vendor's multiple-deliverable revenue arrangements. ASU 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The adoption of ASU 2009-13 is not expected to have a material impact on our income statement, financial position or cash flows.

(d) Recently Adopted Accounting Pronouncements

ASU 2009-17 addresses a revision to former SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)" ("SFAS 167"). ASU 2009-17 amends previous accounting related to the consolidation of variable interest entities ("VIE") to require an enterprise to qualitatively assess the determination of the primary beneficiary of a variable interest entity based on whether the entity (1) has the power to direct the activities of a VIE that most significantly impact the entity's economic performance and (2) has the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. Also, SFAS No. 167 requires an ongoing reconsideration of the primary beneficiary, and amends the events that trigger a reassessment of whether an entity is a VIE. Enhanced disclosures are also required to provide information about an enterprise's involvement in a VIE. The adoption of ASU 2009-17 on January 1, 2010, did not have a material impact on our income statement, financial position or cash flows.

ASU No. 2010-06, "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements" requires new disclosures and clarifies existing disclosure requirements about fair value measurement as set forth in Codification Subtopic 820-10. The FASB's objective is to improve these disclosures and, thus, increase the transparency in financial reporting. Specifically, ASU 2010-06 amends Codification Subtopic 820-10 to now require that (a)

a reporting entity should disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers; and

(b) in the reconciliation for fair value measurements using significant unobservable inputs, a reporting entity should present separately information about purchases, sales, issuances, and settlements. In addition, ASU 2010-06 clarifies the requirements of the following existing disclosures:

- For purposes of reporting fair value measurement for each class of assets and liabilities, a reporting entity needs to use judgment in determining the appropriate classes of assets and liabilities; and
- A reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements.

We adopted ASU 2010-06 as of January 1, 2010, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Early application is permitted. The adoption of ASU 2010-06 did not have a material impact on our income statement, financial position or cash flow.

(e) Regulatory Accounting and Regulation

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

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
Condensed Notes to Interim Consolidated Financial Statements
(Unaudited)

(f) Earnings per Common Share

We compute net income per share of Class A and Class B common stock using the “two class” method. Therefore, basic net income per share is computed by dividing net income applicable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted net income per share is computed by dividing net income by the weighted average number of common and dilutive common equivalent shares outstanding during the period. The computation of the dilutive net income per share of Class A common stock assumes the conversion of Class B common stock to Class A common stock, while the dilutive net income per share of Class B common stock does not assume the conversion of those shares. Additionally in applying the “two-class” method, undistributed earnings are allocated to both common shares and participating securities. Our restricted stock grants are entitled to dividends and meet the criteria of a participating security.

Undistributed earnings for each year are allocated based on the contractual participation rights of Class A and Class B common shares as if the earnings for the year had been distributed. In accordance with our Articles of Incorporation which provide that, if and when dividends are declared on our common stock in accordance with Alaska corporate law, equivalent dividends shall be paid with respect to the shares of Class A and Class B common stock. Both classes of common stock have identical dividend rights and would therefore share equally in our net assets in the event of liquidation. As such, we have allocated undistributed earnings on a proportionate basis.

Earnings per common share (“EPS”) and common shares used to calculate basic and diluted EPS consist of the following (amounts in thousands, except per share amounts):

	Three Months Ended June 30,			
	2010		2009	
	Class A	Class B	Class A	Class B
Basic net income per share:				
Numerator:				
Allocation of undistributed earnings	\$ 1,818	112	\$ 2,408	156
Denominator:				
Weighted average common shares outstanding	51,489	3,185	49,300	3,199
Basic net income per share	\$ 0.04	0.04	\$ 0.05	0.05
Diluted net income per share:				
Numerator:				
Allocation of undistributed earnings for basic computation	\$ 1,818	112	\$ 2,408	156
Reallocation of undistributed earnings as a result of conversion of Class B to Class A shares	112	-	156	-
Reallocation of undistributed earnings as a result of conversion of Class B to Class A shares outstanding	-	-	-	(1)
Net income adjusted for allocation of undistributed earnings	\$ 1,930	112	\$ 2,564	155
	10			

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
Condensed Notes to Interim Consolidated Financial Statements
(Unaudited)

Denominator:

Number of shares used in basic computation	51,489	3,185	49,300	3,199
Conversion of Class B to Class A common shares outstanding	3,185	-	3,199	-
Unexercised stock options	71	-	372	-
Unvested restricted stock awards	-	-	35	-
Number of shares used in per share computations	<u>54,745</u>	<u>3,185</u>	<u>52,906</u>	<u>3,199</u>
Diluted net income per share	<u>\$ 0.04</u>	<u>0.04</u>	<u>\$ 0.05</u>	<u>0.05</u>

Six Months Ended
June 30,

	2010		2009	
	Class A	Class B	Class A	Class B
Basic net income per share:				
Numerator:				
Allocation of undistributed earnings for basic computation	<u>\$ 3,394</u>	<u>210</u>	<u>\$ 2,740</u>	<u>178</u>
Denominator:				
Weighted average common shares outstanding	<u>51,534</u>	<u>3,185</u>	<u>49,286</u>	<u>3,201</u>
Basic net income per share	<u>\$ 0.07</u>	<u>0.07</u>	<u>\$ 0.06</u>	<u>0.06</u>

Diluted net income per share:

Numerator:

Allocation of undistributed earnings for basic computation	\$ 3,394	210	\$ 2,740	178
Reallocation of undistributed earnings as a result of conversion of Class B to Class A shares	210	-	178	-
Reallocation of undistributed earnings as a result of conversion of Class B to Class A shares outstanding	-	-	-	(17)
Effect of share based compensation that may be settled in cash or shares	-	-	(242)	-
Net income adjusted for allocation of undistributed earnings and effect of share based compensation that may be settled in cash or shares	<u>\$ 3,604</u>	<u>210</u>	<u>\$ 2,676</u>	<u>161</u>

Denominator:

Number of shares used in basic computation	51,534	3,185	49,286	3,201
Conversion of Class B to Class A common shares outstanding	3,185	-	3,201	-
Unexercised stock options	67	-	338	-
Unvested restricted stock awards	-	-	39	-
Effect of share based compensation that may be settled in cash or shares	-	-	237	-
Number of shares used in per share computations	<u>54,786</u>	<u>3,185</u>	<u>53,101</u>	<u>3,201</u>
Diluted net income per share	<u>\$ 0.07</u>	<u>0.07</u>	<u>\$ 0.05</u>	<u>0.05</u>

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
Condensed Notes to Interim Consolidated Financial Statements
(Unaudited)

Weighted average shares associated with outstanding share awards for the three and six months ended June 30, 2010 and 2009, which have been excluded from the computations of diluted EPS, because the effect of including these share awards would have been anti-dilutive, consist of the following (shares, in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2010	2009	June 30, 2010	2009
Shares associated with anti-dilutive unexercised stock options	1,077	5,044	1,053	5,134
Share-based compensation that may be settled in cash or shares the effect of which is anti-dilutive	233	247	233	-
Shares associated with unvested contingent options and awards for which the contingency has not been met	-	414	-	414

(g) Common Stock

Following are the changes in issued common stock for the six months ended June 30, 2010 and 2009 (shares, in thousands):

	Class A	Class B
Balances at December 31, 2008	50,062	3,203
Class B shares converted to Class A	9	(9)
Shares issued under stock option plan	69	-
Share awards issued	55	-
Shares retired	(219)	(2)
Balances at June 30, 2009	49,976	3,192
Balances at December 31, 2009	51,899	3,186
Class B shares converted to Class A	1	(1)
Shares issued under stock option plan	24	-
Share awards issued	188	-
Shares retired	(132)	-
Other	(2)	-
Balances at June 30, 2010	51,978	3,185

We retired 132,000 and 219,000 shares of our Class A common stock during the six months ended June 30, 2010 and 2009, respectively, that were acquired to settle the minimum statutory tax-withholding requirements pursuant to restricted stock award vesting and the settlement of deferred compensation.

GCI's Board of Directors has authorized a common stock buyback program for the repurchase of GCI's Class A and Class B common stock in order to reduce the outstanding shares of Class A and Class B common stock. Under this program, we are currently authorized to make up to \$59.8 million of repurchases as of June 30, 2010. We are authorized to continue our stock repurchases of up to \$5.0 million per quarter indefinitely and to use stock option exercise proceeds to repurchase additional shares. During the three months ended June 30, 2010 and 2009 we repurchased 171,000 and 0

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
Condensed Notes to Interim Consolidated Financial Statements
(Unaudited)

shares of our Class A and B common stock at a cost of \$1.0 million and \$0, respectively. During the six months ended June 30, 2010 and 2009 we repurchased 224,000 and 0 shares of our Class A and B common stock at a cost of \$1.3 million and \$0, respectively. The cost of the repurchased common stock is included in Retained Earnings on our Consolidated Balance Sheets. We intend to retire the common shares repurchased pursuant to the buyback program.

If stock repurchases are less than the total approved quarterly amount the difference may be carried forward and used to repurchase additional shares in future quarters. We expect to continue the repurchases for an indefinite period dependent on leverage, liquidity, company performance, market conditions and subject to continued oversight by GCI's Board of Directors. The repurchases have and will continue to comply with the restrictions of Rule 10b-18 under the Securities Exchange Act of 1934, as amended.

(h) Use of Estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to estimates and assumptions include the allowance for doubtful receivables, unbilled revenues, accrual of the Universal Service Fund ("USF") high cost area program support, share-based compensation, inventory reserves, reserve for future customer credits, valuation allowances for deferred income tax assets, depreciable and amortizable lives of assets, the carrying value of long-lived assets including goodwill, cable certificates and wireless licenses, purchase price allocations, deferred lease expense, asset retirement obligations, the accrual of Cost of Goods Sold, and the accrual of contingencies and litigation. Actual results could differ from those estimates.

The accounting estimates related to revenues from the high cost USF program are dependent on various inputs including current line counts, the most current rates paid to us, and our assessment of the impact of new Federal Communications Commission ("FCC") regulations, and the potential outcome of FCC proceedings. Some of the inputs are subjective and based on our judgment regarding the outcome of certain variables and is subject to upward or downward adjustment in subsequent periods.

Effective in the second quarter of 2010, we changed our USF high-cost area program support accrual methodology due to a change in our estimate of the current amounts expected to be paid to us. The effect of this change in estimate was a revenue increase of \$4.7 million, a net income increase of \$3.1 million, and a basic and diluted net income per share increase of \$0.06 for the three and six months ended June 30, 2010.

(i) Guarantees

Certain of our customers have guaranteed levels of service. We do not recognize revenue for any portion of the monthly service fee that will be refunded to the customer or not billed to the customer due to these service level agreements.

(j) Impairment of Intangibles and Goodwill

Our goodwill is tested annually for impairment, and is tested for impairment more frequently if events and circumstances indicate that the assets might be impaired. We are required to determine goodwill impairment using a two-step process. The first step of the goodwill impairment test is used to identify potential impairment by comparing the fair value of a reporting unit with its carrying amount. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The

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implied fair value of goodwill is determined in the same manner as the amount of goodwill that would be recognized in a business combination. We use a discounted cash flow method to determine the fair value of our reporting units. This method requires us to make estimates and assumptions including projected cash flows and discount rate. These estimates and assumptions could have a significant impact on whether an impairment charge is recognized and also the magnitude of any such impairment charge.

Goodwill, cable certificates (certificates of convenience and public necessity) and wireless licenses are not amortized. Cable certificates represent certain perpetual operating rights to provide cable services. Wireless licenses represent the right to utilize certain radio frequency spectrum to provide wireless communications services. Goodwill represents the excess of cost over fair value of net assets acquired in connection with a business acquisition. Goodwill is not allocated to our reportable segments as our chief operating decision maker does not review a balance sheet by reportable segment to make decisions about resource allocation or evaluate segment performance, however, goodwill is allocated to our reporting units for the sole purpose of the annual impairment test.

(k) Classification of Taxes Collected from Customers

We report sales, use, excise, and value added taxes assessed by a governmental authority that are directly imposed on a revenue-producing transaction between us and a customer on a net basis in our income statement. Following are certain surcharges on a gross basis in our income statement for the three and six months ended June 30, 2010 and 2009 (amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Surcharges reported gross	\$ 1,416	1,067	2,751	1,983

(l) Reclassifications

Reclassifications have been made to the 2009 financial statements to make them comparable with the 2010 presentation.

(2) Consolidated Statements of Cash Flows Supplemental Disclosures

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

Six month period ended June 30,	2010	2009
Increase in accounts receivable	\$ (7,534)	(6,948)
(Increase) decrease in prepaid expenses	(2,903)	64
(Increase) decrease in inventories	3,609	(1,537)
(Increase) decrease in other current assets	314	(4,180)
(Increase) decrease in other assets	1,022	(11,251)
Increase (decrease) in accounts payable	867	(4,341)
Increase (decrease) in deferred revenues	1,040	(325)
Decrease in accrued payroll and payroll related obligations	(2,893)	(2,890)
Increase (decrease) in accrued liabilities	3,472	(171)
Decrease in accrued interest	(1,393)	(608)
Increase (decrease) in subscriber deposits	(191)	106
Decrease in long-term deferred revenue	(1,282)	(794)
Increase (decrease) in components of other long-term liabilities	(562)	457
	<u>\$ (6,434)</u>	<u>(32,418)</u>

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The following items are for the six month period ended June 30, 2010 and 2009 (amounts in thousands):

Net cash paid or received:	2010	2009
Interest paid, net of amounts capitalized	\$ 35,740	25,739
Income tax refund received	\$ 1,163	911

The following items are non-cash investing and financing activities for the six month period ended June 30, 2010 and 2009 (amounts in thousands):

	2010	2009
Non-cash additions for purchases of property and equipment	\$ 5,842	8,729
Asset retirement obligation additions to property and equipment	\$ 570	377
Warranty receivable applied to capital lease obligation	\$ -	465
Common stock retired	\$ 13	1,184

(3) Intangible Assets

Amortization expense for amortizable intangible assets was as follows (amounts in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Amortization expense	\$ 1,586	1,889	3,297	3,770

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

Years Ending December 31,	
2010	\$ 5,331
2011	4,501
2012	3,056
2013	1,980
2014	1,127

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(4) Long-Term Debt

2019 Notes

On November 3, 2009, GCI, Inc., a wholly owned subsidiary of GCI, privately placed \$425.0 million of 8.625% Senior Notes due 2019 ("2019 Notes"). Simultaneously with the private placement, GCI, Inc. entered into a registration rights agreement with the initial purchasers of the 2019 Notes that required GCI, Inc. to cause a registration statement to become effective on or prior to June 1, 2010, and to complete an exchange offer on or before 30 days following the effective date of the registration statement. In compliance with the agreement, the registration statement became effective June 1, 2010, and the exchange offer was completed on July 1, 2010.

Amended Senior Credit Facility

On January 29, 2010, GCI Holdings, Inc., a wholly owned subsidiary of GCI, entered into a Second Amended and Restated Credit and Guarantee Agreement with Calyon New York Branch, as administrative agent, Royal Bank of Canada, as syndication agent, and CoBank, ACB, Union Bank of California, N.A. and Wells Fargo Bank, N.A., as documentation agents ("amended Senior Credit Facility"). The amended Senior Credit Facility provides a \$75.0 million revolving credit facility with a \$25.0 million sublimit for letters of credit. We have \$2.8 million of letters of credit outstanding, which leaves \$72.2 million available for borrowing under the revolving credit facility. The amended Senior Credit Facility replaced our then existing Senior Credit Facility. The amended Senior Credit Facility will mature on January 29, 2015.

The interest rate on our amended Senior Credit Facility is the London Interbank Offered Rate plus the following Applicable Margin set forth opposite each applicable Total Leverage Ratio below:

Total Leverage Ratio (as defined)	Applicable Margin
>3.75	4.00%
>3.25 but <3.75	3.50%
>2.75 but <3.25	3.00%
<2.75	2.50%

Borrowings under the amended Senior Credit Facility are subject to certain financial covenants and restrictions on indebtedness. Our amended Senior Credit Facility Total Leverage Ratio (as defined) may not exceed 5.25:1.00; the Senior Leverage Ratio (as defined) may not exceed 3.00:1.00; and our Interest Coverage Ratio (as defined) must not be less than 2.50:1.00 at any time.

The obligations under the amended Senior Credit Facility are secured by a security interest on substantially all of the assets of GCI Holdings, Inc. and the subsidiary guarantors, and on the stock of GCI Holdings, Inc.

In connection with the amended Senior Credit Facility, we paid loan fees of \$2.0 million which are being amortized over the life of the amended Senior Credit Facility.

(5) Financial Instruments

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Fair Value of Financial Instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. At June 30, 2010 and December 31, 2009, the fair values of cash and cash equivalents, net receivables, accounts payable, accrued payroll and payroll related obligations, accrued interest, accrued liabilities, and subscriber deposits approximate their carrying value due to the short-term nature of these financial instruments. The carrying amounts and estimated fair values of our financial instruments at June 30, 2010 and December 31, 2009 follow (amounts in thousands):

	June 30, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Current and long-term debt and capital lease obligations	\$ 872,226	874,760	872,294	866,820
Other liabilities	72,044	71,347	72,770	71,623

The following methods and assumptions were used to estimate fair values:

Current and long-term debt and capital lease obligations: The fair value of our 2019 Notes, 2014 Notes, U.S. Department of Agriculture Rural Utilities Service ("RUS") debt, CoBank mortgage note payable, and capital leases are valued based on quoted market prices for the same or similar issues or on the current rates offered to us for the same remaining maturities.

Other Liabilities: Deferred compensation liabilities are carried at fair value, which is the amount payable as of the balance sheet date. Asset retirement obligations are recorded at their fair value and, over time, the liability is accreted to its present value each period. Lease escalation liabilities are valued at the discounted amount of future cash flows using quoted market prices on current rates offered to us. Our non-employee share-based compensation awards are reported at their fair value at each reporting period.

Fair Value Measurements

ASC Topic 820 "Fair Value Measurements and Disclosures" established a three-tiered fair value hierarchy that prioritizes inputs to valuation techniques used in fair value calculations. Level 1 inputs, the highest priority, are quoted prices in active markets for identical assets or liabilities. Level 2 inputs reflect other than quoted prices included in Level 1 that are either observable directly or through corroboration with observable market data. Level 3 inputs are unobservable inputs, due to little or no market activity for the asset or liability, such as internally-developed valuation models. We have applied the provisions of Topic 820 to our trading securities and the assets of our deferred compensation plan (primarily money market funds and mutual funds).

Assets measured at fair value on a recurring basis as of June 30, 2010 and December 31, 2009 were as follows (amounts in thousands):

	Fair Value Measurement at Reporting Date Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2010 Assets			
Money market funds	\$ 20	-	-
U.S. government and agency obligations	909	-	-

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Deferred compensation plan assets (money market funds)	1,492	-	-
Total assets at fair value	\$ 2,421	-	-
December 31, 2009 Assets			
Money market funds	\$ 12	-	-
U.S. government and agency obligations	883	-	-
Deferred compensation plan assets (money market funds)	1,522	-	-
Total assets at fair value	\$ 2,417	-	-

The valuation of our marketable securities, money market funds, and mutual funds are determined using quoted market prices in active markets utilizing market observable inputs.

(6) Share-Based Compensation

Our Amended and Restated 1986 Stock Option Plan ("Stock Option Plan"), provides for the grant of options and restricted stock awards (collectively "award") for a maximum of 15.7 million shares of GCI Class A common stock, subject to adjustment upon the occurrence of stock dividends, stock splits, mergers, consolidations or certain other changes in corporate structure or capitalization. If an award expires or terminates, the shares subject to the award will be available for further grants of awards under the Stock Option Plan. The Compensation Committee of GCI's Board of Directors administers the Stock Option Plan. Substantially all restricted stock awards granted vest over periods of up to three years. Substantially all options vest in equal installments over a period of five years and expire ten years from the date of grant. The requisite service period of our awards is generally the same as the vesting period. Options granted pursuant to the Stock Option Plan are only exercisable if at the time of exercise the option holder is our employee, non-employee director, or a consultant or advisor working on our behalf. New shares are issued when stock option agreements are exercised or restricted stock awards are made.

The fair value of restricted stock awards is determined based on the number of shares granted and the quoted price of our common stock. We use a Black-Scholes-Merton option pricing model to estimate the fair value of stock options issued. The Black-Scholes-Merton option pricing model incorporates various and highly subjective assumptions, including expected term and expected volatility. We have reviewed our historical pattern of option exercises and have determined that meaningful differences in option exercise activity existed among employee job categories. Therefore, we have categorized these awards into two groups of employees for valuation purposes.

The weighted average grant date fair value of options granted during the six months ended June 30, 2010 and 2009 was \$2.84 per share and \$3.49 per share, respectively. The total fair value of options vesting during the six months ended June 30, 2010 and 2009 was \$82,000 and \$2.4 million, respectively.

The following is a summary of our share-based compensation expense for the six months ended June 30, 2010 and 2009 (in thousands):

	2010	2009
Employee share-based compensation expense	\$ 2,285	3,640
Adjustment to fair value of liability classified awards	161	(411)
Total share-based compensation expense	\$ 2,446	3,229

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Share-based compensation expense is classified as selling, general and administrative expense in our consolidated income statement. Unrecognized share-based compensation expense was \$6.1 million relating to 2.3 million restricted stock awards and \$1.0 million relating to 406,000 unvested stock options as of June 30, 2010. We expect to recognize share-based compensation expense over a weighted average period of 2.2 years for stock options and 1.8 years for restricted stock awards.

A summary of option activity under the Stock Option Plan for the six months ended June 30, 2010 follows (share amounts in thousands):

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding options at December 31, 2009	1,627	\$ 7.35		
Granted	203	\$ 5.34		
Exercised	(24)	\$ 4.53		
Forfeited and retired	(445)	\$ 7.66		
Outstanding at June 30, 2010	1,361	\$ 6.99	4.8	\$ 1,410
Exercisable at June 30, 2010	953	\$ 7.11	3.2	\$ 916

A summary of the status of nonvested restricted stock awards under the Stock Option Plan as of June 30, 2010, and changes during the six months ended June 30, 2010, are presented below (share amounts in thousands):

Nonvested Restricted Stock Awards	Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2009	2,225	\$ 5.69
Granted	188	\$ 5.69
Vested	(129)	\$ 10.4
Forfeited	(131)	\$ 12.53
Nonvested at June 30, 2010	2,153	\$ 4.99

The total shares available for grant under the Stock Option Plan were 4.3 million shares at June 30, 2010.

The total intrinsic values, determined as of the date of exercise, of options exercised during the six months ended June 30, 2010 and 2009 were \$48,000 and \$96,000, respectively. We received \$111,000 and \$399,000 in cash from stock option exercises during the the six months ended June 30, 2010 and 2009, respectively.

The following is a summary of activity for stock option grants that were not made pursuant to the Stock Option Plan for the six months ended June 30, 2010 (share amounts in thousands):

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	Shares	Weighted Average Exercise Price
Outstanding at December 31, 2009	150	\$ 6.50
Options forfeited and retired	(150)	\$ 6.50
Outstanding at June 30, 2010	-	
Available for grant at June 30, 2010	-	

In January 2001 we entered into an aircraft operating lease agreement with a company owned by our President and Chief Executive Officer. The lease was amended effective January 1, 2002 and February 25, 2005. Upon signing the lease, the lessor was granted an option to purchase 250,000 shares of GCI Class A common stock at \$6.50 per share, of which 100,000 shares were exercised during the year ended December 31, 2006 and the remaining 150,000 shares expired on March 31, 2010.

(7) Industry Segments Data

Our reportable segments are business units that offer different products and are each managed separately.

A description of our reportable segments follows:

Consumer - We offer a full range of voice, video, data and wireless services to residential customers.

Network Access - We offer a full range of voice, data and wireless services to common carrier customers.

Commercial - We offer a full range of voice, video, data and wireless services to small businesses, local, national and global businesses, governmental entities and public and private educational institutions.

Managed Broadband - We offer data services to rural school districts, hospitals and health clinics through our SchoolAccess® and ConnectMD® initiatives and managed video conferencing.

Regulated Operations - We offer voice and data services to residential, business, and governmental customers in areas of rural Alaska.

Corporate related expenses including engineering, information technology, accounting, legal and regulatory, human resources, and other general and administrative expenses for the three and six months ended June 30, 2010 and 2009 are allocated to our segments using segment margin for the years ended December 31, 2009 and 2008, respectively. Bad debt expense for the three and six months ended June 30, 2010 and 2009 is allocated to our segments using a combination of specific identification and allocations based upon segment revenue for the three and six months ended June 30, 2010 and 2009, respectively. Corporate related expenses and bad debt expense are specifically identified for our Regulated Operations segment and therefore, are not included in the allocations.

We evaluate performance and allocate resources based on earnings before depreciation and amortization expense, net interest expense, income taxes, share-based compensation expense, and non-cash contribution adjustment ("adjusted EBITDA"). Management believes that this measure is useful to investors and other users of our financial information in evaluating operating profitability as an analytical indicator of income generated to service debt and fund capital expenditures. In addition, multiples of current or projected EBITDA are used to estimate current or prospective enterprise value. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies in note 1 in the "Notes to Consolidated Financial Statements" included in Part II of our December 31, 2009 annual report on Form 10-K. Intersegment sales are recorded at cost plus an agreed upon intercompany profit.

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We earn all revenues through sales of services and products within the United States. All of our long-lived assets are located within the United States of America, except approximately 82% of our undersea fiber optic cable systems which transit international waters and all of our satellite transponders.

Summarized financial information for our reportable segments for the three and six months ended June 30, 2010 and 2009 follows (amounts in thousands):

Three months ended June 30, 2010	Consumer	Network Access	Commercial	Managed Broadband	Regulated Operations	Total Reportable Segments
Revenues:						
Intersegment	\$ -	(5)	1,326	-	48	1,369
External	87,149	27,112	32,071	10,387	5,607	162,326
Total revenues	\$ 87,149	27,107	33,397	10,387	5,655	163,695
Adjusted EBITDA	\$ 31,255	13,187	8,044	3,148	1,717	57,351
2009						
Revenues:						
Intersegment	\$ -	156	1,482	-	52	1,690
External	73,399	31,120	26,911	10,998	6,368	148,796
Total revenues	\$ 73,399	31,276	28,393	10,998	6,420	150,486
Adjusted EBITDA	\$ 22,292	15,671	5,592	5,358	2,323	51,236
Six months ended June 30, 2010						
Revenues:						
Intersegment	\$ -	1	2,656	-	88	2,745
External	167,517	53,295	59,794	22,472	11,667	314,745
Total revenues	\$ 167,517	53,296	62,450	22,472	11,755	317,490
Adjusted EBITDA	\$ 57,207	25,178	14,401	8,063	3,560	108,409
2009						
Revenues:						
Intersegment	\$ -	383	2,938	-	104	3,425
External	144,118	64,319	54,903	21,608	12,537	297,485
Total revenues	\$ 144,118	64,702	57,841	21,608	12,641	300,910
Adjusted EBITDA	\$ 41,070	32,590	10,893	9,276	3,855	97,684

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A reconciliation of reportable segment revenues to consolidated revenues follows (amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Reportable segment revenues	\$ 163,695	150,486	317,490	300,910
Less intersegment revenues eliminated in consolidation	1,369	1,690	2,745	3,425
Consolidated revenues	<u>\$ 162,326</u>	<u>148,796</u>	<u>314,745</u>	<u>297,485</u>

A reconciliation of reportable segment adjusted EBITDA to consolidated income before income taxes follows (amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Reportable segment adjusted EBITDA	\$ 57,351	51,236	108,409	97,684
Less depreciation and amortization expense	(30,820)	(31,170)	(61,946)	(61,904)
Less share-based compensation expense	(1,643)	(1,427)	(2,446)	(3,229)
(Less) plus non-cash contribution adjustment	160	(80)	160	(480)
Consolidated operating income	25,048	18,559	44,177	32,071
Less other expense, net	(17,653)	(13,262)	(35,272)	(25,901)
Consolidated income before income tax expense	<u>\$ 7,395</u>	<u>5,297</u>	<u>8,905</u>	<u>6,170</u>

(8) Commitments and Contingencies

Litigation, Disputes, and Regulatory Matters

We are involved in various lawsuits, billing disputes, legal proceedings, and regulatory matters that have arisen from time to time in the normal course of business. While the ultimate results of these items cannot be predicted with certainty, we do not expect at this time for the resolution of them to have a material adverse effect on our financial position, results of operations or liquidity.

In addition, in September 2008, the Federal Communications Commission's ("FCC") Office of Inspector General ("OIG") initiated an investigation regarding Alaska DigiTel LLC's ("Alaska DigiTel") compliance with program rules and requirements under the Lifeline Program. The request covers the period beginning January 1, 2004 through August 31, 2008 and relates to the amounts received for Lifeline service. Alaska DigiTel was an Alaska based wireless communications company of which we acquired an 81.9% equity interest on January 2, 2007 and the remaining 18.1% equity interest on August 18, 2008 and was subsequently merged with one of our wholly owned subsidiaries in April 2009. Prior to August 18, 2008, our control over the operations of Alaska DigiTel was limited as required by the FCC upon its approval of our initial acquisition completed in January 2007. We have been and intend to continue fully complying with this request on behalf of Alaska DigiTel and the GCI companies as affiliates. The OIG investigation is still pending, and we presently are unable to assess the ultimate resolution of this matter.

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Universal Service

The USF pays Eligible Telecommunications Carriers (“ETC”) to support the provision of local service in high cost areas. Under FCC regulations and Regulatory Commission of Alaska orders, we are an authorized competitive ETC for purposes of providing wireless and wireline telephone service in Anchorage, Juneau, Fairbanks, and the Matanuska Telephone Association study area (which includes the Matanuska-Susitna Valley) and other lower population areas throughout Alaska. Without ETC status, we would not qualify for USF support in these areas or other rural areas where we propose to offer wireline and wireless local services, and our revenue for providing local services in these areas would be materially adversely affected.

On May 1, 2008, the FCC issued an order adopting the recommendation of the Federal State Joint Board on Universal Service to impose a state-by-state interim cap on high cost funds to be distributed to competitive ETCs. As part of the revised policy, the FCC adopted a limited exception from the cap for competitive ETCs serving tribal lands or Alaska Native regions. While the operation of the cap will generally reduce the high cost fund amounts available to competitive ETCs as new competitive ETCs are designated and as existing competitive ETCs acquire new customers, providers like us who serve tribal lands or Alaska Native regions were provided some relief. On March 5, 2009, the FCC issued an additional order waiving a previously adopted limitation to the exception, the result of which was to provide uncapped support for all lines served by competitive ETCs for tribal lands or Alaska Native regions during the time the interim cap is in effect. The uncapped support for tribal lands or Alaska Native regions and the cap for all other regions will be in place until the FCC takes action on proposals for long term reform. On April 8, 2009, the FCC issued a Notice of Inquiry to review aspects of its high cost support program. Comments were filed on May 8, 2009, and replies were filed on June 8, 2009. We cannot predict at this time the outcome of this proceeding or its effect on high cost support available to us.

On March 16, 2010, the FCC staff released the National Broadband Plan, including among its topics a proposal to transition existing USF high cost support from voice to broadband networks over a 10-year period. On April 21, 2010, the FCC initiated a proceeding to consider interim and long-term USF reforms, including a five-year phase-out of support to competitive ETCs. We cannot predict at this time the outcome of this proceeding or its effect on high cost support available to us, but our revenue for providing local services in these areas would be materially adversely affected by the reduction of USF support.

AT&T Mobility, LLC Agreement

As part of an agreement signed in December 2007 with AT&T Mobility, LLC, it will provide us with a large block of wireless network usage at no charge (“No Charge Minutes”) that we may use for roaming. We will pay for usage in excess of the No Charge Minutes on a per minute basis. The No Charge Minutes will substantially reduce our wireless product Cost of Goods Sold through June 30, 2012.

Rural Health Care Division Revenue

We have a customer who participates in the Rural Health Care Division support program that is operated by the Universal Service Administrative Company (“USAC”). We have been providing service to this customer pursuant to a contract since July 1, 2008. We have received funding commitment letters from USAC for both funding years that have passed since the contract start date. The commitment letter for the year from July 2008 to June 2009 committed funding for all but \$1.7 million of that particular year. USAC denied funding of \$1.7 million based on the timing of equipment placed in service in relation to service charges. We intend to file an appeal in response to the denial. We have recorded a reserve by reducing revenue \$1.7 million in the three and six months ended June 30, 2010 and increasing the allowance for doubtful receivables by \$1.7 million at June 30, 2010. The commitment letter for the year from July 2009 to June 2010 fully approved funding. At June 30, 2010, we have recorded net accounts receivable of \$21.4 million for this agreement.

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Alaska Wireless Contingent Payment

On July 1, 2008 we completed the acquisition of all of the ownership interests in Alaska Wireless Communications, LLC ("Alaska Wireless"). We made an initial payment on the acquisition date and an additional payment of \$5.2 million in February 2010 that was contingent on the achievement of certain financial conditions. The commitment was accrued at December 31, 2009.

TERRA-Southwest

In January 2010 the U.S. Department of Agriculture's RUS approved our wholly-owned subsidiary, United Utilities, Inc.'s ("UUI") application for an \$88.2 million loan/grant combination to extend terrestrial broadband service for the first time to Bristol Bay and the Yukon-Kuskokwim Delta, an area in Alaska roughly the size of the state of North Dakota. Upon completion, UUI's project, TERRA-Southwest ("TERRA-SW"), will be able to serve 9,089 households and 748 businesses in the 65 covered communities. The project will also be able to serve numerous public/non-profit/private community anchor institutions and entities, such as regional health care providers, school districts, and other regional and Alaska native organizations. The RUS award, consisting of a \$44.2 million loan and a \$44.0 million grant, will be made under the RUS Broadband Initiatives Program established pursuant to the American Recovery and Reinvestment Act. The award will fund backbone network facilities that we would not otherwise be able to construct within our return-on-investment requirements. UUI started construction on TERRA-SW in 2010 and expects to complete the project within three years of starting construction.

PART I.
ITEM 2.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS**

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

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, we evaluate our estimates and judgments, including those related to the allowance for doubtful receivables, unbilled revenues, accrual of the USF high cost area program support, share-based compensation, reserve for future customer credits, valuation allowances for deferred income tax assets, depreciable and amortizable lives of assets, the carrying value of long-lived assets including goodwill, cable certificates and wireless licenses, our effective tax rate, purchase price allocations, the accrual of cost of goods sold (exclusive of depreciation and amortization expense ("Cost of Goods Sold")), depreciation, and contingencies and litigation. We base our estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. See also our "Cautionary Statement Regarding Forward-Looking Statements."

General Overview

Through our focus on long-term results, acquisitions, and strategic capital investments, we strive to consistently grow our revenues and expand our margins. We have historically met our cash needs for operations, regular capital expenditures and maintenance capital expenditures through our cash flows from operating activities. Historically, cash requirements for significant acquisitions and major capital expenditures have been provided largely through our financing activities. The ongoing weakness in the national economy continues to negatively impact consumer confidence and spending. There are some indicators that consumer confidence might be improving; however, there is no clear indication that the economy is in a recovery. Continued stress in the economy could lead to reductions in consumer spending which could impact our revenue growth. We believe the Alaska economy continues to perform well compared to most other states at the current time. Mortgage foreclosure rates in Alaska are among the lowest in the nation and the commercial real estate market is steady. The State of Alaska has large cash reserves that should enable it to maintain its budget for at least the short-term. This is important for Alaska's economy as the State is the largest employer and second largest source of gross state product. The majority of our revenue is driven by the strength of the Alaska economy which appears relatively well positioned to weather the recessionary pressures, nonetheless we cannot predict the impact the economic crisis may have on us.

On March 16, 2010, the FCC staff released the National Broadband Plan, including among its topics a proposal to transition existing USF high cost support from voice to broadband networks over a 10-year period. We cannot predict at this time the outcome of this proceeding or its affect on high cost support available to us.

Following are our segments and the services and products each offers to its customers:

Services and Products	Reportable Segments				
	Consumer	Network Access	Commercial	Managed Broadband	Regulated Operations
Voice:					
Long-distance	X	X	X		X
Local Access	X	X	X		X

Video	X		X		
Data:					
Internet	X	X	X	X	X
Data Networks		X	X	X	
Managed Services			X	X	
Managed Broadband Services				X	
Wireless	X	X	X		

Results of Operations

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

	Three Months Ended		Percentage	Six Months Ended		Percentage
	June 30,	June 30,	Change ¹	June 30,	June 30,	Change ¹
	2010	2009	vs. 2009	2010	2009	vs. 2009
(Unaudited)						
Statements of Operations Data:						
Revenues:						
Consumer segment	54%	50%	19%	53%	48%	16%
Network Access segment	17%	21%	(13%)	17%	22%	(17%)
Commercial segment	20%	18%	19%	19%	19%	9%
Managed Broadband segment	6%	7%	(6%)	7%	7%	4%
Regulated Operations segment	3%	4%	(12%)	4%	4%	(7%)
Total revenues	100%	100%	9%	100%	100%	6%
Selling, general and administrative expenses	34%	35%	6%	34%	36%	0%
Depreciation and amortization expense	19%	21%	(1%)	20%	21%	0%
Operating income	15%	13%	35%	14%	11%	38%
Other expense, net	11%	9%	33%	11%	9%	36%
Income before income tax expense	5%	4%	39%	3%	2%	44%
Net income	1%	2%	(25%)	1%	1%	24%

¹ Percentage change in underlying data.

Three Months Ended June 30, 2010 (“second quarter of 2010”) Compared to Three Months Ended June 30, 2009 (“second quarter of 2009”)

Overview of Revenues and Cost of Goods Sold

Total revenues increased 9% from \$148.8 million in the second quarter of 2009 to \$162.3 million in the second quarter of 2010. Revenue increases in our Consumer and Commercial segments were partially off-set by decreases in our Network Access, Managed Broadband and Regulated Operations segments. See the discussion below for more information by segment.

Total Cost of Goods Sold increased 9% from \$47.3 million in the second quarter of 2009 to \$51.8 million in the second quarter of 2010. Cost of Goods Sold increases in our Consumer, Commercial and Managed Broadband segments were partially off-set by decreases in our Network Access and Regulated Operations segments. See the discussion below for more information by segment.

Consumer Segment Overview

Consumer segment revenue represented 54% of second quarter of 2010 consolidated revenues. The components of Consumer segment revenue are as follows (amounts in thousands):

	Second Quarter of 2010	Second Quarter of 2009	Percentage Change
Voice	\$ 15,254	12,988	17%
Video	29,352	27,132	8%
Data	14,608	12,166	20%
Wireless	27,935	21,113	32%
Total Consumer segment revenue	\$ 87,149	73,399	19%

Consumer segment Cost of Goods Sold represented 51% of second quarter of 2010 consolidated Cost of Goods Sold. The components of Consumer segment Cost of Goods Sold are as follows (amounts in thousands):

	Second Quarter of 2010	Second Quarter of 2009	Percentage Change
Voice	\$ 3,168	3,775	(16%)
Video	12,569	11,037	14%
Data	924	1,014	(9%)
Wireless	9,531	8,185	16%
Total Consumer segment Cost of Goods Sold	\$ 26,192	24,011	9%

Consumer segment adjusted EBITDA, representing 54% of second quarter of 2010 consolidated adjusted EBITDA, is as follows (amounts in thousands):

	Second Quarter of 2010	Second Quarter of 2009	Percentage Change
Consumer segment adjusted EBITDA	\$ 31,255	22,292	40%

See note 7 in the "Condensed Notes to Interim Consolidated Financial Statements" included in Part I of this quarterly report on Form 10-Q for a reconciliation of consolidated adjusted EBITDA, a non-GAAP financial measure, to consolidated income before income taxes.

Selected key performance indicators for our Consumer segment follow:

	June 30, 2010	June 30, 2009	Percentage Change
Voice:			
Long-distance subscribers ¹	90,200	88,600	2%
Long-distance minutes carried (in millions)	26.7	28.3	(6%)
Total local access lines in service ²	85,100	81,200	5%
Local access lines in service on GCI facilities ²	77,100	70,300	10%
Video:			
Basic subscribers ³	131,200	129,700	1%
Digital programming tier subscribers ⁴	80,600	76,200	6%
HD/DVR converter boxes ⁵	86,500	74,400	16%
Homes passed	234,700	230,400	2%
Average monthly gross revenue per subscriber ⁶	\$ 74.54	\$ 69.59	7%
Data:			
Cable modem subscribers ⁷	103,500	94,900	9%
Wireless:			
Wireless lines in services ⁸	119,000	103,600	15%

Average monthly gross revenue per subscribers \$ 57.96 \$ 57.88 0%

¹ A long-distance subscriber is defined as a customer account that is invoiced a monthly long-distance plan fee or has made a long-distance call during the month.

² A local access line in service is defined as a revenue generating circuit or channel connecting a customer to the public switched telephone network.

³ A basic cable subscriber is defined as one basic tier of service delivered to an address or separate subunits thereof regardless of the number of outlets purchased.

⁴ A digital programming tier subscriber is defined as one digital programming tier of service delivered to an address or separate subunits thereof regardless of the number of outlets or digital programming tiers purchased. Digital programming tier subscribers are a subset of basic subscribers.

⁵ A high definition/digital video recorder ("HD/DVR") converter box is defined as one box rented by a digital programming or basic tier subscriber. A digital programming or basic tier subscriber is not required to rent an HD/DVR converter box to receive service.

⁶ Quarter-to-date average monthly consumer video revenues divided by the average of consumer video basic subscribers at the beginning and end of the period.

⁷ 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. Cable modem subscribers may also be video basic subscribers though basic cable service is not required to receive cable modem service.

⁸ A wireless line in service is defined as a revenue generating wireless device.

⁹ Quarter-to-date average monthly consumer wireless revenues divided by the average of consumer wireless subscribers at the beginning and end of the period.

Consumer Segment Revenues

The increase in voice revenue is primarily due to a \$2.3 million or 122% increase in recognized support from the USAC. We accrue estimated high cost support revenue quarterly and adjust our revenue as we obtain new information that changes the variables used to calculate our estimate. The increase in USF high cost support is primarily due to changes in the variables used to calculate our estimate and an increase in the number of local subscribers.

The increase in video revenue is primarily due to the following:

- An 8% increase in programming services revenue to \$23.3 million in 2010 primarily resulting from an increase in digital programming tier subscribers in 2010 and a rate increase on certain cable service offerings beginning in August 2009, and
- An 8% increase in equipment rental revenue to \$5.7 million in 2010 primarily resulting from our customers' increased use of our HD/DVR converter boxes.

The increase in data revenue is primarily due to a 22% increase in cable modem revenue to \$12.9 million due to increased subscribers and their selection of plans that offer higher speeds.

The increase in wireless revenue is primarily due to an increase in the number of wireless subscribers and a \$4.6 million increase in USAC support. We accrue estimated high cost support revenue quarterly and adjust our revenue as we obtain new information that changes the variables used to calculate our estimate. The increase in USF high cost support is primarily due to changes in the variables used to calculate our estimate and an increase in the number of wireless subscribers. This increase was partially off-set by the absence of \$2.4 million in support in the second quarter of 2009 related to services provided during the first quarter of 2009 and the year ended December 31, 2008. The support was for a new local access area for which we received ETC status in May 2009. Collectability was not reasonably assured until we were awarded ETC status, therefore, we deferred revenue recognition until such status was confirmed.

Consumer Segment Cost of Goods Sold

The decrease in voice Cost of Goods Sold is primarily due to cost savings resulting from the increased deployment of local access services lines on our own facilities during the last six months of 2009 and the first six months of 2010 and decreased voice minutes carried.

The video Cost of Goods Sold increase is primarily due to increased channels offered to our subscribers, increased rates paid to programmers, increased costs associated with delivery of digital services offered over our HD/DVR converter boxes due to the increased number of boxes in service, and an increase in digital programming tier subscribers.

The wireless Cost of Goods Sold increase is primarily due to increased costs for handset equipment sales associated with increased number of wireless subscribers and the inclusion of premium wireless handsets which have higher costs.

Consumer Segment Adjusted EBITDA

The increase in adjusted EBITDA is primarily due to increased revenue as described above in "Consumer Segment Revenues," which was partially offset by increased Cost of Goods Sold as described above in "Consumer Segment Cost of Goods Sold" and an increase in the selling, general and administrative expense that was allocated to our Consumer segment. The increase in allocated selling, general and administrative expense is due primarily to an increase in the 2009 segment margin upon which the selling, general and administrative expense allocation is based and an increase in consolidated selling, general and administrative expense.

Network Access Segment Overview

Network Access segment revenue represented 17% of second quarter of 2010 consolidated revenues. The components of Network Access segment revenue are as follows (amounts in thousands):

	Second Quarter of		Percentage
	2010	2009	Change
Voice	\$ 7,176	13,444	(47%)
Data	15,823	16,073	(2%)
Wireless	4,113	1,603	157%
Total Network Access segment revenue	\$ 27,112	31,120	(13%)

Network Access segment Cost of Goods Sold represented 12% of second quarter of 2010 consolidated Cost of Goods Sold. The components of Network Access segment Cost of Goods Sold are as follows (amounts in thousands):

	Second Quarter of		Percentage
	2010	2009	Change
Voice	\$ 3,216	4,464	(28%)
Data	2,855	1,726	65%
Wireless	308	366	(16%)
Total Network Access segment Cost of Goods Sold	\$ 6,379	6,556	(3%)

Network Access segment adjusted EBITDA, representing 23% of second quarter of 2010 consolidated adjusted EBITDA, is as follows (amounts in thousands):

	Second Quarter of		Percentage
	2010	2009	Change
Network Access segment adjusted EBITDA	\$ 13,187	15,671	(16%)

See note 7 in the "Condensed Notes to Interim Consolidated Financial Statements" included in Part I of this quarterly report on Form 10-Q for a reconciliation of consolidated adjusted EBITDA, a non-GAAP financial measure, to consolidated income before income tax expense.

Selected key performance indicators for our Network Access segment follow:

	June 30,		Percentage
	2010	2009	Change
Voice:			
Long-distance minutes carried (in millions)	201.3	215.6	(7%)
Data:			
Total Internet service provider access lines in service ¹	1,700	1,700	0%

¹ An Internet service provider access line in service is defined as a revenue generating circuit or channel connecting a customer to the public switched telephone network.

Network Access Segment Revenues

The decrease in voice revenue is due to decreases in our average rate per minute on billable minutes carried for our common carrier customers and the transition of voice traffic to dedicated networks. Voice revenue continues to decline as expected due to increased competition in the Network Access business. The increased competition will continue to compress the rates we may charge our customers and, therefore, we expect a continued decline in Network Access segment voice revenue.

The decrease in data revenue is due to decreased rates for capacity purchased by our common carrier customers partially off-set by increased data network capacity purchased by the same customers.

The increase in wireless revenue is due to increased roaming revenue in 2010 primarily due to improved coverage and new roaming partners.

Network Access Segment Cost of Goods Sold

The decrease in voice Cost of Goods Sold is primarily due to decreased long-distance minutes carried and the movement of more traffic onto our network in lieu of carrying traffic on third party networks.

The increase in data Cost of Goods Sold is primarily due to the increase in data network capacity described above in "Network Access Segment Revenues" and a \$585,000 favorable adjustment in 2009 resulting from a refund of fiber repair costs. The fiber repair costs were originally recognized in the first quarter of 2008. Due to the uncertainty surrounding the refund of the fiber repair costs, we deferred recognition until collection of the refund was reasonably assured.

Network Access Segment Adjusted EBITDA

The adjusted EBITDA decrease is primarily due to decreased revenue as described in "Network Access Segment Revenues" and an increase in selling, general and administrative expense that was allocated to our Network Access segment primarily due to an increase in consolidated selling, general and administrative expense. These decreases are partially off-set by decreased Cost of Goods Sold as described in "Network Access Segment Cost of Goods Sold."

Commercial Segment Overview

Commercial segment revenue represented 20% of second quarter of 2010 consolidated revenues. Commercial segment data revenue is comprised of monthly recurring charges for data services and charges billed on a time and materials basis largely for personnel providing on-site customer support. This latter category can vary significantly based on project activity. The components of Commercial segment revenue are as follows (amounts in thousands):

	Second Quarter of		Percentage
	2010	2009	Change
Voice	\$ 8,448	7,701	10%
Video	2,639	2,221	19%
Data	18,831	15,409	22%
Wireless	2,153	1,580	36%
Total Commercial segment revenue	\$ 32,071	26,911	19%

Commercial segment Cost of Goods Sold represented 29% of second quarter of 2010 consolidated Cost of Goods Sold. The components of Commercial segment Cost of Goods Sold are as follows (amounts in thousands):

	Second Quarter of 2010	2009	Percentage Change
Voice	\$ 3,902	4,898	(20%)
Video	532	506	5%
Data	9,712	6,696	45%
Wireless	951	877	8%
Total Commercial segment Cost of Goods Sold	\$ 15,097	12,977	16%

Commercial segment adjusted EBITDA, representing 14% of second quarter of 2010 consolidated adjusted EBITDA, is as follows (amounts in thousands):

	Second Quarter of 2010	2009	Percentage Change
Commercial segment adjusted EBITDA	\$ 8,044	5,592	44%

See note 7 in the "Condensed Notes to Interim Consolidated Financial Statements" included in Part I of this quarterly report on Form 10-Q for a reconciliation of consolidated adjusted EBITDA, a non-GAAP financial measure, to consolidated income before income tax expense.

Selected key performance indicators for our Commercial segment follow:

	June 30, 2010	2009	Percentage Change
Voice:			
Long-distance subscribers ¹	9,400	9,600	(2%)
Long-distance minutes carried (in millions)	29.4	31.8	(8%)
Total local access lines in service ²	48,000	47,300	1%
Local access lines in service on GCI facilities ²	20,600	18,400	(2%)
Data:			
Cable modem subscribers ³	10,800	10,400	4%
Wireless:			
Wireless lines in service ⁴	12,200	8,900	37%

¹ A long-distance subscriber is defined as a customer account that is invoiced a monthly long-distance plan fee or has made a long-distance call during the month.

² A local access line in service is defined as a revenue generating circuit or channel connecting a customer to the public switched telephone network.

³ 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.

⁴ A wireless line in service is defined as a revenue generating wireless device.

Commercial Segment Revenues

The increase in voice revenue is primarily due to a \$684,000 or 134% increase in USAC support. We accrue estimated high cost support revenue quarterly and adjust our revenue as we obtain new information that changes the variables used to calculate our estimate. The increase in USF high cost support is primarily due to changes in the variables used to calculate our estimate and an increase in the number of local subscribers.

The increase in data revenue is primarily due to a \$3.1 million or 42% increase in managed services project revenue. The revenue increase is primarily from special project work and a nonrecurring \$1.4 million

equipment sale. The managed services project revenue increase is partially off-set by a decrease in monthly recurring project revenue.

The increase in wireless revenue is primarily due to an increase in the number of wireless subscribers and a \$430,000 or 203% increase in USAC support. We accrue estimated high cost support revenue quarterly and adjust our revenue as we obtain new information that changes the variables used to calculate our estimate. The increase in USF high cost support is primarily due to changes in the variables used to calculate our estimate and an increase in the number of wireless subscribers.

Commercial Segment Cost of Goods Sold

The decrease in voice Cost of Goods Sold is primarily due to interstate rate decreases and cost savings resulting from increased deployment of local access services lines on our own facilities during the last six months of 2009 and first six months of 2010.

The increase in data Cost of Goods Sold is primarily due to a \$3.4 million or 76% increase in managed services project Cost of Goods Sold related to the increased revenue described above in "Commercial Segment Revenues."

Commercial Segment Adjusted EBITDA

The adjusted EBITDA increase is primarily due to increased revenue as described in "Commercial Segment Revenues." This increase was partially off-set by increased Cost of Goods Sold as described in "Commercial Segment Cost of Goods Sold," and an increase in the selling, general and administrative expense that was allocated to our Commercial segment primarily due to an increase in consolidated selling, general and administrative expense.

Managed Broadband Segment Overview

Managed Broadband segment revenue, Cost of Goods sold and adjusted EBITDA represented 6%, 6% and 5% of second quarter of 2010 consolidated revenues, Cost of Goods Sold and adjusted EBITDA, respectively.

Managed Broadband Segment Revenues

Managed Broadband segment revenue, which includes data products only, decreased 6% to \$10.4 million in second quarter of 2010 as compared to second quarter of 2009. The decrease is primarily due to \$1.7 million in denied funding from the USAC for one Rural Health customer for the funding year July 2008 to June 2009. We received the funding commitment letter, which outlined the denied portion, in the second quarter of 2010. This decrease was partially off-set by increased monthly contract revenue due to increased data network capacity purchased by our Rural Health and School Access customers.

Managed Broadband Segment Cost of Goods Sold

Managed Broadband segment Cost of Goods Sold increased 34% to \$3.2 million primarily due to the increase in data network capacity described above in "Managed Broadband Segment Revenues."

Managed Broadband Segment Adjusted EBITDA

Managed Broadband segment adjusted EBITDA decreased 41% to \$3.1 million in 2010 primarily due to a decrease in revenue as described above in "Managed Broadband Segment Revenues."

See note 7 in the "Condensed Notes to Interim Consolidated Financial Statements" included in Part I of this quarterly report on Form 10-Q for a reconciliation of consolidated adjusted EBITDA, a non-GAAP financial measure, to consolidated income before income tax expense.

Regulated Operations Segment Overview

Regulated Operations segment revenue, Cost of Goods sold and adjusted EBITDA represented 3%, 2% and 3% of second quarter of 2010 consolidated revenues, Cost of Goods Sold and adjusted EBITDA, respectively.

The selected key performance indicator for our Regulated Operations segment follows:

	June 30,		Percentage
	2010	2009	Change
Voice:			
Total local access lines in service on GCI facilities ¹	10,600	11,600	(9%)

¹ A local access line in service is defined as a revenue generating circuit or channel connecting a customer to the public switched telephone network.

Regulated Operations Segment Revenues

Regulated Operations segment revenues decreased from \$6.4 million in the second quarter of 2009 to \$5.6 million in the second quarter of 2010. The decrease is primarily due to projected lower levels of eligible cost recovery due to changes in lines in service, traffic sensitive activity levels and reserve adjustments.

Regulated Operations Segment Cost of Goods Sold

Regulated Operations segment Cost of Goods Sold decreased from \$1.4 million in the second quarter of 2009 to \$926,000 in the second quarter of 2010. The decrease is primarily due to a change in allocation of network maintenance costs which resulted in a decrease to our Regulated Operations segment and an increase to our Consumer, Network Access, Commercial and Managed Broadband segments.

Regulated Operations Segment Adjusted EBITDA

Regulated Operations segment adjusted EBITDA decreased 26% to \$1.7 million in 2010 primarily due to decreased revenue as described above in "Regulated Operations Segment Revenues," partially offset by decreased Cost of Goods Sold as described above in "Regulated Operations Segment Cost of Goods Sold."

See note 7 in the "Condensed Notes to Interim Consolidated Financial Statements" included in Part I of this quarterly report on Form 10-Q for a reconciliation of consolidated adjusted EBITDA, a non-GAAP financial measure, to consolidated income before income tax expense.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 6% to \$54.7 million in the second quarter of 2010 primarily due to the following:

- An \$1.3 million increase in labor costs,
- A \$1.1 million increase in health care costs, and
- A \$700,000 increase in bad debt expense primarily due to the absence of a cash receipt in 2009 on a previously reserved Managed Broadband account and a slight increase in reserves for Consumer accounts in 2010.

The increases were partially off-set by a \$580,000 decrease in our company-wide success sharing bonus accrual and a \$600,000 decrease in sales expense.

As a percentage of total revenues, selling, general and administrative expenses decreased to 34% in the second quarter of 2010 from 35% in the second quarter of 2009.

Depreciation and Amortization Expense

Depreciation and amortization expense decreased 1% to \$30.8 million in the second quarter of 2010 primarily due to assets which became fully depreciated during the second quarter of 2010.

Other Expense, Net

Other expense, net of other income, increased 33% to \$17.7 million in the second quarter of 2010 primarily due to a \$4.0 million increase in interest expense to \$17.5 million in 2010. The interest expense increase is due to the issuance of the 2019 Notes, which have a higher interest rate than the interest rate paid on our amended Senior Credit Facility. The proceeds from the issuance of the 2019 Notes were primarily used to repay and retire the outstanding amount due on our amended Senior Credit Facility.

Income Tax Expense

Income tax expense totaled \$5.5 million and \$2.7 million in the second quarters of 2010 and 2009, respectively. Our effective income tax rate increased from 52% in 2009 to 74% in 2010 primarily due to an increase in our estimated 2010 effective tax rate at June 30, 2010, as compared to the estimate at March 31, 2010, and an increase in the permanent differences as compared to our net income before income tax expense in 2010 as compared to 2009.

At June 30, 2010, we have (1) tax net operating loss carryforwards of \$194.8 million that will begin expiring primarily in 2019 if not utilized, and (2) alternative minimum tax credit carryforwards of \$1.9 million available to offset regular income tax payable in future years.

We have recorded deferred tax assets of \$80.1 million associated with income tax net operating losses that were generated from 1996 to 2009, and that expire from 2019 to 2029, and with charitable contributions that were converted to net operating losses in 2004 through 2009, and that expire in 2024 through 2029, respectively.

Tax benefits associated with recorded deferred tax assets are considered to be more likely than not realizable through future reversals of existing taxable temporary differences and future taxable income. The amount of deferred tax asset considered realizable, however, could be reduced if estimates of future taxable income during the carryforward period are reduced which would result in additional income tax expense. We estimate that our effective annual income tax rate for financial statement purposes will be 58% to 61% in the year ended December 31, 2010.

Six Months Ended June 30, 2010 ("2010") Compared to Six Months Ended June 30, 2009 ("2009")

Overview of Revenues and Cost of Goods Sold

Total revenues increased 6% from \$297.5 million in 2009 to \$314.7 million in 2010. Revenue increases in our Consumer, Commercial and Managed Broadband segments were partially off-set by decreased revenue in our Network Access and Regulated Operations segments. See the discussion below for more information by segment.

Total Cost of Goods Sold increased 6% from \$95.2 million in 2009 to \$100.7 million in 2010. Cost of Goods Sold increases in our Consumer, Commercial and Managed Broadband segments were partially off-set by decreases in our Network Access and Regulated Operations segments. See the discussion below for more information by segment.

Consumer Segment Overview

Consumer segment revenue represented 53% of 2010 consolidated revenues. The components of Consumer segment revenue are as follow (amounts in thousands):

	2010	2009	Percentage Change
Voice	\$ 29,110	26,903	8%
Video	58,376	54,502	7%
Data	28,734	23,928	20%
Wireless	51,297	38,785	32%
Total Consumer segment revenue	\$ 167,517	144,118	16%

Consumer segment Cost of Goods Sold represented 52% of 2010 consolidated Cost of Goods Sold. The components of Consumer segment Cost of Goods Sold are as follows (amounts in thousands):

	2010	2009	Percentage Change
Voice	\$ 6,503	7,492	(13%)
Video	25,466	22,359	14%
Data	1,823	2,128	(14%)
Wireless	18,033	15,435	17%
Total Consumer segment Cost of Goods Sold	\$ 51,825	47,414	9%

Consumer segment adjusted EBITDA, representing 53% of 2010 consolidated adjusted EBITDA, is as follows (amounts in thousands):

	2010	2009	Percentage Change
Consumer segment adjusted EBITDA	\$ 57,207	41,070	39%

See note 7 in the "Condensed Notes to Interim Consolidated Financial Statements" included in Part I of this quarterly report on Form 10-Q for a reconciliation of consolidated adjusted EBITDA, a non-GAAP financial measure, to consolidated income before income taxes.

Selected key performance indicators for our Consumer segment follow:

	June 30, 2010	2009	Percentage Change
Voice:			
Long-distance minutes carried (in millions)	55.0	57.9	(5%)
Video:			
Average monthly gross revenue per subscriber ¹	\$ 73.77	\$ 69.28	6%
Wireless:			
Average monthly gross revenue per subscriber ²	\$ 59.08	\$ 58.59	1%

¹ Year-to-date average monthly consumer video revenues divided by the average of consumer video basic subscribers at the beginning and end of the period.

² Year-to-date average monthly consumer wireless revenues divided by the average of consumer wireless subscribers at the beginning and end of the period.

Please refer to our three-month results of operations discussion for additional selected key performance indicators for the second quarters of 2010 and 2009.

Consumer Segment Revenues

The increase in voice revenue is primarily due to a \$1.3 million or 25% increase in recognized support from the USAC. We accrue estimated high cost support revenue quarterly and adjust our revenue as we obtain new information that changes the variables used to calculate our estimate. The increase in USF high cost support is primarily due to changes to the variables used to calculate our estimate and an increase in the number of local subscribers. This increase was partially off-set by an absence of \$674,000 in support in 2009 related to services provided during the year ended December 31, 2008. In March 2009, the FCC issued an order which provided uncapped support for all lines served by competitive ETCs for tribal lands in Alaska Native regions retroactive to August 2008. This revenue was for the additional support for the period August to December 2008.

The increase in video revenue is primarily due to the following:

- A 7% increase in programming services revenue to \$46.2 million in 2010 primarily resulting from an increase in digital programming tier subscribers in 2010 and a rate increase on certain cable service offerings beginning in August 2009, and
- An 8% increase in equipment rental revenue to \$11.4 million in 2010 primarily resulting from our customers' increased use of our HD/DVR converter boxes.

The increase in data revenue is primarily due to a 23% increase in cable modem revenue to \$25.3 million due to increased subscribers and their selection of plans that offer higher speeds.

The increase in wireless revenue is primarily due to a \$7.2 million increase in USAC support. We accrue estimated high cost support revenue quarterly and adjust our revenue as we obtain new information that

changes the variables used to calculate our estimate. The increase in USF high cost support is primarily due to changes to the variables used to calculate our estimate and an increase in the number of wireless subscribers.

This increase in wireless USAC support was partially off-set by the following:

- An absence of \$1.7 million in support in 2009 related to services provided during the year ended December 31, 2008. The support was for a new local access area for which we received ETC status in May 2009. Collectability was not reasonably assured until we were awarded ETC status, therefore, we deferred revenue recognition until such status was confirmed, and
- An absence of \$810,000 in support in 2009 related to services provided during the year ended December 31, 2008. In March 2009, the FCC issued an order which provided uncapped support for all lines served by competitive ETCs for tribal lands in Alaska Native regions retroactive to August 2008.

Consumer Segment Cost of Goods Sold

The decrease in voice Cost of Goods Sold is primarily due to cost savings resulting from the increased deployment of local access services lines on our own facilities during the last six months of 2009 and the first six months of 2010 and decreased voice minutes carried.

The increase in video Cost of Goods Sold is primarily due to increased channels offered to our subscribers, increased rates paid to programmers, increased costs associated with delivery of digital services offered over our HD/DVR converter boxes due to the increased number of boxes in service, and an increase in digital programming tier subscribers.

The increase in wireless Cost of Goods Sold is primarily due to increased costs for wireless handset equipment sales associated with the increased number of wireless subscribers and the inclusion of higher cost premium wireless handsets in sales promotions.

Consumer Segment Adjusted EBITDA

The increase in adjusted EBITDA is primarily due to increased revenue as described above in "Consumer Segment Revenues," which was partially offset by increased Cost of Goods Sold as described above in "Consumer Segment Cost of Goods Sold" and an increase in the selling, general and administrative expense that was allocated to our Consumer segment. The increase in allocated selling, general and administrative expense is due primarily to an increase in the 2009 segment margin upon which the selling, general and administrative expense allocation is based and an increase in consolidated selling, general and administrative expense.

Network Access Segment Overview

Network access segment revenue represented 17% of 2010 consolidated revenues. The components of Network Access segment revenue are as follows (amounts in thousands):

	2010	2009	Percentage Change
Voice	\$ 13,835	27,778	(50%)
Data	32,152	34,027	(6%)
Wireless	7,308	2,514	191%
Total Network Access segment revenue	\$ 53,295	64,319	(17%)

Network Access segment Cost of Goods Sold represented 13% of 2010 consolidated Cost of Goods Sold. The components of Network Access segment Cost of Goods Sold are as follows (amounts in thousands):

	2010	2009	Percentage Change
Voice	\$ 6,700	8,541	(22%)
Data	5,608	4,212	33%
Wireless	599	487	23%
Total Network Access segment Cost of Goods Sold	\$ 12,907	13,240	(3%)

Network Access segment adjusted EBITDA, representing 23% of 2010 consolidated adjusted EBITDA, is as follows (amounts in thousands):

	2010	2009	Percentage Change
Network Access segment adjusted EBITDA	\$ 25,178	32,590	(23%)

See note 7 in the "Condensed Notes to Interim Consolidated Financial Statements" included in Part I of this quarterly report on Form 10-Q for a reconciliation of consolidated adjusted EBITDA, a non-GAAP financial measure, to consolidated income before income tax expense.

Selected key performance indicators for our Network Access segment follow:

	June 30, 2010	2009	Percentage Change
Voice:			
Long-distance minutes carried (in millions)	394.9	416.1	(5%)

Please refer to our three-month results of operations discussion for additional selected key performance indicators for the second quarters of 2010 and 2009.

Network Access Segment Revenues

The decrease in voice revenue is due to decreases in our average rate per minute on billable minutes carried for our common carrier customers and the transition of voice traffic to dedicated networks. Voice revenue continues to decline as expected due to increased competition in the Network Access business. The increased competition will continue to compress the rates we may charge our customers and, therefore, we expect a continued decline in Network Access segment voice revenue.

The decrease in data revenue is due to decreased rates for capacity purchased by our common carrier customers partially off-set by increased data network capacity purchased by the same customers.

The increase in wireless revenue is due to increased roaming revenue in 2010 primarily due to improved coverage and new roaming partners.

Network Access Segment Cost of Goods Sold

The decrease in voice Cost of Goods Sold is primarily due to decreased long-distance minutes carried and the movement of more traffic onto our network in lieu of carrying traffic on third party networks.

The increase in data Cost of Goods Sold is primarily due to the increase in data network capacity described above in "Network Access Segment Revenues" and a \$585,000 favorable adjustment in 2009 resulting from a refund of fiber repair costs. The fiber repair costs were originally recognized in the first quarter of 2008. Due to the uncertainty surrounding the refund of the fiber repair costs, we deferred recognition until collection of the refund was reasonably assured.

Network Access Segment Adjusted EBITDA

The adjusted EBITDA decrease is primarily due to decreased revenue as described in "Network Access Segment Revenues" and an increase in selling, general and administrative expense that was allocated to our Network Access segment primarily due to an increase in consolidated selling, general and administrative expense. These decreases are partially off-set by decreased Cost of Goods Sold as described in "Network Access Segment Cost of Goods Sold."

Commercial Segment Overview

Commercial segment revenue represented 19% of 2010 consolidated revenues. Commercial segment data revenue is comprised of monthly recurring charges for data services and charges billed on a time and

materials basis largely for personnel providing on-site customer support. This latter category can vary significantly based on project activity. The components of Commercial segment revenue are as follows (amounts in thousands):

	2010	2009	Percentage Change
Voice	\$ 16,291	15,685	4%
Video	4,956	4,271	16%
Data	34,333	31,924	8%
Wireless	4,214	3,023	39%
Total Commercial segment revenue	\$ 59,794	54,903	9%

Commercial segment Cost of Goods Sold represented 27% of 2010 consolidated Cost of Goods Sold. The components of Commercial segment Cost of Goods Sold are as follows (amounts in thousands):

	2010	2009	Percentage Change
Voice	\$ 8,140	9,467	(14%)
Video	1,030	1,003	3%
Data	16,524	14,261	16%
Wireless	1,774	1,601	11%
Total Commercial segment Cost of Goods Sold	\$ 27,468	26,332	4%

Commercial segment adjusted EBITDA, representing 13% of 2010 consolidated adjusted EBITDA, is as follows (amounts in thousands):

	2010	2009	Percentage Change
Commercial segment adjusted EBITDA	\$ 14,401	10,893	32%

See note 7 in the "Condensed Notes to Interim Consolidated Financial Statements" included in Part I of this quarterly report on Form 10-Q for a reconciliation of consolidated adjusted EBITDA, a non-GAAP financial measure, to consolidated income before income tax expense.

Selected key performance indicators for our Commercial segment follow:

	June 30, 2010	2009	Percentage Change
Voice:			
Long-distance minutes carried (in millions)	59.0	64.0	(8%)

Please refer to our three-month results of operations discussion for additional selected key performance indicators for the second quarters of 2010 and 2009.

Commercial Segment Revenues

The increase in voice revenue is primarily due to a \$574,000 or 41% increase in recognized support from the USAC. We accrue estimated high cost support revenue quarterly and adjust our revenue as we obtain new information that changes the variables used to calculate our estimate. The increase in USF high cost support is primarily due to changes to the variables used to calculate our estimate and an increase in the number of local subscribers.

The increase in video revenue is primarily due to an increase in sales of cable advertising services due to local political elections and return of seasonal tourism advertising which was negatively affected in 2009 by the general economic slowdown.

The increase in data revenue is primarily due to a \$1.9 million or 13% increase in managed services project revenue. The revenue increase is primarily from special project work and a nonrecurring \$1.4 million

equipment sale. The managed services project revenue increase is partially off-set by a decrease in monthly recurring project revenue.

The increase in wireless revenue is primarily due to a \$873,000 or 276% increase in USAC support. We accrue estimated high cost support revenue quarterly and adjust our revenue as we obtain new information that changes the variables used to calculate our estimate. The increase in USF high cost support is primarily due to changes in the variables used to calculate our estimate and an increase in the number of wireless subscribers.

Commercial Segment Cost of Goods Sold

The decrease in voice Cost of Goods Sold is primarily due to an interstate rate decrease and cost savings resulting from increased deployment of local access services lines on our own facilities during the last six months of 2009 and first six months of 2010.

The increase in data Cost of Goods Sold is primarily due to a \$2.8 million or 29% increase in managed services project Cost of Goods Sold related to the increased revenue described above in "Commercial Segment Revenues."

Commercial Segment Adjusted EBITDA

The adjusted EBITDA increase was primarily due to increased revenue as described in "Commercial Segment Revenues." This increase was partially off-set by increased Cost of Goods Sold as described in "Commercial Segment Cost of Goods Sold," and an increase in the selling, general and administrative expense that was allocated to our Commercial segment primarily due to an increase in consolidated selling, general and administrative expense.

Managed Broadband Segment Overview

Managed Broadband segment revenue, Cost of Goods sold and adjusted EBITDA represented 7%, 6% and 7% of 2010 consolidated revenues, Cost of Goods Sold and adjusted EBITDA, respectively.

Managed Broadband Segment Revenues

Managed Broadband segment revenue, which includes data products only, increased 4% to \$22.5 million in 2010 as compared to 2009. The increase is primarily due to increased monthly contract revenue due to increased data network capacity purchased by our Rural Health and School Access customers. The increase is partially off-set by the \$1.7 million in denied funding from the USAC for one Rural Health customer for the funding year July 2008 to June 2009. We received the funding commitment letter, which outlined the denied portion, in second quarter of 2010.

Managed Broadband Segment Cost of Goods Sold

Managed Broadband segment Cost of Goods Sold increased from \$5.0 million in 2009 to \$6.4 million in 2010 primarily due to the increase in data network capacity described above in "Managed Broadband Segment Revenues."

Managed Broadband Segment Adjusted EBITDA

Managed Broadband segment adjusted EBITDA decreased 13% to \$8.1 million in 2010 primarily due to an increase in the Cost of Goods Sold as described above in "Managed Broadband Segment Cost of Goods Sold," partially off-set by an increase in revenue as described above in "Managed Broadband Segment Revenues."

See note 7 in the "Condensed Notes to Interim Consolidated Financial Statements" included in Part I of this quarterly report on Form 10-Q for a reconciliation of consolidated adjusted EBITDA, a non-GAAP financial measure, to consolidated income before income tax expense.

Regulated Operations Segment Overview

Regulated Operations segment revenue, Cost of Goods Sold and adjusted EBITDA represented 4%, 2% and 3% of 2010 consolidated revenues, Cost of Goods Sold and adjusted EBITDA, respectively.

Please refer to our three-month results of operations discussion for additional selected key performance indicators for the second quarters of 2010 and 2009.

Regulated Operations Segment Revenues

Regulated Operations segment revenues decreased from \$12.5 million in 2009 to \$11.7 million in 2010 primarily due to projected lower levels of eligible cost recovery due to changes in lines in service, traffic sensitive activity levels and reserve adjustments.

Regulated Operations Segment Cost of Goods Sold

Regulated Operations segment Cost of Goods Sold decreased from \$3.2 million in 2009 to \$2.1 million in 2010 primarily due to a change in allocation of network maintenance costs which resulted in a decrease to our Regulated Operations segment and an increase to our Consumer, Network Access, Commercial and Managed Broadband segments.

Regulated Operations Segment Adjusted EBITDA

Regulated Operations segment adjusted EBITDA decreased 8% to \$3.6 million in 2010 primarily due an increase in selling, general and administrative expense and decreased revenue as described above in "Regulated Operations Segment Revenues." These were partially offset by decreased Cost of Goods Sold as described above in "Regulated Operations Segment Cost of Goods Sold."

See note 7 in the "Condensed Notes to Interim Consolidated Financial Statements" included in Part I of this quarterly report on Form 10-Q for a reconciliation of consolidated adjusted EBITDA, a non-GAAP financial measure, to consolidated income before income tax expense.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased \$344,000 to \$108.0 million in 2010 primarily due to the following:

- A \$1.3 million decrease in our company-wide success sharing bonus accrual,
- A \$1.2 million decrease in contract labor,
- A \$1.5 million decrease in sales expense,
- An \$800,000 decrease in share-based compensation expense, and
- The absence of a \$500,000 contribution expense recognized upon the gift of an IRU to the University of Alaska that was recorded in 2009.

The decreases were partially off-set by the following:

- A \$2.0 million increase in labor costs,
- A \$1.6 million increase in health benefit costs, and
- A \$600,000 increase in bad debt expense primarily due to the absence of a cash receipt in 2009 on a previously reserved Managed Broadband account and a slight increase in reserves for Consumer accounts in 2010.

As a percentage of total revenues, selling, general and administrative expenses decreased to 34% in 2010 from 36% in 2009, primarily due to increasing revenues combined with the net decreases described above.

Depreciation and Amortization Expense

Depreciation and amortization expense was consistent at \$61.9 million in 2010 and 2009 primarily due to assets which became fully depreciated during the second quarter of 2010.

Other Expense, Net

Other expense, net of other income, increased 36% to \$35.3 million in 2010 primarily due to a \$8.3 million increase in interest expense to \$34.6 million in 2010. The interest expense increase is due to the issuance of the 2019 Notes, which have a higher interest rate than the interest rate paid on our amended Senior Credit Facility. The proceeds from the issuance of the 2019 Notes were primarily used to repay and retire the outstanding amount due on our amended Senior Credit Facility.

Income Tax Expense

Income tax expense totaled \$5.3 million and \$3.3 million in 2010 and 2009, respectively. Our effective income tax rate increased from 53% in 2009 to 60% in 2010 primarily due to an increase in the permanent differences as compared to our net income before income tax expense in 2010 as compared to 2009.

Liquidity and Capital Resources

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

In January 2010 the U.S. Department of Agriculture's RUS approved our wholly-owned subsidiary, UUI's application for an \$88.2 million loan/grant combination to extend terrestrial broadband service for the first time to Bristol Bay and the Yukon-Kuskokwim Delta, an area in Alaska roughly the size of the state of North Dakota. Upon completion, UUI's project, TERRA-SW, will be able to serve 9,089 households and 748 businesses in the 65 covered communities. The project will also be able to serve numerous public/nonprofit/private community anchor institutions and entities, such as regional health care providers, school districts, and other regional and Alaska Native organizations. The RUS award, consisting of a \$44.2 million loan and a \$44.0 million grant, will be made under the RUS Broadband Initiatives Program established pursuant to the American Recovery and Reinvestment Act. The award will fund backbone network facilities that we would not otherwise be able to construct within our return-on-investment requirements. UUI began construction on TERRA-SW in 2010 and expects to complete the project within three years of starting construction.

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

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

Our net cash flows provided by and (used for) operating, investing and financing activities, as reflected in the Consolidated Statements of Cash Flows for 2010 and 2009, are summarized as follows (amounts in thousands):

	2010	2009
Operating activities	\$ 70,687	42,747
Investing activities	(49,186)	(59,055)
Financing activities	(3,682)	13,835
Net increase (decrease) in cash and cash equivalents	\$ 17,819	(2,473)

Operating Activities

The increase in cash flows provided by operating activities is due primarily to a \$15.0 million contractually required payment in 2009, a decrease in inventory, an increase in accrued liabilities and an increase in operating income in 2010 as compared to 2009.

Investing Activities

Net cash used in 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. The decrease in cash flows used for investing activities is due primarily to a decrease in spending for property and equipment, including construction in progress in 2010 partially off-set by the final contingent payment of \$5.2 million for the Alaska Wireless acquisition.

Our cash expenditures for property and equipment, including construction in progress, totaled \$41.9 million and \$57.3 million during the six months ended June 30, 2010 and 2009, respectively. Our capital expenditures decreased in 2010 primarily due to the decreased pace of our wireless network expansion. We expect our 2010 expenditures for property and equipment for our core operations, including construction

in progress, to total \$95.0 million to \$105.0 million, depending on available opportunities and the amount of cash flow we generate during 2010, and excluding grant funded capital expenditures related to our TERRA-SW project.

Financing Activities

Net cash used in financing activities consists primarily of our proceeds from borrowings off-set by our debt repayments, payment of debt issuance costs and repurchases of our common stock. Proceeds from borrowings fluctuate from year to year based on the amounts paid for capital expenditures and to fund acquisitions. 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 decrease in cash flows provided by financing activities is due to a decrease in long-term debt borrowings in 2010 compared to 2009, partially off-set by a decrease in long-term debt payments and an increase in debt issuance costs and repurchases of our common stock in 2010 compared to 2009.

Available Borrowings Under Senior Credit Facility

On January 29, 2010, we replaced our then existing Senior Credit Facility with a new amended Senior Credit Facility that provides a \$75.0 million revolving credit facility and that extends the maturity through January 29, 2015.

We have a \$75.0 million revolving Senior Credit Facility with a \$25.0 million sublimit for letters of credit. We have \$2.8 million of letters of credit outstanding, which leaves \$72.2 million available for borrowing under the revolving credit facility as of June 30, 2010.

Debt Covenants

We are subject to covenants and restrictions set forth in the indentures governing our 2019 Notes, amended Senior Credit Facility, RUS loans, and CoBank loans. We are in compliance with the covenants, and we believe that neither the covenants nor the restrictions in our indentures or loan documents will limit our ability to operate our business.

Share Repurchases

GCI's Board of Directors has authorized a common stock buyback program for the repurchase of GCI Class A and Class B common stock in order to reduce the outstanding shares of Class A and Class B common stock. Under this program, we are currently authorized to make up to \$59.8 million of repurchases as of June 30, 2010. We are authorized to continue the stock repurchases of up to \$5.0 million per quarter indefinitely and to use stock option exercise proceeds to repurchase additional shares. If stock repurchases are less than the total approved quarterly amount the difference may be carried forward and applied against future stock repurchases. During the six months ended June 30, 2010 we repurchased 224,000 shares of GCI common stock at a cost of \$1.3 million. The common stock buyback program is expected to continue for an indefinite period dependent on leverage, liquidity, company performance, market conditions and subject to continued oversight by GCI's Board of Directors. The repurchases have and will continue to comply with the restrictions of SEC Rule 10b-18.

Critical Accounting Policies

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

Those policies considered to be critical accounting policies for the six months ended June 30, 2010 are described below.

Revenue Recognition

The accounting estimates related to revenues from the high cost, rural health and schools and libraries USF programs are dependent on various inputs including current line counts, the most current rates paid to us, and our assessment of the impact of new FCC regulations, the potential outcome of FCC proceedings and the potential outcome of USAC contract reviews. Some of the inputs are subjective and based on our judgment regarding the outcome of certain variables and is subject to upward or downward adjustment in subsequent periods. Significant changes to our estimates could result in material changes to the revenues we have recorded and could have a material effect on our financial condition and results of operations.

Allowance for Doubtful Receivables

We maintain allowances for doubtful receivables for estimated losses resulting from the inability of our customers to make required payments. We also maintain an allowance for doubtful receivables based on our assessment of the likelihood that our customers will satisfactorily comply with rules necessary to obtain supplemental funding from the USAC for services provided by us under our packaged communications offerings to rural hospitals, health clinics and school districts. We base our estimates on the aging of our accounts receivable balances, financial health of specific customers, regional economic data, changes in our collections process, regulatory requirements, and our customers' compliance with USAC rules. If the financial condition of our customers were to deteriorate or if they are unable to emerge from reorganization proceedings, resulting in an impairment of their ability to make payments, additional allowances may be required. If their financial condition improves or they emerge successfully from reorganization proceedings, allowances may be reduced. Such allowance changes could have a material effect on our financial condition and results of operations.

Impairment and Useful Lives of Intangible Assets

We had \$291.1 million of indefinite-lived intangible assets at June 30, 2010 consisting of cable certificates of \$191.6 million, goodwill of \$73.5 million and wireless licenses of \$26.0 million. Our indefinite-lived intangible assets are tested annually for impairment during the fourth quarter and at any time upon the occurrence of certain events or substantive changes in circumstances.

We are required to determine goodwill impairment using a two-step process. The first step of the goodwill impairment test is used to identify potential impairment by comparing the fair value of a reporting unit with its carrying amount. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill that would be recognized in a business combination.

The impairment test for identifiable indefinite-lived intangible assets consists of a comparison of the estimated fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

Our cable certificates are our largest indefinite-lived intangible asset and represent agreements with government entities to construct and operate a cable business. The value of our cable certificates is derived from the economic benefits we receive from the right to solicit new customers and to market new services. The amount we have recorded for cable certificates is primarily from cable system acquisitions. The cable certificates are valued under a direct discounted cash flow method whereby the cash flow associated with existing customers is isolated after appropriate contributory asset charges and then projected based on an analysis of customer churn and attrition characteristics.

Our wireless licenses are from the FCC and give us the right to provide wireless service within a certain geographical area. The amount we have recorded is from the acquisitions of wireless companies and from auctions of wireless spectrum. We use comparable market transactions from recent FCC auctions, as appropriate, and a hypothetical build-up method to value our wireless licenses.

Goodwill represents the excess of cost over fair value of net assets acquired in connection with a business acquisition. We use an income approach to determine the fair value of our reporting units for purposes

of our goodwill impairment test. In addition, a market-based approach is used where possible to corroborate the fair values determined by the income approach.

The direct discounted cash flow, hypothetical build-up, and income approach valuation methods require us to make estimates and assumptions including projected cash flows, discount rate, customer churn, and customer behaviors and attrition. These estimates and assumptions could have a significant impact on whether an impairment charge is recognized and also the magnitude of any such impairment charge. Fair value estimates are made at a specific point in time, based on relevant information. These estimates are subjective in nature and involve uncertainties and matters of significant judgments and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. Events and factors that may be out of our control that could affect the estimates include such things as competitive forces, customer behaviors, change in revenue growth trends, cost structures and technology, and changes in discount rates, performance compared to peers, material and ongoing negative economic trends, and specific industry or market sector conditions. Our company is operated and managed with two balance sheets, however, our impairment tests must be performed at the reporting unit level, which requires us to allocate our balance sheet. These allocations are subjective and require a significant amount of judgment. Changes to the assumptions and allocation methodologies could significantly change our estimates. We may also record impairments in the future if there are changes in long-term market conditions, in expected future operating results, or in laws and regulations that may prevent us from recovering the carrying value of our goodwill, cable certificates, and wireless licenses.

We have allocated all of the goodwill to our reporting units and based on our annual impairment test as of October 31, 2009, the fair value of each reporting unit exceeded the book value by a range between 15% and 340%. The reporting unit that exceeded the book value by 15% passed the goodwill impairment test by \$25.4 million, which we believe is a large margin. We believe none of our reporting units were close to failing step one of the goodwill impairment test.

Based on our annual impairment test as of October 31, 2009, the fair value of our wireless licenses exceeded the book value by 112%. The fair value of our cable certificates exceeded the book value by 14% and \$27.4 million as of October 31, 2009, which we believe is a large margin. We believe that none of our indefinite lived intangible assets were close to failing the impairment test.

Accruals for Unbilled Costs

We estimate unbilled long-distance services Cost of Goods Sold based upon minutes of use carried through our network and established rates. We estimate unbilled costs for new circuits and services, and network changes that result in traffic routing changes or a change in carriers. Carriers that provide service to us regularly make network changes that can lead to new, revised or corrected billings. Such estimates are revised or removed when subsequent billings are received, payments are made, billing matters are researched and resolved, tariffed billing periods lapse, or when disputed charges are resolved. Revisions to previous estimates could either increase or decrease costs in the year in which the estimate is revised which could have a material effect on our financial condition and results of operations.

Valuation Allowance for Net Operating Loss Deferred Tax Assets

Our income tax policy provides for deferred income taxes to show the effect of temporary differences between the recognition of revenue and expenses for financial and income tax reporting purposes and between the tax basis of assets and liabilities and their reported amounts in the financial statements. We have recorded deferred tax assets of \$80.1 million associated with income tax net operating losses that were generated from 1996 to 2009, and that expire from 2019 to 2029, and with charitable contributions that were converted to net operating losses in 2004 through 2009, and that expire in 2024 through 2029, respectively. Pre-acquisition income tax net operating losses associated with acquired companies are subject to additional deductibility limits. We have recorded deferred tax assets of \$1.9 million associated with alternative minimum tax credits that do not expire. Significant management judgment is required in developing our provision for income taxes, including the determination of deferred tax assets and liabilities and any valuation allowances that may be required against the deferred tax assets. We have not recorded a valuation allowance on the deferred tax assets as of June 30, 2010 based on management's belief that future reversals of existing taxable temporary differences and estimated future taxable income exclusive of reversing temporary differences and carryforwards, will, more likely than not, be sufficient to realize the

benefit of these assets over time. In the event that actual results differ from these estimates or if our historical trends change, we may be required to record a valuation allowance on deferred tax assets, which could have a material adverse effect on our consolidated financial position or results of operations.

Other significant accounting policies, not involving the same level of measurement uncertainties as those discussed above, are nevertheless important to an understanding of the financial statements. A complete discussion of our significant accounting policies can be found in note 1 in the accompanying "Condensed Notes to Interim Consolidated Financial Statements" and in Part II of our December 31, 2009 annual report on Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to various types of market risk in the normal course of business, including the impact of interest rate changes. Our amended Senior Credit Facility carries interest rate risk. We had no principal balance outstanding on our amended Senior Credit Facility as of June 30, 2010. All of our material borrowings have a fixed interest rate. We do not hold derivatives for trading purposes.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 ("Exchange Act") is recorded, processed, summarized and reported as specified in the SEC's rules and forms. As of the end of the period covered by this Quarterly Report on Form 10-Q, we carried out an evaluation of the effectiveness of the design and operation of our "disclosure controls and procedures" (as defined in Exchange Act Rule 13a - 15(e)) under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer. Based on that evaluation, our management, including our Chief Executive Officer and our Chief Financial Officer, concluded that our disclosure controls and procedures were not effective as of June 30, 2010.

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

Changes in Internal Control over Financial Reporting

In the second quarter of 2010 we identified a material weakness associated with inadequately designed internal controls in our financial reporting process related to the USF high cost program support revenue accrual. Our revenue and accounts receivable were corrected prior to the issuance of our consolidated financial statements included in Part I, Item I of this quarterly report. The impact of this error was deemed to be immaterial in the current and prior periods. We will begin remediation in the third quarter of 2010 by strengthening the design and operation of our controls over the preparation and review of the USF high cost program support revenue accrual.

Except as described above there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) identified in connection with the evaluation of our controls performed during the quarter ended June 30, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

Internal control over financial reporting has inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human

failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material

misstatements will not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

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

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

Except as set forth in this item, neither the Company, its property nor any of its subsidiaries or their property is a party to or subject to any material pending legal proceedings. We are parties to various claims and pending litigation as part of the normal course of business. We are also involved in several administrative proceedings and filings with the FCC and state regulatory authorities. In the opinion of management, the nature and disposition of these matters are considered routine and arising in the ordinary course of business. In addition, in September 2008, the FCC's OIG initiated an investigation regarding Alaska DigiTel's compliance with program rules and requirements under the Lifeline Program. The request covers the period beginning January 1, 2004 through August 31, 2008 and relates to the amounts received for Lifeline service. Alaska DigiTel was an Alaska based wireless communications company of which we acquired an 81.9% equity interest on January 2, 2007 and the remaining 18.1% equity interest on August 18, 2008 and was subsequently merged with one of our wholly owned subsidiaries in April 2009. Prior to August 18, 2008, our control over the operations of Alaska DigiTel was limited as required by the FCC upon its approval of our initial acquisition completed in January 2007. We have been and intend to continue fully complying with this request on behalf of Alaska DigiTel and the GCI companies as affiliates. The OIG investigation is still pending, and we presently are unable to assess the ultimate resolution of this matter.

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

(a) Not applicable.

(b) Not applicable.

(c) The following table provides information about repurchases of shares of our Class A and Class B common stock during the quarter ended June 30, 2010:

	(a) Total		(c) Total	(d) Maximum
	Number of	(b) Average	Number of	Number (or
	Shares	Price Paid	Shares	approximate
	Purchased ¹	per	Purchased as	Dollar Value) of
		Share	Part of Publicly	Shares that May
			Announced	Yet Be
			Plans or	Purchased
			Programs ²	Under
				the Plan or
				Programs ³
April 1, 2010 to				
April 30, 2010	91,170	\$ 5.87	91,170	\$ 60,283,156
May 1, 2010 to				
May 31, 2010	74,192	\$ 5.84	74,192	\$ 59,850,204
June 1, 2010 to				
June 30, 2010	5,948	\$ 5.96	5,948	\$ 59,814,755
Total	171,310			

¹ Open market purchases made under our publicly announced repurchase plan.

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

³ The total amount approved by our Board of Directors for repurchase under our publicly announced

repurchase plan was \$130.0 million through June 30, 2010 consisting of \$125.0 million through March 31, 2010 and an additional \$5.0 during the three months ended June 30, 2010. We have made total repurchases under the program of \$70.2 million through June 30, 2010. If stock repurchases are less than the total approved quarterly amount the difference may be carried forward and used to repurchase additional shares in future quarters, subject to board approval.

Item 6. Exhibits

Exhibit No.	Description
31.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by our President and Director
31.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by our Senior Vice President, Chief Financial Officer, Secretary and Treasurer
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by our President and Director
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by our Senior Vice President, Chief Financial Officer, Secretary and Treasurer
10.173	Audit Committee Charter (as revised by the Board of Directors of General Communication, Inc. effective as of January 1, 2010)
10.174	Nominating and Corporate Governance Committee Charter (as revised by the Board of Directors of General Communication, Inc. effective as of January 1, 2010)
10.175	Ninth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated June 29, 2010 #
#	CONFIDENTIAL PORTION has been omitted pursuant to a request for confidential treatment by us to, and the material has been separately filed with, the SEC. Each omitted Confidential Portion is marked by three asterisks.

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.

GENERAL COMMUNICATION, INC.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Ronald A. Duncan</u> Ronald A. Duncan	President and Director (Principal Executive Officer)	<u>August 5, 2010</u>
<u>/s/ John M. Lowber</u> John M. Lowber	Senior Vice President, Chief Financial Officer, Secretary and Treasurer (Principal Financial Officer)	<u>August 5, 2010</u>
<u>/s/ Lynda L. Tarbath</u> Lynda L. Tarbath	Vice President, Chief Accounting Officer (Principal Accounting Officer)	<u>August 5, 2010</u>

SECTION 302 CERTIFICATION

I, Ronald A. Duncan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of General Communication, Inc. for the period ended June 30, 2010;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
 5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
-

SECTION 302 CERTIFICATION

- 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 5, 2010

/s/ Ronald A. Duncan

Ronald A. Duncan

President and Director

SECTION 302 CERTIFICATION

I, John M. Lowber, certify that:

1. I have reviewed this quarterly report on Form 10-Q of General Communication, Inc. for the period ended June 30, 2010;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
 5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
-

SECTION 302 CERTIFICATION

- 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 5, 2010

/s/ John M. Lowber

John M. Lowber

Senior Vice President, Chief Financial Officer, Secretary and
Treasurer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of General Communication, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ronald A. Duncan, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 5, 2010

/s/ Ronald A. Duncan

Ronald A. Duncan
Chief Executive Officer
General Communication, Inc.

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of General Communication, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John M. Lowber, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 5, 2010

/s/ John M. Lowber

John M. Lowber
Chief Financial Officer
General Communication, Inc.

**GENERAL COMMUNICATION, INC.
AUDIT COMMITTEE CHARTER***

Purpose

The purpose of the Audit Committee is to act on behalf of the board of directors ("Board") of General Communication, Inc. ("Company") and generally to carry out the following and as further described in this charter:

- **Independent Auditor Selection, Qualifications** – Directly responsible for appointment, compensation, retention, oversight, qualifications and independence of the Company's independent certified public accountants ("External Auditor").
- **Internal Audit** – To the extent the Company has an internal audit operation, assist in Board oversight of its performance.
- **Financial Statements** – Assist in Board oversight of integrity of the Company's financial statements.
- **Financial Reports, Internal Control** – Directly responsible for oversight of audit by the External Auditor of the Company's financial reports and the Company's reports on internal control.
- **Annual Reports** – Prepare reports required to be included in the Company's annual proxy statement.
- **External Auditor Reports** – Accept certain reports from the External Auditor ("External Auditor Reports").
- **Complaints** – Receive and respond to certain complaints ("Complaints") relating to internal accounting controls and auditing matters; confidential, anonymous submissions by Company employees regarding questionable accounting or auditing matters and performance of the Company's internal audit operation, if any; or alleged illegal acts or behavior-related conduct in violation of the Company's Code of Business Conduct and Ethics ("Ethics Code"), all as described in this charter.
- **External Auditor Disagreements** – Resolve disagreements between the Company and the External Auditor regarding financial reporting ("Auditor Disagreements").
- **Non-Audit Services** – Review and pre-approve all non-audit services offered to the Company by the External Auditor ("Non-Audit Services").
- **Attorney Reports** – Address certain attorney reports ("Attorney Reports").
- **Related Party Transactions** – Review certain related party transactions ("Related Party Transactions").
- **Shareholder Reports** – Prepare certain shareholder reports ("Shareholder Reports").

*As revised by the board of directors of General Communication, Inc. effective as of January 1, 2010.

- **Annual Plan** – Prepare an annual plan for Company audit-related matters ("Annual Plan").
- **Other** – Carry-out other assignments as designated by the Board.

Membership

The following are prerequisites for, and conditions on, membership on the Audit Committee:

- **Number, Qualifications** – The Audit Committee shall consist of at least three, and no more than six, Board members meeting the following qualifications –
 - o **Independent** – Each member of the Audit Committee must be an independent director as the term is defined in this charter ("Independent Director").
 - o **General Knowledge and Ability** – Each Audit Committee member shall have the following knowledge and abilities –
 - Knowledge of the primary industries in which the Company operates.
 - Ability to read and understand fundamental financial statements, including a company's balance sheet, income statement, and cash flow statement.
 - Ability to understand key business and financial risks and related controls and control processes.
 - o **Audit Committee Financial Expert, Attributes** – At least one Audit Committee member must meet the prerequisites for an audit committee financial expert ("Audit Committee Financial Expert"), i.e., a person who has all of the following attributes –
 - Understanding of generally accepted accounting principles and financial statements.
 - Ability to assess the general application of such principles in connection with accounting for estimates, accruals and reserves.
 - Experience in preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more persons engaged in such activities.
 - Understanding of internal control over financial reporting.
 - Understanding of audit committee functions.
 - o **Acquiring Attributes of Audit Committee Financial Expert** – Examples of how one may determine whether a person has acquired the attributes of an Audit Committee Financial Expert are through any one or more of the following –

- Education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions.
 - Experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions.
 - Experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements.
 - Other relevant experience.
- o **Financial Sophistication** – At least one member of the Audit Committee must have past employment experience in finance or accounting, requisite professional certification in accounting, or comparable experience or background which results in the individual's "financial sophistication," including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. The Board may presume that a person who meets the requirements for an Audit Committee Financial Expert qualifies as a financially sophisticated Audit Committee member.
 - o **No Consulting Fee, Not an Affiliate** – On an ongoing basis, a member of the Audit Committee must not accept any consulting, advisory, or other compensatory fee from the Company other than for Board service and must not be an affiliated person of the Company.
 - The term "affiliated person" as applied to the Company means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Company.
 - An executive officer of an affiliate of the Company or a director of an affiliate who also is an employee of the affiliate is deemed to be an affiliate of the Company.
 - A person is deemed not to be in control of the Company for these purposes if the person is not the beneficial owner, directly or indirectly, of more than 10% of any class of voting securities of the Company and is not an executive officer of the Company.
- **Term** – Subject to the terms of this charter –
 - o **Member Appointment** – Members of the Audit Committee shall be appointed by the Board and shall serve at the pleasure of the Board for such term as the Board may determine, taking into account the recommendations of the committee.
-

- o **Chair Selection** – The Audit Committee chair shall be selected by committee members or, if the Board directs, by the Board, taking into account the recommendations of the committee.
- **Effect of Designation As Audit Committee Financial Expert** – Designation or identification of a person as an Audit Committee Financial Expert under this charter does not impose on that person any duties, obligations or liability that are greater than the duties, obligations, and liability imposed on another person as a member of the Audit Committee and the Board in the absence of that designation or identification. The designation or identification of a person as an Audit Committee Financial Expert under this charter does not affect the duties, obligations or liability of any other member of the Audit Committee or the Board.
- **Independent Director** – An Independent Director is a person that meets the definition of an "Independent Director" as prescribed by the Nasdaq Stock Market LLC ("Nasdaq") under the Nasdaq Listing Rules, i.e., Rule 5605(a)(2) ("Nasdaq Independence Rule"), which reads as follows –

"means a person other than an Executive Officer or employee of the Company or any other individual having a relationship which, in the opinion of the Company's board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. For purposes of this rule, "Family Member" means a person's spouse, parents, children and siblings, whether by blood, marriage or adoption, or anyone residing in such person's home. The following persons shall not be considered independent:

- (A) a director who is, or at any time during the past three years was, employed by the Company;
 - (B) a director who accepted or who has a Family Member who accepted any compensation from the Company in excess of \$120,000 during any period of twelve consecutive months within the three years preceding the determination of independence, other than the following:
 - (i) compensation for board or board committee service;
 - (ii) compensation paid to a Family Member who is an employee (other than an Executive Officer) of the Company; or
 - (iii) benefits under a tax-qualified retirement plan, or non-discretionary compensation. Provided, however, that in addition to the requirements contained in this paragraph (B), audit committee members are also subject to additional, more stringent requirements under [Nasdaq Listing] Rule 5605(c)(2).
 - (C) a director who is a Family Member of an individual who is, or at any time during the past three years was, employed by the Company as an Executive Officer;
 - (D) a director who is, or has a Family Member who is, a partner in, or a controlling Shareholder or an Executive Officer of, any organization to which the Company made, or from which the Company received, payments for property or services in the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenues for that year, or \$200,000, whichever is more, other than the following:
-

(i) payments arising solely from investments in the Company's securities; or

(ii) payments under non-discretionary charitable contribution matching programs.

(E) a director of the Company who is, or has a Family Member who is, employed as an Executive Officer of another entity where at any time during the past three years any of the Executive Officers of the Company serve on the compensation committee of such other entity;

(F) a director who is, or has a Family Member who is, a current partner of the Company's outside auditor, or was a partner or employee of the Company's outside auditor who worked on the Company's audit at any time during any of the past three years; or

(G) in the case of an investment company, in lieu of paragraphs (A)-(F), a director who is an "interested person" of the Company as defined in section 2(a)(19) of the Investment Company Act of 1940, other than in his or her capacity as a member of the board of directors or any board committee."

- o **Company Includes** – When used in the Nasdaq Independence Rule, "Company" includes any parent or subsidiary of the Company. The term "parent or subsidiary" is intended to cover entities the Company controls and consolidates with the Company's financial statements as filed with the Commission [SEC] (but not if the Company reflects such entity solely as an investment in its financial statements).
 - o **Executive Officer includes** – When used in the Nasdaq Independence Rule, "Executive Officer" means an officer covered in Rule 16a-1(f) under the Securities Exchange Act of 1934.
 - **Lack of Independence** – The Company shall in addition to the provisions of this charter also follow the interpretation by Nasdaq as to Director Independence as set forth in its Nasdaq Listing Rules.
 - **Executive Officer Interim Service** – The following conditions shall apply to employment of a director as an executive officer of the Company on an interim basis ("Interim Service") –
 - o **No Disqualification for Short Term** – In interpreting (A) of the definition of Independent Director, Interim Service shall not disqualify the director from being considered an Independent Director following that Interim Service so long as the Interim Service shall not have lasted longer than one year.
 - o **Status During Interim Service** – A director shall not be considered an Independent Director while providing Interim Service.
 - o **Compensation Received During Interim Service** – In interpreting (B) of the definition of Independent Director, compensation received by a director for former Interim Service shall not be considered as compensation in determining whether the director is an Independent Director after that Interim Service so long as the Interim Service shall not have lasted longer than one year.
-

- o **Board Determination on Independent Judgment** – In the event of a director's former Interim Service, the Board shall consider whether such former Interim Service and any compensation received for it shall interfere with that director's exercise of independent judgment in carrying out responsibilities of a director.
- o **Preparation of Financial Statements** – In the event a director who shall have provided Interim Service shall have participated in the preparation of the Company's financial statements while providing that Interim Service, the director shall be precluded from service on the Audit Committee for three years.
- **Removal and Replacement** – An Audit Committee member may be removed or replaced by, and any vacancies on the committee may be filled by, the Board, taking into account recommendations of the committee.

Operating Principles

The Audit Committee shall fulfill its responsibilities within the context of the following overriding principles:

- **Meetings** – The Chair of the Audit Committee, in consultation with committee members, shall determine the frequency and schedule of committee meetings, provided the committee will meet at least two times per year. The Audit Committee meetings and matters relating to them are subject to the provisions of the Company's Bylaws ("Bylaws"). The Audit Committee may ask members of management or others whose advice and counsel are relevant to the issues then being considered by the committee to attend any meetings and to provide such information as the committee may request.
- **Agenda** – The Chair of the Audit Committee shall develop the committee's agenda, in consultation with other committee members. Each member of the Board and members of management are free to suggest the inclusion of items on the agenda. The agenda and information concerning the business which shall be conducted at each Audit Committee meeting shall, to the extent practicable, be distributed to committee members sufficiently in advance of each meeting to permit meaningful review.
- **Quorum** – A majority of the authorized number of Audit Committee members, regardless of possible vacancies, shall constitute a quorum. The Audit Committee may act by a majority of the members present at a meeting of the committee at which at least a quorum is present.
- **Delegation** – The Chair of the Committee may, through the Committee by resolution, delegate authority to act on behalf of the Chair. The Committee may, by resolution, delegate authority to subcommittees or individual members of the Committee as it deems appropriate.
- **Communications** – The chair and others on the Audit Committee shall, to the extent appropriate, have contact throughout the year with senior management, other committee chairs, other key committee advisors, the External Auditor, etc., as applicable, to strengthen the committee's knowledge of relevant current and prospective business issues.
- **Committee Education and Orientation** – The Audit Committee, with management, shall develop and participate in a process for review of important financial and operating topics that present potential significant risk to the Company. Additionally, individual Audit Committee members are encouraged to participate in relevant and appropriate self-study education to assure understanding of the business and environment in which the Company operates.

- **Committee Meeting Attendees** – The Audit Committee shall request members of management, counsel, and the External Auditor, as applicable, to participate in committee meetings, as necessary to carry out committee responsibilities. The External Auditor or counsel may, at any time, request a meeting with the Audit Committee or its chair, with or without management in attendance. In any case, the Audit Committee shall meet separately with the External Auditor, at least annually.
- **Reporting to the Board of Directors** – The Audit Committee, through the committee chair, shall report periodically, as deemed necessary, but at least annually, to the full Board. In addition, summarized minutes from Audit Committee meetings shall be available to each Board member at least one week prior to the subsequent meeting of the Board.
- **Committee Expectations and Informational Needs** – The Audit Committee shall communicate its expectations and the nature, timing, and extent of its informational needs to management, and external parties, including the External Auditor. Written materials, including key performance indicators and measures related to key business and financial risks, if not previously distributed to the full Board, shall be received from management, auditors, and others at least one week in advance of meeting dates.
- **Authority to Hire Legal Counsel and Others** – The Audit Committee shall have authority to engage an administrative staff and outside advisors in such areas as law, accounting, internal control, and information systems, and other advisors necessary to carry out the committee's duties.
- **Funding** – The Company shall adequately fund the budget of the Audit Committee, including funding to cover paying the External Auditor for services in connection with preparing or issuing audit reports, performing other audit functions, reviewing and attesting services and providing other services to the Company, paying Audit Committee member salaries or fees, if any, paying committee staff and advisors, if any, and paying ordinary administrative expenses of the committee.

Relationship with External Auditor

The following apply in the relationship between the Audit Committee and the External Auditor:

- **External Auditor Responsible To Audit Committee and Board** – The External Auditor, in its capacity as an independent public accountant, shall be responsible to the Audit Committee and the Board as representatives of the shareholders.
 - **Audit Committee Oversight** – In executing its oversight of the External Auditor, the Audit Committee shall review the work of the External Auditor. The External Auditor shall review Company financial reports and shall report to the Audit Committee. The External Auditor shall report all relevant issues to the Audit Committee responsive to agreed-upon committee expectations.
-

- **Annual Performance Review** – The Audit Committee shall annually review the performance (effectiveness, objectivity, and independence) of the External Auditor. The Audit Committee shall obtain a formal written statement from the External Auditor delineating all relationships between the External Auditor and the Company consistent with standards set by the Independence Standards Board. Additionally, the Audit Committee shall discuss with the External Auditor relationships or services that may affect auditor objectivity and independence. In the event the Audit Committee shall not be satisfied with the External Auditor's assurances of independence, the committee shall take, or recommend to the full Board, appropriate action which shall ensure the independence of the External Auditor.
- **Significant Issues Not Adequately Addressed** – If the External Auditor identifies significant issues relative to the overall Board responsibility that have been communicated to management but, in the External Auditor's judgment, have not been adequately addressed, the External Auditor should communicate these issues to the chair of the Audit Committee.

Primary Responsibilities

The Audit Committee shall have primary responsibility for the following:

- **Oversight** – Exercising oversight of External Auditor and of Internal Audit.
- **Non-Audit Services** – Addressing Non-Audit Services.
- **Financial Reporting** – Monitoring financial reporting and risk control related matters.
- **Complaints** – Addressing Complaints on certain alleged illegal acts and unethical behavior in violation of the Ethics Code, and other matters.
- **Attorney Reports** – Addressing Attorney Reports.
- **Related Party Transactions** – Reviewing Related Party Transactions.
- **Annual Plans** – Preparing Annual Plans.
- **Shareholder Reports** – Preparing Shareholder Reports.
- **External Auditor Reports** – Accepting External Auditor Reports.
- **Performance Evaluations** – Conducting Audit Committee performance evaluations ("Audit Committee Performance Evaluations").

Exercising Oversight of External Auditors, Internal Audit

The Audit Committee is directly responsible for appointment, compensation, retention, oversight, qualifications and independence of the External Auditor. All audit services provided by the External Auditor must be preapproved by the Audit Committee. To the extent the Company shall have, at any time, an internal audit operation, the Audit Committee shall assist in the Board oversight of the performance of that operation. The relationship between the External Auditor and the Audit Committee is further described under "Relationship with External Auditor."

Addressing Non-Audit Services

All Non-Audit Services, including tax services but excluding those prohibited by federal securities law, must be pre-approved by the Audit Committee, subject to the following:

- ***Limitations on Approval*** – A Non-Audit Service may be approved by the Audit Committee only if it does not compromise independence of the External Auditor.
- ***Audit Committee Judgment*** – The Audit Committee must use its judgment to decide whether a service can be performed by the External Auditor without impairing, either in fact or in appearance, the independence of the External Auditor and subject to the following –
 - o ***Starting Point*** – The starting point for rendering a determination whether independence may be impaired shall be the following three principles –
 - An auditor cannot function in the role of management.
 - An auditor cannot audit the auditor's own work.
 - An auditor cannot serve in an advocacy role for the auditor's client.
 - o ***Factors To Consider*** – When approving Non-Audit Services, the following factors shall be considered –
 - Whether the service is being performed principally for the Audit Committee.
 - The effects of the service, if any, on audit effectiveness or on the quality and timeliness of the Company's financial reporting process.
 - Whether the service would be performed by specialists, e.g., technology specialists, who ordinarily also provide recurring audit support.
 - Whether the service would be performed by audit personnel and, if so, whether it will enhance their knowledge of the entity's business and operations.
 - Whether the role of those performing the service, e.g., a role where neutrality, impartiality, and auditor skepticism are likely to be subverted, would be inconsistent with the auditor's role.

- Whether the audit firm's personnel would be assuming a management role or creating a mutuality of interest with management.
 - Whether the auditors, in effect, would be "auditing their own numbers."
 - Whether the project must be started and completed very quickly.
 - Whether the audit firm has unique expertise in the service.
 - The size of the fee for the service.
- **Optional Approval Procedures** – The Audit Committee has the following options for approving Non-Audit Services –
 - o **Full Audit Committee** – The full Audit Committee can consider each Non-Audit Service.
 - o **Designee** – The Audit Committee can designate one of its members to approve a Non-Audit Service, with that member reporting approvals to the full committee.
 - o **Pre-Approval of Categories** – The Audit Committee can pre-approve categories of Non-Audit Services. Should this option be chosen, the categories must be specific enough to ensure that –
 - The Audit Committee knows exactly what it is approving and can determine the effect of such approval on auditor independence.
 - Management will not find it necessary to decide whether a specific service falls within a category of pre-approved Non-Audit Service.
- **Prohibited Services** – The nine services specifically prohibited by federal securities law are as follows –
 - o **Bookkeeping** – Bookkeeping or other services related to the accounting records or financial statements of the Company.
 - o **Financial Information Systems** – Financial information systems design and implementation.
 - o **Appraisal and Related Services** – Appraisal or valuation services, opinions, or contribution-in-kind reports.
 - o **Actuarial Services** – Actuarial reports.
 - o **Internal Audit** – Internal audit outsourcing services.
 - o **Human Resources** – Management functions or human resources.
 - o **Broker-Dealer and Related Services** – Broker or dealer investment adviser, or investment banking services.
 - o **Legal Services** – Legal services and expert services unrelated to the audit.
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- o **Other Services** – Any other service that the federally established Public Company Accounting Oversight Board determines is impermissible.
- **Limited Waiver** – The pre-approval requirement as applied to a Non-Audit Service may be waived for the Company should all of the following be satisfied –
 - o **Limit on Aggregate Amount** – The aggregate amount of all Non-Audit Services constitutes not more than 5% of the total amount of revenues paid by the Company to the External Auditor during the fiscal year in which the Non-Audit Services are provided.
 - o **Original Intent** – The service is originally thought to be a part of an audit by the External Auditor.
 - o **Resulting Service** – The service turns out to be a Non-Audit Service.
 - o **Notification of Audit Committee** – The Non-Audit Service is promptly brought to the attention of the Audit Committee and approved prior to completion of the audit by the Audit Committee or by one or more members of the Audit Committee who are members of the Board to whom authority to grant such approvals has been delegated by the Audit Committee.
- **Disclosure to Shareholders** – Approval by the Audit Committee of Non-Audit Services shall be disclosed to Company investors in periodic reports required by Section 13(a) of the Exchange Act.
- **Limited Delegation** – The Audit Committee may delegate to one or more designated members of the committee, who are Independent Directors of the Board, the authority to grant pre-approvals as described in this section. The decisions of any member to whom such authority is delegated is to be presented to the full Audit Committee at each of its scheduled meetings.

Monitoring Financial Reporting and Risk Control Related Matters

The Audit Committee shall review and assess the following:

- **Risk Management** – The Company's business risk management process, including the adequacy of the Company's overall control environment and controls in selected areas representing significant financial and business risk.
- **Annual Reports and Other Major Regulatory Filings** – All major financial reports in advance of filing or distribution.
- **Internal Controls and Regulatory Compliance** – The Company's system of internal controls for detecting accounting and reporting financial errors, fraud and defalcations, legal violations and noncompliance with the Ethics Code pertaining to accounting, internal controls on accounting or audit matters.
- **Regulatory Examinations** – Inquiries from the Securities and Exchange Commission ("SEC") and the results of examinations by other regulatory authorities in terms of important findings, recommendations, and management's response.

- **External Audit Responsibilities** – External Auditor independence and the overall scope and focus of the annual or interim audits, including the scope and level of involvement with unaudited quarterly or other interim-period information.
- **Financial Reporting and Controls** – Key financial statement issues and risks, their impact or potential effect on reported financial information, the processes used by management to address such matters, related External Auditor views, the bases for audit conclusions and important conclusions on interim and year-end audit work in advance of the public release of financials.
- **Auditor Recommendations** – Important External Auditor recommendations on financial reporting, controls, other matters, and management's response; and the views of management and the External Auditor on the overall quality of annual and interim financial reporting.

Addressing Complaints on Certain Illegal Acts, Unethical Behavior, Other Matters

The Audit Committee shall have the following special duties:

- **Complaints** – The Audit Committee, from time to time, when it shall receive a Complaint, i.e., an inquiry or complaint or when the committee independently shall decide in accordance with this charter, shall review and make a determination and recommend appropriate action to be taken by the Board on the Complaint, subject to the following –
 - o **Specific Meaning** – In this context, "Complaint" shall mean any one or more of the following involving an officer, director, or employee of the Company or any of its directly or indirectly wholly-owned subsidiaries ("Employee" or, where the subject of the Complaint is limited to a director on the board of directors of one or more of those entities, "Director") –
 - Allegation of illegal activity or unethical behavior-related violation of the Ethics Code by an Employee pertaining to a Company accounting, internal control on accounting, or audit matter ("Accounting Violation").
 - A confidential, anonymous or other submission by an Employee of concern regarding an alleged Company questionable accounting or audit practice ("Questionable Accounting Practice").
 - Allegation of illegal activity or unethical behavior-related violation of the Ethics Code by an Employee pertaining to a matter other than an Accounting Violation ("Unethical Conduct").
- **Procedure** – The following shall constitute the Company's procedure for receipt, retention and treatment of Complaints regarding Accounting Violations, Questionable Accounting Practices or Unethical Conduct –
 - o **Specific Allegations** – Topics that may be addressed in Complaints must relate to specific alleged Accounting Violations, Questionable Accounting Practices or Unethical Conduct.

- o **Accounting Violations and Questionable Accounting Practices** – A Complaint regarding Accounting Violations or Questionable Accounting Practices must be directed to the Audit Committee for response or investigation. Topics that may be addressed in such Complaints include, but are not limited to the following –
 - Allegations of fraud or deliberate error in the preparation of the Company financial statements.
 - Allegations of fraud or deliberate error in the review or audit of Company financial statements.
 - Allegations of fraud or deliberate error in maintaining Company financial records.
 - Deficiencies in internal control, or violations of internal control policies.
 - False statements by a senior officer or accountant regarding matters included in financial reports or records.
 - False statements made to independent auditors.
 - Other information that can have a material impact on the fairness of the Company's financial statements.

 - o **Director Unethical Conduct Complaint** – A Complaint regarding Unethical Conduct by a Director must be directed to the following committee for response and investigation, if any, as conditioned –
 - Audit Committee, should the Complaint relate to an Accounting Violation by an Employee, with a copy of the Complaint delivered to the chair of the Nominating and Corporate Governance Committee.
 - Nominating and Corporate Governance Committee, should the Complaint relate to Unethical Conduct by the Director which does not involve an Accounting Violation, with a copy of the Complaint delivered to the chair of the Audit Committee.
 - Audit Committee and Nominating and Corporate Governance Committee, should the Complaint relate to both an Accounting Violation by an Employee, and Unethical Conduct by the Director which does not involve an Accounting Violation.

 - o **Employee (Not Director) Unethical Conduct** – A Complaint regarding Unethical Conduct by an Employee who is not a Director must be directed to the Employee's supervisor or the Chief Financial Officer for response or investigation. Should the Complaint be submitted to the Employee's supervisor, a copy must be directed to the Chief Financial Officer, unless the Complaint pertains to that officer, in which case the copy must be directed to the Company's Chief Executive Officer ("Chief Executive Officer").
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- o **Written Complaint** – A Complaint must be in writing, contain sufficient detail to provide a basis for the investigator to make an independent determination as to whether an Accounting Violation, Questionable Accounting Practice or Unethical Conduct has occurred.
- o **Signature, Date** – A Complaint must be signed and dated by the complainant-Employee in the case of an Accounting Violation or Unethical Conduct-related Complaint.
- o **Signature Not Required on Confidential or Anonymous Questionable Accounting Practice Complaint** – A Questionable Accounting Practice-related Complaint need not be signed, should the complainant be seeking confidential or anonymous treatment of the Complaint. However, it must be dated.
- o **Delivery of a Complaint To a Committee** – A Complaint directed to the Audit Committee or the Nominating and Corporate Governance Committee must be addressed and mailed or otherwise delivered to the chair of the appropriate committee at the Company's corporate offices as follows –

CONFIDENTIAL
 ATTN: Chair, Audit Committee
 (Complaint)
 General Communication, Inc.
 2500 Denali Street, Suite 1000
 Anchorage, Alaska 99503

or

CONFIDENTIAL
 ATTN: Chair, Nominating and
 Corporate Governance Committee
 (Complaint)
 General Communication, Inc.
 2500 Denali Street, Suite 1000

Anchorage, Alaska 99503

- o **Delivery of a Complaint To the Chief Financial Officer** – A Complaint directed to the Chief Financial Officer must be addressed and mailed or otherwise delivered to that officer at the Company's corporate offices as follows –

CONFIDENTIAL
 ATTN: Chief Financial Officer (Complaint)
 General Communication, Inc.
 2500 Denali Street, Suite 1000
 Anchorage, Alaska 99503

- o **Other Forms of Delivery** – The Chief Financial Officer, in conjunction with the chairs of the Audit Committee and the Nominating and Corporate Governance Committee, shall review and, in the event they shall reach consensus, recommend to the Board other possible means by which a complainant shall deliver a Complaint to the Company, including, but not limited to, an internet address or a toll-free telephone number.
- o **Complaint Filing System** – The Chief Financial Officer, in conjunction with the chairs of the Audit Committee and the Nominating and Corporate Governance Committee, shall establish a procedure compatible with the charters of both committees and the Ethics Code and providing for the corresponding investigator of a Complaint to log the Complaint into a filing system specifically established to retain, process, and otherwise provide for the treatment of Complaints ("Complaint Filing System").

- The Complaint Filing System will be used by each of these three investigators in the separate duties of each in addressing a Complaint.
 - o **Processing of a Complaint** – The recipient (investigator) of the Complaint will log the Complaint into the Complaint Filing System, subject to the following –
 - Should the Complaint be in the nature of an allegation of an Accounting Violation, a Questionable Accounting Practice or Unethical Conduct, the investigator must determine, based upon the information provided in the Complaint and independent investigation which the investigator, in the investigator's sole discretion, deems appropriate given the nature of the Complaint, whether there is a reasonable basis for the allegation made in the Complaint, investigate the Complaint, decide whether to hold a hearing on the matter and, should the investigator choose to hold such a hearing, give notice of, and hold the hearing on, the Complaint, request witnesses to appear at the hearing, and otherwise gather evidence necessary for the investigator to render a determination on the Complaint and submit a written determination to, and recommend appropriate action by, the Board.
 - Should the Complaint be in the nature of a Questionable Accounting Practice where the Complaint is unsigned or where the complainant has otherwise indicated the Complaint is presented as a confidential, anonymous submission to the investigator, the investigator must determine, based upon the information provided in the Complaint and independent investigation which the investigator, in the investigator's sole discretion, deems appropriate given the nature of the Complaint, whether there is a reasonable basis for the allegation made in the Complaint, render a determination on the Complaint and submit a written determination to, and recommend appropriate action by, the Board.
 - Should the Complaint be in the nature of an inquiry without allegation of an Accounting Violation, Questionable Accounting Practice or Unethical Conduct, the recipient may either respond directly to the complainant or, in the recipient's sole discretion, recommend to the Board appropriate action.
 - The investigator will, regardless of the nature of the Complaint, seek to process it in a timely manner.
 - The investigator shall be informed of the receipt of Complaints at least on a weekly basis. In the event the Complaint shall be directed to a committee, the chair of the committee shall be informed of the receipt of the Complaint within not more than two business days.
 - A Complaint pertaining to one or more executive officers or Directors must receive especially timely review by the corresponding investigator.
 - Each investigator will decide, upon initial review of a Complaint, whether a formal investigation shall be initiated and the extent of it, including who shall carry out the investigation, and the resources which shall be deemed necessary to carry it out.
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- All signed Complaints will be acknowledged as received by the investigator. In the event the signed Complaint shall be directed to a committee, the chair of the committee, or the chair's designee shall acknowledge receipt of the Complaint.
 - In the event the investigator shall conclude a Complaint as not one subject to the scope of the investigator's responsibilities under a committee charter or otherwise but as one raising legitimate issues, the investigator shall forward the matter to the Chief Financial Officer for direct action or referral to the appropriate person for review and action.
 - o **Annual Status Report** – The Audit Committee, the Nominating and Corporate Governance Committee, and the Chief Financial Officer as investigators of Complaints, will at least annually each provide reports to the Board on the status of Complaints received during the year, including, but not limited to, a brief description of each, the status of each, and recommended action, if any, on each by the Board (affirmative relief or closure of a file on a Complaint for which the investigator has not received additional requested information from the complainant within a reasonable time which the investigator deems necessary to make a determination in the matter).
 - o **Retention of Closed File** – A Complaint file, once closed, will be retained for a time period of 10 years and in accordance with the Company's appropriate records retention policy, after which it will be destroyed. Unless specifically provided otherwise in that policy, the Chief Financial Officer or the officer's designee is the custodian of a closed Complaint file.
 - o **Confidential Treatment** – An investigator will be particularly sensitive to the confidential nature of Complaints, especially ones where the complainant has made the Complaint through a confidential or anonymous submission. Complaint files will not be available generally to Employees except with the permission of the investigator and only in accordance with the Company's policy on confidential records, if any, pertaining to the subject matter of the Complaint.
 - o **Committee Review** – In the event the investigator shall be the Audit Committee or the Nominating and Corporate Governance Committee, a Complaint shall be reviewed initially by the chair, or the chair's designee, and an initial analysis submitted to the committee. Any formal action taken by the committee on the Complaint must be at a duly scheduled meeting at which at least a quorum of its members is present, and a determination on the Complaint must be by vote of at least a majority of the committee present, subject further to the procedural requirements of the Bylaws.
 - o **Other Procedures** – The Audit Committee shall adopt such other procedures, subject to prior Board approval, as may be necessary to carry out the committee's responsibilities in addressing Complaints, Auditor Disagreements, and other matters addressed in this section.
 - **Other Complaint-Related Matters** – The Audit Committee shall address other Complaint-related matters as designated by the Board.
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- **Disagreements** – The Audit Committee, when it shall receive notice of, or when the committee independently shall become aware of, an Auditor Disagreement, i.e., a disagreement between Company management and the External Auditor regarding financial reporting, shall, in accordance with this charter, review and resolve the Auditor Disagreement.
 - o **Timely Review** – In this context, the Audit Committee shall review the Auditor Disagreement in a timely fashion and provide a written determination with supporting argument for it, and the determination of the Audit Committee regarding the Auditor Disagreement shall be final.

Addressing Attorney Reports

The Audit Committee shall address an Attorney Report, i.e., a report of evidence of a securities violation or other infraction involving the Company subject to the following:

- **Report Required** – An attorney retained by, or otherwise employed by, the Company and appearing and practicing before the SEC on behalf of the Company who becomes aware of evidence of a suspected material violation of securities law ("Reporting Attorney") is required to submit an Attorney Report to the Company's Senior Vice President-Regulatory Affairs ("Chief Legal Counsel"), or if the matter relates to the Chief Legal Counsel, to the Company's Chief Executive Officer ("Chief Executive Officer") for appropriate response (collectively, the Chief Legal Counsel or the Chief Executive Officer, "recipient") and subject to the following –
 - o **Appearing and Practicing** – An attorney is deemed to be "appearing and practicing before the SEC" in the representation of the Company, and therefore subject to the provisions of this section on Attorney Reports, if the attorney performs specific services (representing the Company before the SEC, transacting business with the SEC including communications in any form filed with the SEC, or advising the Company on a filing with the SEC), but only if the attorney provides those services in an attorney-client capacity.
 - o **Material Violation** – A "material violation" includes a material violation of federal or state securities law, a material breach of fiduciary duty arising under federal or state law, or a similar violation of any federal or state law by an officer, director, employee or agent of the Company.
 - o **Content** – The Attorney Report must contain details of the suspected material violation and the relevant evidence regarding the material violation.
 - **Appropriate Response** – The recipient of the Attorney Report must inquire into evidence contained in the report, and, unless the recipient reasonably believes no material violation has occurred, is ongoing, or is about to occur, the recipient must take steps to initiate an appropriate response, i.e., take all reasonable steps to cause the Company to adopt an appropriate response and subject further to the following –
 - o **Referral To Audit Committee** – The recipient may choose not to make a determination on the matter or refer the Attorney Report to the Audit Committee, in which case the committee is responsible to inquire into the evidence and, if necessary, formulate an appropriate response.
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- o **Notice To Reporting Attorney** – The recipient must within a reasonable time advise the Reporting Attorney as to what the recipient has done regarding the report.
- o **Receipt of Appropriate Response** – Should the Reporting Attorney receive what that attorney believes to be an appropriate response within a reasonable time, the responsibility of that attorney as to the Attorney Report is complete.
- o **No Appropriate Response** – Should the Reporting Attorney not receive an appropriate response within a reasonable time, that attorney must report the evidence directly to the Audit Committee. Once that report is made to that committee, the responsibility of the Reporting Attorney is complete.
- o **Specific Meaning** – The "appropriate response" requirement is met if, after receiving a response, the Reporting Attorney reasonably believes that no material violation occurred, is ongoing, or is about to occur, the Company has adopted appropriate preventative or remedial measures, or the matter has been referred to an attorney with the consent of the Board, the Audit Committee, or the Chief Legal Officer, who has investigated the evidence and the Company has implemented any remedial recommendations made by the attorney, or the Company has been advised by that attorney that the attorney may assert a colorable defense with regard to the evidence of a material violation.
- **Other Procedures** – The Audit Committee shall adopt such other procedures, subject to prior Board approval, as may be necessary to carry out the committee's responsibilities in addressing Attorney Reports.

Reviewing Related-Party Transactions

The Audit Committee shall be responsible, in the context of Related Party Transactions, for the following:

- **Review** – The Audit Committee shall review all Related Party Transactions for possible conflict of interest situations on an ongoing basis.
 - o **Scope of Related Party Transactions** – A Related Party Transaction is a transaction required to be disclosed pursuant to Item 404 of Regulation S-K adopted by the SEC.
- **Approval** – All Related Party Transactions must be approved by the Audit Committee.

Preparing Annual Plans

The Audit Committee, with responses from management and other key committee advisors, shall develop an Annual Plan, i.e., a plan for Company audit-related matters addressing the Primary Responsibilities detailed in this charter. The Annual Plan shall be reviewed and approved by the full Board.

Preparing Shareholder Reports

The Audit Committee shall make available to shareholders a Shareholder Report, i.e., a summary report on the scope of its activities. The Shareholder Report may be identical to the report that appears in the Company's annual report.

Accepting External Auditor Reports

External Auditor Reports shall be subject to the following:

- ***Receipt of Report*** – The Audit Committee shall receive External Auditor Reports directly from the External Auditor. The External Auditor Reports shall be submitted at least annually as shall be requested by the Audit Committee.
 - ***Content of Report*** – The External Auditor Report shall include the following:
 - ***Staffing, Scope*** – Audit staffing and supervision, and scope of audit.
 - ***Critical Accounting Policies*** – Critical accounting policies and practices, alternative accounting treatments, the reasons for selecting such policies, and their impact on the fairness of the Company's financial statements.
 - ***Significant Estimates*** – Significant estimates made by management in the preparation of financial reports.
 - ***Communications*** – Nature and content of communications between the External Auditor and Company management.
 - ***Off-Balance Sheet Transactions*** – Off-balance sheet transactions, joint ventures, contingent liabilities, or derivative transactions, and their impact on the fairness of financial statements.
 - ***External Auditor Proposed Adjustments*** – External Auditor proposed adjustments, including those recorded by management and those not recorded by management.
 - ***Difficulties with Management*** – Difficulties encountered with management during the audit.
 - ***Disagreements with Management*** – Disagreements with management regarding accounting and reporting issues.
 - ***Legal Matters*** – Material legal matters that may impact the financial statements.
 - ***Overall Fairness*** – External Auditor's opinion on the overall fairness of the financial statements.
 - ***Written Record*** – The Audit Committee shall keep a written record of all communications with the External Auditor. The Audit Committee may request that the External Auditor put its comments in writing.
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- **Deadline for Report** – The Audit Committee must receive a complete report from the External Auditor on the matters addressed in the External Auditor Report prior to completion of the annual audit.
- **Regular Communications** – The Audit Committee shall maintain regular communications with the External Auditor on the topics addressed in the External Auditor Report in connection with Company quarterly reports and other Company financial reports.

Conducting Audit Committee Performance Evaluations

The Audit Committee shall each year conduct an Audit Committee Performance Evaluation, i.e., it shall review, discuss, and assess its own performance as well as the committee's purpose and responsibilities, seeking responses from senior management, the full Board, and others. Changes, if any, in the Audit Committee's purpose or responsibilities or, generally, changes to this charter shall be recommended to the full Board for approval.

Other Matters

The foregoing provisions of this charter are not intended to be exhaustive. The Audit Committee may, in addition, perform such other functions as may be necessary or appropriate for the performance of its purposes and responsibilities.

Nothing in this charter is intended to, and must not be construed as, creating any responsibility or liability of the members of the Audit Committee except to the extent otherwise provided under applicable Alaska law which continues to set the legal standard for the conduct of the committee members.

ADOPTED by the board of directors of General Communication, Inc. as of the 1st day of January, 2010.

Date: June 15, 2010
John M. Lowber
Secretary

/s/ John M. Lowber

**GENERAL COMMUNICATION, INC.
NOMINATING AND CORPORATE GOVERNANCE
COMMITTEE CHARTER***

Purpose

The purpose of the Nominating and Corporate Governance Committee ("Committee") is to act on behalf of the board of directors ("Board") of General Communication, Inc. ("Company") and generally to carry out the following and as further described in this charter:

- **Nominations** – Identify and recommend nominees for the Board and its committees.
- **Corporate Governance** – Review and recommend to the Board, or independently take, action on various Company corporate governance issues.
- **Complaints** – Receive and respond to certain complaints ("Complaints") raised by Company employees regarding alleged illegal acts or behavior-related conduct by Board members in violation of the Company's Code of Business Conduct and Ethics ("Ethics Code").
- **Supervision** – Supervise the Company's Chief Financial Officer ("Chief Financial Officer") in the context of the Ethics Code.
- **Other** – Carry-out other assignments as designated by the Board.

Membership

The following are prerequisites for, and conditions on, membership on the Committee:

- **Number, Qualifications** – The Committee shall consist of at least three, and no more than eleven, Board members meeting the following qualifications:
 - o **Independent** – Each member of the Committee must be an independent director as the term is defined in this charter ("Independent Director").
- **Term** – Subject to the terms of this charter –
 - o **Member Appointment** – Members of the Committee shall be appointed by the Board and shall serve at the pleasure of the Board for such term as the Board may determine, taking into account the recommendations of the Committee.
 - o **Chair Selection** – The Committee chair shall be selected by the Committee members or, if the Board directs, by the Board, taking into account the recommendations of the Committee.
- **Independent Director** – An Independent Director is a person that meets the definition of an "Independent Director" as prescribed by the Nasdaq Stock Market LLC ("Nasdaq") under the Nasdaq Listing Rules, i.e., Rule 5605(a)(2) ("Nasdaq Independence Rule"), which reads as follows –

*As revised by the board of directors of General Communication, Inc., effective as of January 1, 2010.

"means a person other than an Executive Officer or employee of the Company or any other individual having a relationship which, in the opinion of the Company's board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. For purposes of this rule, "Family Member" means a person's spouse, parents, children and siblings, whether by blood, marriage or adoption, or anyone residing in such person's home. The following persons shall not be considered independent:

(A) a director who is, or at any time during the past three years was, employed by the Company;
(B) a director who accepted or who has a Family Member who accepted any compensation from the Company in excess of \$120,000 during any period of twelve consecutive months within the three years preceding the determination of independence, other than the following:

(i) compensation for board or board committee service;
(ii) compensation paid to a Family Member who is an employee (other than an Executive Officer) of the Company; or

(iii) benefits under a tax-qualified retirement plan, or non-discretionary compensation.

Provided, however, that in addition to the requirements contained in this paragraph (B), audit committee members are also subject to additional, more stringent requirements under [Nasdaq Listing] Rule 5605(c)(2).

(C) a director who is a Family Member of an individual who is, or at any time during the past three years was, employed by the Company as an Executive Officer;

(D) a director who is, or has a Family Member who is, a partner in, or a controlling Shareholder or an Executive Officer of, any organization to which the Company made, or from which the Company received, payments for property or services in the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenues for that year, or \$200,000, whichever is more, other than the following:

(i) payments arising solely from investments in the Company's securities; or

(ii) payments under non-discretionary charitable contribution matching programs.

(E) a director of the Company who is, or has a Family Member who is, employed as an Executive Officer of another entity where at any time during the past three years any of the Executive Officers of the Company serve on the compensation committee of such other entity;

(F) a director who is, or has a Family Member who is, a current partner of the Company's outside auditor, or was a partner or employee of the Company's outside auditor who worked on the Company's audit at any time during any of the past three years; or

(G) in the case of an investment company, in lieu of paragraphs (A)-(F), a director who is an "interested person" of the Company as defined in section 2(a)(19) of the Investment Company Act of 1940, other than in his or her capacity as a member of the board of directors or any board committee."

- o **Company Includes** – When used in the Nasdaq Independence Rule, "Company" includes any parent or subsidiary of the Company. The term "parent or subsidiary" is intended to cover entities the Company controls and consolidates with the Company's financial statements as filed with the Commission [SEC] (but not if the Company reflects such entity solely as an investment in its financial statements).

- o **Executive Officer includes** – When used in the Nasdaq Independence Rule, "Executive Officer" means an officer covered in Rule 16a-1(f) under the Securities Exchange Act of 1934.
- **Lack of Independence** – The Company shall in addition to the provisions of this charter also follow the interpretation by Nasdaq as to Director Independence as set forth in its Nasdaq Listing Rules.
- **Executive Officer Interim Service** – The following conditions shall apply to employment of a director as an Executive Officer of the Company on an interim basis ("Interim Service") –
 - o **No Disqualification for Short Term** – In interpreting (A) of the definition of Independent Director, Interim Service shall not disqualify the director from being considered an Independent Director following that Interim Service so long as the Interim Service shall not have lasted longer than one year.
 - o **Status During Interim Service** – A director shall not be considered an Independent Director while providing Interim Service.
 - o **Compensation Received During Interim Service** – In interpreting (B) of the definition of Independent Director, compensation received by a director for former Interim Service shall not be considered as compensation in determining whether the director is an Independent Director after that Interim Service so long as the Interim Service shall not have lasted longer than one year.
 - o **Board Determination on Independent Judgment** – In the event of a director's former Interim Service, the Board shall consider whether such former Interim Service and any compensation received for it shall interfere with that director's exercise of independent judgment in carrying out responsibilities of a director.
 - o **Preparation of Financial Statements** – In the event a director who shall have provided Interim Service shall have participated in the preparation of the Company's financial statements while providing that Interim Service, the director shall be precluded from service on the Audit Committee for three years.
- **Removal and Replacement** – Subject to Alaska law, a Committee member may be removed or replaced by, and any vacancies on the Committee may be filled by, the Board, taking into account recommendations of the Committee.

Operating Principles

The Committee shall fulfill its responsibilities within the context of the following overriding principles:

- **Meetings** – The Chair of the Committee, in consultation with Committee members, shall determine the frequency and schedule of Committee meetings, provided the Committee will meet at least two times per year. Committee meetings and matters relating to them are subject to the provisions of the Company's Bylaws ("Bylaws"). The Committee may ask members of management or others whose advice and counsel are relevant to the issues then being considered by the Committee to attend any meetings and to provide such information as the Committee may request.

- **Agenda** – The Chair of the Committee shall develop the Committee's agenda, in consultation with other Committee members. Each member of the Board and members of management are free to suggest the inclusion of items on the agenda. The agenda and information concerning the business which shall be conducted at each Committee meeting shall, to the extent practicable, be distributed to Committee members sufficiently in advance of each meeting to permit meaningful review.
- **Quorum** – A majority of the authorized number of Committee members, regardless of possible vacancies, shall constitute a quorum. The Committee may act by a majority of the members present at a meeting of the Committee at which at least a quorum is present.
- **Delegation** – The Chair of the Committee may, through the Committee by resolution, delegate authority to act on behalf of the Chair. The Committee may, by resolution, delegate authority to subcommittees or individual members of the Committee as it deems appropriate.
- **Communications** – The chair and others on the Committee shall, to the extent appropriate, have contact throughout the year with senior management, other committee chairs, other key committee advisors, the External Auditor, etc., as applicable, to strengthen the Committee's knowledge of relevant current and prospective business issues.
- **Committee Meeting Attendees** – The Committee shall request members of management, counsel, and the External Auditor, as applicable, to participate in Committee meetings, as necessary to carry out Committee responsibilities. The External Auditor or counsel may, at any time, request a meeting with the Committee or its chair, with or without management in attendance.
- **Reporting to the Board of Directors** – The Committee, through the Committee chair, shall report periodically, as deemed necessary, but at least annually, to the full Board. In addition, summarized minutes from Committee meetings shall be available to each Board member at least one week prior to the subsequent meeting of the Board.
- **Resource and Authority** – The Committee shall have the resources and authority to discharge its duties and responsibilities, including the authority to retain counsel and other experts or consultants. The Committee shall have the sole authority to select and retain a consultant or search firm to identify director candidates, to terminate any such consultant or search firm retained by it, and to approve the consultant or search firm's fees and other retention terms.

Primary Responsibilities

The Committee shall have primary responsibility for the following:

- **Nominating Matters** – Addressing nominating matters.
- **Corporate Governance Matters** – Addressing corporate governance matters.
- **Complaints** – Addressing Complaints on certain alleged illegal acts and unethical behavior-related conduct by Board members in violation of the Ethics Code

- **Chief Financial Officer** – Supervising Chief Financial Officer on Ethics Code.
- **Performance Evaluation** – Conducting Committee performance evaluation ("Committee Performance Evaluation").

Addressing Nominating Matters

The Committee shall have the following nominating responsibilities:

- **Seek Out Prospective Board Members** – The Committee shall, from time to time, seek out candidates as prospective Board members through the efforts of its individual members and, in the Committee's discretion, through consultants as otherwise provided in this charter.
 - **Management Recommendations** – The Committee may, but is not required to do so, consider recommendations for candidates proposed by Company management.
 - **Shareholder Recommendations** – The Committee may consider certain Company shareholder recommendations ("Shareholder Recommendations").
- **Board Skills and Characteristics** – The basic skills and characteristics required as prerequisites for each member, unless otherwise specified, on the Board ("Board Skills and Characteristics") are as follows –
 - **Knowledge, Skills and Experience** – Knowledge, skills and experience in at least one of the primary industries in which the Company operates.
 - **Fundamental Financial Statements** – Ability to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cash flow statement, and at least familiarity with the underlying accounting rules and practice.
 - **Business and Financial Risks** – Ability to understand key business and financial risks of the Company.
 - **Changing Needs of Society** – Appreciation of the relationship of the Company's business to the changing needs of society.
 - **Financial Sophistication** – With respect to at least one Board member, skills, attributes, and financial sophistication of an Audit Committee Financial Expert as the term is defined in the Company's Audit Committee Charter.
 - **Independent Director** – With respect to at least a simple majority of the authorized members of the Board, each an Independent Director.
 - **Other Specifications** – Other skills and characteristics specifically identified and approved by the Committee.
- **Review Board Skills and Characteristics** – As a part of the Company's assessment of strategic direction, review with the Board on at least an annual basis the Board Skills and Characteristics and recommend appropriate amendments to, or changes of, them.

- **Recommend Existing Board Members** – In the sole discretion of the Committee, recommend to the Board for renomination one or more of those existing Board members whose positions are up for election after considering all of the following criteria as applied to each such member –
 - o **Board Size** – Appropriate size of the Board.
 - o **Minimum Qualifications** – Minimum Qualifications to be a Board member as set forth in Article IV, Section 2(a) of the Bylaws.
 - o **Skills and Characteristics** – Level of Board Skills and Characteristics.
 - o **Company Strategic Direction** – Committee's understanding of the strategic direction requirements of the Company.
 - o **Board Compositional Needs** – Specific compositional needs of the Board, including, but not limited to, specific talents and experience involving technology, business, finance, administration or public service, in light of prevailing business conditions and the Board Skills and Characteristics already possessed by other members of the Board.
 - o **Annual Evaluation** – Results of annual evaluation.
 - o **Personal Preference** – Wishes of affected existing Board member to be re-nominated.
 - **Identify and Recommend Proposed Board Member Vacancies** – Identify, from time to time, one or more individuals satisfying all of the following criteria as applied to the individual and recommend that the Board select the individual as a nominee to stand for election to the Board by the shareholders or, in the case of a vacancy on the Board, recommend that the Board fill the vacancy with that individual, subject to the individual's standing for election by the shareholders at the then next shareholder meeting:
 - o **Board Size** – Appropriate size of the Board.
 - o **Minimum Qualifications** – Minimum Qualifications to be a Board member as set forth in Article IV, Section 2(a) of the Bylaws.
 - o **Skills and Characteristics** – Level of Board Skills and Characteristics.
 - o **Company Strategic Direction** – Committee's understanding of the strategic direction requirements of the Company.
 - o **Board Compositional Needs** – Specific compositional needs of the Board, including, but not limited to, specific talents and experience involving technology, business, finance, administration or public service, in light of prevailing business conditions and the Board Skills and Characteristics already possessed by other members of the Board.
 - **Recommend Proposed Committee Members** – Identify and recommend for appointment by the Board, Board members qualified to fill vacancies on any committee of the Board, including the Committee. In nominating a candidate for a committee membership, the Committee shall take into consideration the factors set forth in the charter for that committee, if any, or as required by law or regulation, as well as any other factors it deems appropriate, including but not limited to, experience, skill and background.
-

- **Issue Committee Reports** – Report to the Board periodically on the status of the Committee's efforts on Board and committee nominations.
- **Invite Prospective Board Member** – Chair of the Committee, in conjunction with the Company's Chief Executive Officer ("Chief Executive Officer"), Chairman of the Board and the Board, generally, shall extend an invitation to the selected candidate to join the Board.
- **Review Significant Change in Director Status** – Upon a significant change in a director's personal circumstances, including a change of principal occupation, or in the event a significant ongoing time commitment arising which may be inconsistent with a director's service on the Board, review, as appropriate and, in light of the then-current Board policies, the continued Board membership of that director and make an appropriate recommendation to the Board.
- **Consider Shareholder Recommendations** – A shareholder having at least the minimum requisite ownership in the Company ("Recommending Shareholder") may make a Shareholder Recommendation, i.e., recommend to the Committee a candidate for nomination and election to the Board at a Company annual shareholder meeting. The Committee shall consider that Shareholder Recommendation, subject to the following –
 - **Timely Receipt of Recommendation Statement** – The Shareholder Recommendation must be received by the Committee, timely, along with a statement in support of the recommendation ("Recommendation Statement") to ensure the Committee's consideration of it.
 - A Shareholder Recommendation, including the Recommendation Statement, to be "received by the Committee" must be delivered to the following address:

ATTN: Chair, Nominating and Corporate Governance Committee
(_____ [Year of Meeting] Annual Meeting Recommendation)
General Communication, Inc.
2500 Denali Street, Suite 1000
Anchorage, Alaska 99503
 - To be "timely," the Committee must receive the Shareholder Recommendation not earlier than, and not later than the dates as prescribed in the Company's Bylaws (Article III, Section 14) pertaining to submission of a shareholder proposal in conjunction with an annual meeting.
 - A Recommending Shareholder is a shareholder who, as of the date of the Shareholder Recommendation and the record date for the annual meeting, is a beneficial owner of at least one share of voting securities of the Company, i.e., one share of Class A common stock, one share of Class B common stock or one share of preferred stock which either has voting rights directly or indirectly on an equivalent as-converted basis in common stock of the Company.

- o **Content of Recommendation Statement** – The Recommendation Statement must set forth the following –
 - For each candidate recommended –
 - The candidate's name, age, business and residential address and principal occupation or employment.
 - The class and number of shares of Company capital stock beneficially owned by the Recommending Shareholder on the date of the Shareholder Recommendation.
 - A description of all arrangements or understandings between the Recommending Shareholder and the candidate and the name of any other person pursuant to which the recommendation is to be made.
 - All other information relating to the candidate that is required to be disclosed in solicitation of proxies for election of directors or is otherwise required in each case pursuant to Regulation 14A adopted pursuant to the Exchange Act.
 - Written consent of the candidate to being recommended as a candidate and nominee, in the event the Committee and the Board should accept the recommendation, in the Company's proxy statement and to serve as a director if so elected.
 - As to the Recommending Shareholder (and the beneficial owner if different from the registered holder of the underlying Company voting common stock) –
 - The Recommending Shareholder's name and address as appears on the Company's books (and also that of that beneficial owner).
 - The class and number of shares of Company capital stock owned beneficially and of record by the Recommending Shareholder (and also that of that beneficial owner).
 - Other information as may be requested by the Committee on the Recommending Shareholder or the Recommended Candidate.
 - o **Review and Evaluation** – A Shareholder Recommendation shall be reviewed and evaluated by the Committee, and the Committee's determination on that recommendation shall be subject to the application of the same criteria as shall be the case for a determination by the Committee on existing Board members standing for re-election.
 - o **Significant Shareholder Recommendation** – In the event the Committee shall have received, by a date (month, day) not later than the 120th calendar day before the date (month, day) of the Company's proxy statement released to its shareholders in connection with the previous year's annual meeting, a Shareholder Recommendation from a significant Recommending Shareholder –
-

- The Committee shall identify in the Company's management proxy statement for the anticipated annual meeting the candidate who is the subject of the Shareholder Recommendation and the significant Recommending Shareholder and shall disclose whether the Committee chose to nominate the candidate –
 - However, no such identification or disclosure is required without submission to the Committee of written consents by both the significant Recommending Shareholder and the candidate.
 - Here, "significant Recommending Shareholder" means a shareholder of the Company who has been a beneficial owner of more than 5% of the Company's voting common stock (combined Class A and Class B common stock outstanding, and voting equivalent shares, if any, from the issuance of preferred stock) for at least one year as of the date the Shareholder Recommendation was made, or was a group of such shareholders that beneficially owned in the aggregate more than 5% of that Company voting common stock with each of the securities used to calculate that ownership held for at least one year from that date.
 - As an example of the chronology, a Shareholder Recommendation from a significant Recommending Shareholder meeting the deadline for receipt by the Committee would include a recommendation for the Company's 2005 annual shareholder meeting which is received on December 1, 2004 where the 120th calendar day before the release on April 30, 2004 of proxy materials for the 2004 annual meeting was January 1, 2004.
- In the event the date of the anticipated annual meeting shall have been changed by more than 30 days from the date of the previous year's annual meeting, the Company's obligation to consider a Shareholder Recommendation will arise where the Company shall receive the Shareholder Recommendation a reasonable time before the Company shall have begun to print and mail its proxy materials.
 - **Report of Categories** – In the event the Committee shall approve a Shareholder Recommendation for inclusion on the Company's management proxy card (other than nominees who are directors standing for re-election), the Committee shall report in the proxy statement accompanying that card which one or more of the following categories of persons or entities recommended that candidate: security holder, non-management director, Chief Executive Officer, other Executive Officer, third-party search firm, or other specified source.
 - **Consultant Fee** – In the event the Company shall pay a fee to a third party to identify or evaluate, or to assist in identifying or evaluating potential nominees, the function performed by each such party shall be disclosed in the corresponding Company management proxy statement describing that nominee for election as a director.
 - **Other Duties** – Carry out other duties or responsibilities expressly delegated, from time to time, to the Committee by the Board relating to nomination of Board and committee members.

Addressing Corporate Governance Matters

The Committee shall have the following corporate governance responsibilities:

- **Review and Recommend Changes To Ethics Code** – Review and make recommendations at least once a year to the Board regarding the content, structure and scope of, and compliance with, the Ethics Code.
 - **Develop Corporate Governance Principles** – Develop and recommend to the Board a set of corporate governance principles applicable to the Company ("Corporate Governance Principles"), and review those principles at least once a year. The Corporate Governance Principles shall include, but not be limited to –
 - o **Standards** – Director qualification standards.
 - o **Responsibilities** – Director responsibilities.
 - o **Access To Management** – Director access to management and, as necessary and appropriate, independent advisors.
 - o **Compensation** – Director compensation.
 - o **Continuing Education** – Director orientation and continuing education.
 - o **Succession** – Management succession.
 - o **Performance Evaluation** – Annual performance evaluation of the Board.
 - **Advise on Legal Developments** – Advise the Board periodically with respect to significant developments in the law and practice of corporate governance as well as the Company's compliance with the Corporate Governance Principles and applicable laws and regulations.
 - **Recommend Corporate Governance Action** – Make recommendations to the Board, from time to time, on all matters of corporate governance and corrective action to be taken as the Committee deems appropriate.
 - **Review Structure of Board Committees** – Review on an annual basis the Board's committee structure and recommend to the Board for its approval directors to serve as members of each committee.
 - **Establish Criteria for Annual Performance Self-Evaluation** – Establish criteria and process for, and lead the Board and each Board committee in, its annual performance self-evaluation. Each such evaluation will be discussed with the full Board following the end of each calendar year, will focus on contributions to the Company by the Board and each Board committee, and will specifically focus on areas in which a better contribution could be made.
 - **Review Director Compensation** – Review annually director compensation and benefits and make recommendations to the Board.
 - **Review Chief Executive Officer Compensation** – Work with the Chair of the Compensation Committee on issues of management objectives, Chief Executive Officer evaluation, and management development and succession.
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- **Carry Out Other Duties** – Carry out other duties or responsibilities expressly delegated, from time to time, to the Committee by the Board relating to corporate governance.

Addressing Complaints on Certain Alleged Illegal Acts, Unethical Behavior, Other Matters

The Committee shall have the following special duties:

- **Complaints** – The Committee, from time to time, when it shall receive a Complaint, i.e., an inquiry or complaint or when the Committee independently shall decide in accordance with this charter, shall review and make a determination and recommend appropriate action to be taken by the Board on the Complaint, subject to the following –
 - **Specific Meaning** – In this context, "Complaint" shall mean, unless the context otherwise requires, a matter pertaining to alleged illegal activity involving a person or unethical behavior-related violation of the Ethics Code by a person ("Unethical Conduct"), where the person is a director on the board of directors of the Company or of any its directly or indirectly wholly-owned subsidiaries ("Director"), or other matters as designated by the Board.
 - **Other Complaints** – In the event the Complaint shall relate to an allegation of illegal activity or unethical behavior-related violation of the Ethics Code by an officer, director, or employee of the Company or any of its directly or indirectly wholly-owned subsidiaries ("Employee") pertaining to Company accounting, internal controls on accounting, or audit matters ("Accounting Violation") or to confidential, anonymous or other submission by an Employee of concern regarding an alleged Company questionable accounting or audit practice ("Questionable Accounting Practice"), the Complaint shall be handled separate from the Committee as set forth in this section.
- **Other Complaint-Related Matters** – The Committee shall address other Complaint-related matters as designated by the Board.
- **Procedure** – The following shall constitute the Company's procedure for receipt, retention and treatment of Complaints regarding Accounting Violations and Questionable Accounting Practices by an Employee, and Unethical Conduct by a Director or by an Employee who is not a Director –
 - **Specific Allegations** – Topics that may be addressed in Complaints must relate to specific alleged Accounting Violations, Questionable Accounting Practices, or Unethical Conduct.
 - **Accounting Violations and Questionable Accounting Practices** – A Complaint regarding Accounting Violations or Questionable Accounting Practices must be directed to the Audit Committee for response or investigation. Topics that may be addressed in such Complaints include, but are not limited to the following –
 - Allegations of fraud or deliberate error in the preparation of the Company financial statements.
 - Allegations of fraud or deliberate error in the review or audit of Company financial statements.

- Allegations of fraud or deliberate error in maintaining Company financial records.
 - Deficiencies in internal control, or violations of internal control policies.
 - False statements by a senior officer or accountant regarding matters included in financial reports or records.
 - False statements made to independent auditors.
 - Other information that can have a material impact on the fairness of the Company's financial statements.
- o **Director Unethical Conduct Complaint** – A Complaint regarding Unethical Conduct by a Director must be directed to the following committee for response and investigation, if any, as conditioned –
- Audit Committee, should the Complaint relate to an Accounting Violation by an Employee, with a copy of the Complaint delivered to the chair of the Nominating and Corporate Governance Committee.
 - Nominating and Corporate Governance Committee, should the Complaint relate to Unethical Conduct by a Director which does not involve an Accounting Violation, with a copy of the Complaint delivered to the chair of the Audit Committee.
 - Audit Committee and Nominating and Corporate Governance Committees, should the Complaint relate to both an Accounting Violation by an Employee, and Unethical Conduct by the Director which does not involve an Accounting Violation.
- o **Employee (Not Director) Unethical Conduct** – A Complaint regarding Unethical Conduct by an Employee who is not a Director must be directed to the Employee's supervisor or the Chief Financial Officer for response or investigation. Should the Complaint be submitted to the Employee's supervisor, a copy must be directed to the Chief Financial Officer, unless the Complaint pertains to that officer, in which case the copy must be directed to the Chief Executive Officer.
- o **Written Complaint** – A Complaint must be in writing and contain sufficient detail to provide a basis for the investigator to make an independent determination as to whether an Accounting Violation, Questionable Accounting Practice or Unethical Conduct has occurred.
- o **Signature, Date** – A Complaint must be signed and dated by the complainant–Employee in the case of an Accounting Violation- or Unethical Conduct-related Complaint.
- o **Signature Not Required on Confidential or Anonymous Questionable Accounting Practice Complaint** – A Questionable Accounting Practice-related Complaint need not be signed, should the complainant be seeking confidential or anonymous treatment of the Complaint. However, it must be dated.
- o **Delivery of Complaint To a Committee** – A Complaint directed to the Audit Committee or the Nominating and Corporate Governance Committee must be addressed and mailed or otherwise delivered to the chair of the appropriate committee at the Company's corporate offices as follows –

CONFIDENTIAL
ATTN: Chair, Audit Committee
Nominating and
(Complaint)
Governance Committee
General Communication, Inc.
2500 Denali Street, Suite 1000
Communication, Inc.
Anchorage, Alaska 99503
Street, Suite 1000

CONFIDENTIAL
or
ATTN: Chair,
Corporate
(Complaint)
General
2500 Denali

Anchorage, Alaska 99503

- o **Delivery of Complaint To the Chief Financial Officer** – A Complaint directed to the Chief Financial Officer must be addressed and mailed or otherwise delivered to that officer at the Company's corporate offices as follows –

CONFIDENTIAL
ATTN: Chief Financial Officer (Complaint)
General Communication, Inc.
2500 Denali Street, Suite 1000
Anchorage, Alaska 99503

- o **Other Forms of Delivery** – The Chief Financial Officer, in conjunction with the chairs of the Audit Committee and the Nominating and Corporate Governance Committee, shall review and, in the event they shall reach consensus, recommend to the Board other possible means by which a complainant shall deliver a Complaint to the Company, including, but not limited to, an internet address or a toll-free telephone number.
- o **Complaint Filing System** – The Chief Financial Officer, in conjunction with the chairs of the Audit Committee and the Nominating and Corporate Governance Committee, shall establish a procedure compatible with the charters of both committees and the Ethics Code and providing for the corresponding investigator of a Complaint, or complaint relating to an Accounting Matter or to a Questionable Accounting Practice (for purposes of describing these procedures further in this charter and unless the context otherwise requires, "Complaint" refers to all such complaints), to log the Complaint into a filing system specifically established to retain, process, and otherwise provide for the treatment of Complaints ("Complaint Filing System").
 - The Complaint Filing System will be used by each of these three investigators in the separate duties of each in addressing a Complaint.
- o **Processing of a Complaint** – The recipient (investigator) of a Complaint will log the Complaint into the Complaint Filing System, subject to the following –
 - Should the Complaint be in the nature of an allegation of an Accounting Violation, a Questionable Accounting Practice or Unethical Conduct, the investigator must –
 - Determine, based upon the information provided in the Complaint and independent investigation which the investigator, in the investigator's sole discretion, deems appropriate given the nature of the Complaint, whether there is a reasonable basis for the allegation made in the Complaint.

- Investigate the Complaint.
 - Decide whether to hold a hearing on the matter and, should the investigator choose to hold such a hearing, give notice of, and hold the hearing on, the Complaint, request witnesses to appear at the hearing, and otherwise gather evidence necessary for the investigator to render a determination on the Complaint.
 - Submit a written determination to, and recommend appropriate action by, the Board.
- Should the Complaint be in the nature of a Questionable Accounting Practice where the Complaint is unsigned or where the Complainant has otherwise indicated the Complaint is presented as a confidential, anonymous submission to the investigator, the investigator must –
 - Determine, based upon the information provided in the Complaint and independent investigation which the investigator, in the investigator's sole discretion, deems appropriate given the nature of the Complaint, whether there is a reasonable basis for the allegation made in the Complaint.
 - Render a written determination on the Complaint.
 - Submit the written determination to, and recommend appropriate action by, the Board.
- Should the Complaint be in the nature of an inquiry without allegation of an Accounting Violation, Questionable Accounting Practice or Unethical Conduct, the recipient may in the recipient's sole discretion do either of the following –
 - Respond directly to the complainant.
 - Recommend to the Board appropriate action.
- The investigator will, regardless of the nature of the Complaint, seek to process it in a timely manner.
 - The investigator shall be informed of the receipt of Complaints at least on a weekly basis. In the event the Complaint shall be directed to a committee, the chair of the committee shall be informed of the receipt of the Complaint within not more than two business days.
 - A Complaint pertaining to one or more executive officers or Directors must receive especially timely review by the corresponding investigator.
 - Each investigator will decide, upon initial review of a Complaint, whether a formal investigation shall be initiated and the extent of it, including who shall carry out the investigation, and the resources which shall be deemed necessary to carry it out.
 - All signed Complaints will be acknowledged as received by the investigator. In the event the signed Complaint shall be directed to a committee, the chair of the committee, or the chair's designee, shall acknowledge receipt of the Complaint.
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- In the event the investigator shall conclude a Complaint as not one subject to the scope of the investigator's responsibilities under a committee charter or otherwise but as one raising legitimate issues, the investigator shall forward the matter to the Chief Financial Officer for direct action or referral to the appropriate person for review and action.
 - o **Annual Status Reports** – The Audit Committee, the Nominating and Corporate Governance Committee, and the Chief Financial Officer, as investigators of Complaints, will at least annually each provide reports to the Board on the status of Complaints received, including, but not limited to –
 - A brief description of each.
 - The status of each.
 - Recommended action, if any, on each by the Board which may take the form any of the following –
 - Affirmative relief.
 - Dismissal of the Complaint.
 - Closure of the file on the Complaint for which the investigator has not received additional requested information from the complainant within a reasonable time which the investigator deems necessary to make a determination in the matter.
 - o **Retention of Closed File** – A Complaint file, once closed, will be retained for a time period of 10 years and in accordance with the Company's appropriate records retention policy, after which the file will be destroyed. Unless specifically provided otherwise in that policy, the Chief Financial Officer or that officer's designee is the custodian of a closed Complaint file.
 - o **Confidential Treatment** – An investigator will be particularly sensitive to the confidential nature of Complaints, especially ones where the complainant has made the Complaint through a confidential or anonymous submission. Complaint files will not be available generally to Employees except with the permission of the investigator and only in accordance with the Company's policy on confidential records, if any, pertaining to the subject matter of the Complaint.
 - o **Committee Review** – In the event the investigator shall be the Audit Committee or the Nominating and Corporate Governance Committee, a Complaint shall be reviewed initially by the committee's chair, or the chair's designee, and an initial analysis submitted to the committee. Any formal action taken by the committee on the Complaint must be at a duly scheduled meeting at which at least a quorum of its members is present, and a determination on the Complaint must be by vote of at least a majority of the committee present, subject further to the procedural requirements of the Bylaws.
 - o **Other Procedures** – The Committee shall adopt such other procedures, subject to prior Board approval, as may be necessary to carry out the Committee's responsibilities in addressing Complaints and other matters addressed in this section.
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***** Confidential Portion has been omitted pursuant to a request for confidential treatment by the Company to, and the material has been separately filed with, the SEC. Each omitted Confidential Portion is marked by three Asterisks.**

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

This Ninth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) (the "Ninth Amendment") is made and entered into as of this 25th day of June, 2010 by and between INTELSAT CORPORATION, formerly known as PanAmSat Corporation, a Delaware corporation ("Intelsat"), and GCI COMMUNICATION CORP., an Alaskan corporation ("Customer").

RECITALS

WHEREAS, pursuant to that certain Full-Time Transponder Capacity Agreement (Pre-Launch) dated as of March 31, 2006, as amended (collectively, the "Agreement") between Intelsat and Customer, Intelsat is providing Customer with *** transponders and *** transponders on Horizons 1;

WHEREAS, Customer and Intelsat wish to amend the terms of the Agreement to increase Customer's *** Transponder Capacity by an additional *** Transponder Segment;

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and of mutual covenants and agreements hereinafter set forth, the sufficiency and receipt of which is hereby acknowledged, the parties agree as follows:

1. Except as specifically provided herein, all terms and provisions of the Agreement shall remain in full force and effect.
2. Section 1.1, Description of Capacity. This Section shall be deleted and replaced with the following:

Intelsat agrees to provide to Customer and Customer agrees to accept from Intelsat, on a full time basis twenty-four (24) hours a day, seven (7) days a week, in outerspace, for the Capacity Term (as defined here), the Customer's Transponder Capacity (defined below) meeting the "Performance Specifications" set forth in the "Technical Appendix" attached hereto as Appendix B. For purposes of this Agreement, the "Customer's Transponder Capacity" or "Customer's Transponders" shall consist of (a) *** transponders (collectively, the "*** Transponders" and individually, the "*** Transponder") from that certain U.S. domestic satellite referred to by Intelsat as "Galaxy 18," located in geostationary orbit at 123 degrees West Longitude, (b) *** transponders from the *** payload of that certain satellite referred to by Intelsat as "Horizons 1" at 127 degrees West Longitude ("*** Transponder"); and (c) *** Transponder Capacity from that certain U.S. domestic satellite referred to by Intelsat as "Horizons 1," located in geostationary orbit at 127 degrees West Longitude (the "Horizons 1 Transponder Segment")

The transponders on the Satellite and the beams in which these transponders are grouped are referred to as "Transponder(s)" and the "Beam(s)," respectively. Galaxy 18 or Horizons 1 or such other satellite as to which Customer may at the time be using capacity hereunder, as applied in context herein, is referred to as the "Satellite." Intelsat shall not preempt or interrupt the provision of the Customer's Transponder Capacity to Customer, except as specifically permitted under this Agreement.

3. Capacity Term. The Capacity Term for the *** Transponder Segment shall commence as follows:

*** *** ***
*** *** ***

4. Monthly Fee. The Monthly Fee for the *** Transponder Segment shall be US\$*** per month for *** increasing to US\$*** per month for ***.

5. Except as specifically set forth in this Amendment, all terms and conditions of the Agreement remain in full force and effect.

IN WITNESS WHEREOF, each of the parties hereto has duly executed and delivered this Ninth Amendment as of the day and year above written.

INTELSAT

CORPORATION
CORP.

GCI COMMUNICATION

/s/ Patricia Casey

Name: Patricia Casey
Title: Senior VP and Deputy General
Counsel

/s/ Jimmy R. Sipes

Name: Jimmy R. Sipes
Title: VP Network Services & Chief
Engineer

