
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 September 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 November 1, 2010 was:

44,338,532 shares of Class A common stock; and
3,180,210 shares of Class B common stock.

GENERAL COMMUNICATION, INC.
FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 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	September 30, 2010	December 31, 2009
Current assets:		
Cash and cash equivalents	\$ 79,000	48,776
Receivables	171,994	147,859
Less allowance for doubtful receivables	9,913	7,060
Net receivables	<u>162,081</u>	<u>140,799</u>
Deferred income taxes	17,522	17,618
Prepaid expenses	6,054	4,491
Inventories	7,922	9,278
Other current assets	5,282	5,872
Total current assets	<u>277,861</u>	<u>226,834</u>
Property and equipment in service, net of depreciation	788,648	823,080
Construction in progress	40,692	26,161
Net property and equipment	<u>829,340</u>	<u>849,241</u>
Cable certificates	191,635	191,565
Goodwill	73,452	73,452
Wireless licenses	25,967	25,967
Other intangible assets, net of amortization	17,494	19,561
Deferred loan and senior notes costs, net of amortization	14,159	13,168
Other assets	16,542	18,609
Total other assets	<u>339,249</u>	<u>342,322</u>
Total assets	<u>\$ 1,446,450</u>	<u>1,418,397</u>

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	September 30, 2010	December 31, 2009
Current liabilities:		
Current maturities of obligations under long-term debt and capital leases	\$ 10,379	9,892
Accounts payable	35,068	30,697
Deferred revenue	22,461	21,404
Accrued payroll and payroll related obligations	22,140	21,874
Accrued interest	16,914	14,821
Accrued liabilities	12,522	15,037
Subscriber deposits	1,205	1,549
Total current liabilities	<u>120,689</u>	<u>115,274</u>
Long-term debt, net		
Obligations under capital leases, excluding current maturities	773,830	771,247
Obligation under capital lease due to related party	85,461	89,279
Deferred income taxes	1,883	1,876
Long-term deferred revenue	110,550	100,386
Other liabilities	50,410	52,342
Total liabilities	<u>1,166,092</u>	<u>1,152,080</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock (no par):		
Class A. Authorized 100,000 shares; issued 52,022 and 51,899 shares at September 30, 2010 and December 31, 2009, respectively; outstanding 51,525 and 51,627 shares at September 30, 2010 and December 31, 2009, respectively	149,550	150,911
Class B. Authorized 10,000 shares; issued and outstanding 3,181 and 3,186 shares at September 30, 2010 and December 31, 2009, respectively; convertible on a share-per-share basis into Class A common stock	2,680	2,684
Less cost of 496 and 272 Class A common shares held in treasury at September 30, 2010 and December 31, 2009, respectively	(2,354)	(2,339)
Paid-in capital	35,950	30,410
Retained earnings	94,532	84,651
Total stockholders' equity	<u>280,358</u>	<u>266,317</u>
Total liabilities and stockholders' equity	<u>\$ 1,446,450</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 September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenues	\$ 171,509	150,816	486,254	448,301
Cost of goods sold (exclusive of depreciation and amortization shown separately below)	52,486	50,167	153,147	145,372
Selling, general and administrative expenses	58,532	49,045	166,493	157,350
Depreciation and amortization expense	30,288	30,874	92,234	92,778
Operating income	30,203	20,730	74,380	52,801
Other income (expense):				
Interest expense (including amortization of deferred loan fees)	(17,760)	(13,176)	(53,169)	(39,096)
Interest income	99	49	236	68
Other expense, net	(17,661)	(13,127)	(52,933)	(39,028)
Income before income tax expense	12,542	7,603	21,447	13,773
Income tax expense	4,959	3,267	10,260	6,519
Net income	\$ 7,583	4,336	11,187	7,254
Basic net income per Class A common share	\$ 0.14	0.08	0.20	0.14
Basic net income per Class B common share	\$ 0.14	0.08	0.20	0.14
Diluted net income per Class A common share	\$ 0.14	0.08	0.20	0.13
Diluted net income per Class B common share	\$ 0.14	0.08	0.20	0.13

See accompanying condensed notes to interim consolidated financial statements

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009
(Unaudited)

(Amounts in thousands)	2010	2009
Cash flows from operating activities:		
Net income	\$ 11,187	7,254
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	92,234	92,778
Deferred income tax expense	10,260	6,519
Share-based compensation expense	4,696	1,897
Other noncash income and expense items	5,712	6,850
Change in operating assets and liabilities	(11,933)	(48,046)
Net cash provided by operating activities	<u>112,156</u>	<u>67,252</u>
Cash flows from investing activities:		
Purchases of property and equipment	(68,813)	(92,989)
Purchase of businesses, net of cash received	(5,545)	(108)
Purchase of marketable securities	(202)	(305)
Proceeds from sale of marketable securities	178	613
Purchases of other assets and intangible assets	(3,002)	(2,513)
Net cash used in investing activities	<u>(77,384)</u>	<u>(95,302)</u>
Cash flows from financing activities:		
Repayment of debt and capital lease obligations	(7,315)	(9,516)
Issuance of long-term debt	6,206	-
Payment of debt issuance costs	(2,300)	-
Purchase of treasury stock to be retired	(1,306)	-
Borrowing on Senior Credit Facility	-	30,000
Other	167	165
Net cash provided by (used in) financing activities	<u>(4,548)</u>	<u>20,649</u>
Net increase (decrease) in cash and cash equivalents	30,224	(7,401)
Cash and cash equivalents at beginning of period	48,776	29,904
Cash and cash equivalents at end of period	<u>\$ 79,000</u>	<u>22,503</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 areas of 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

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

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.

(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.

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

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 September 30,			
	2010		2009	
	Class A	Class B	Class A	Class B
Basic net income per share:				
Numerator:				
Allocation of undistributed earnings for basic computation	\$ 7,142	441	\$ 4,077	259
Denominator:				
Weighted average common shares outstanding	51,496	3,183	50,125	3,190
Basic net income per share	<u>\$ 0.14</u>	<u>0.14</u>	<u>\$ 0.08</u>	<u>0.08</u>
Diluted net income per share:				
Numerator:				
Allocation of undistributed earnings for basic computation	\$ 7,142	441	\$ 4,077	259
Reallocation of undistributed earnings as a result of conversion of Class B to Class A shares	441	-	259	-
Reallocation of undistributed earnings as a result of conversion of Class B to Class shares outstanding	-	(2)	-	(5)
Effect of share based compensation that may be settled in cash or shares	-	-	(54)	-
Net income adjusted for allocation of undistributed earnings and effect of share based compensation that may be settled in cash or shares	<u>\$ 7,583</u>	<u>439</u>	<u>\$ 4,282</u>	<u>254</u>

(Continued)

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

Denominator:				
Number of shares used in basic computation	51,496	3,183	50,125	3,190
Conversion of Class B to Class A common shares outstanding	3,183	-	3,190	-
Unexercised stock options	261	-	273	-
Effect of share based compensation that may be settled in cash or shares	-	-	240	-
Number of shares used in per share computations	<u>54,940</u>	<u>3,183</u>	<u>53,828</u>	<u>3,190</u>
Diluted net income per share	<u>\$ 0.14</u>	<u>0.14</u>	<u>\$ 0.08</u>	<u>0.08</u>

	Nine Months Ended September 30,			
	2010		2009	
	<u>Class A</u>	<u>Class B</u>	<u>Class A</u>	<u>Class B</u>
Basic net income per share:				
Numerator:				
Allocation of undistributed earnings for basic computation	<u>\$ 10,536</u>	<u>651</u>	<u>\$ 6,816</u>	<u>438</u>
Denominator:				
Weighted average common shares outstanding	<u>51,521</u>	<u>3,184</u>	<u>49,705</u>	<u>3,197</u>
Basic net income per share	<u>\$ 0.20</u>	<u>0.20</u>	<u>\$ 0.14</u>	<u>0.14</u>

Diluted net income per share:				
Numerator:				
Allocation of undistributed earnings for basic computation	\$ 10,536	651	\$ 6,816	438
Reallocation of undistributed earnings as a result of conversion of Class B to Class A shares	651	-	438	-
Reallocation of undistributed earnings as a result of conversion of Class B to Class A shares outstanding	-	(1)	-	(22)
Effect of share based compensation that may be settled in cash or shares	-	-	(296)	-
Net income adjusted for allocation of undistributed earnings and effect of share based compensation that may be settled in cash or shares	<u>\$ 11,187</u>	<u>650</u>	<u>\$ 6,958</u>	<u>416</u>

Denominator:				
Number of shares used in basic computation	51,521	3,184	49,705	3,197
Conversion of Class B to Class A common shares outstanding	3,184	-	3,197	-
Unexercised stock options	103	-	317	-
Effect of share based compensation that may be settled in cash or shares	-	-	238	-
Number of shares used in per share computations	<u>54,808</u>	<u>3,184</u>	<u>53,457</u>	<u>3,197</u>
Diluted net income per share	<u>\$ 0.20</u>	<u>0.20</u>	<u>\$ 0.13</u>	<u>0.13</u>

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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 nine months ended September 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 September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Shares associated with anti-dilutive unexercised stock options	169	3,961	955	4,738
Share-based compensation that may be settled in cash or shares, the effect of which is anti-dilutive	233	-	233	-
Shares associated with unvested contingent options and awards for which the contingency has not been met	-	426	-	418

(g) Common Stock

Following are the changes in issued common stock for the nine months ended September 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	12	(12)
Shares issued upon stock option exercises	69	-
Share awards issued	1,965	-
Shares retired	(219)	(2)
Balances at September 30, 2009	<u>51,889</u>	<u>3,189</u>
Balances at December 31, 2009	51,899	3,186
Class B shares converted to Class A	5	(5)
Shares issued upon stock option exercises	41	-
Share awards issued	211	-
Shares retired	(132)	-
Other	(2)	-
Balances at September 30, 2010	<u>52,022</u>	<u>3,181</u>

We retired 132,000 and 219,000 shares of our Class A common stock during the nine months ended September 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 were authorized to make up to \$64.8 million of repurchases as of September 30, 2010. In October 2010, GCI's Board of Directors approved an increase to the common stock buyback plan. Under the amended plan, we are authorized to repurchase up to \$100.0 million worth of GCI common stock. See note 9 for a description of a repurchase transaction

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

completed subsequent to September 30, 2010. We are authorized to increase our repurchase limit \$5.0 million per quarter indefinitely and to use stock option exercise proceeds to repurchase additional shares. There were no repurchases during the three months ended September 30, 2010 and 2009 and the nine months ended September 30, 2009. During the nine months ended September 30, 2010 we repurchased 224,000 shares of our Class A and B common stock at a cost of \$1.3 million. The cost of the repurchased common stock reduced 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 open market repurchases have complied 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 nine months ended September 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

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amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill that would be recognized in a business combination. We 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 nine months ended September 30, 2010 and 2009 (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Surcharges reported gross	\$ 1,272	1,241	4,023	3,224

(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):

Nine month period ended September 30,	2010	2009
Increase in accounts receivable	\$ (23,482)	(19,695)
(Increase) decrease in prepaid expenses	(1,563)	1,288
(Increase) decrease in inventories	1,343	(960)
(Increase) decrease in other current assets	646	(3,874)
(Increase) decrease in other assets	2,193	(11,251)
Increase (decrease) in accounts payable	5,430	(2,261)
Increase (decrease) in deferred revenues	1,057	(170)
Increase (decrease) in accrued payroll and payroll related obligations	96	(2,471)
Increase (decrease) in accrued liabilities	3,030	(840)
Increase (decrease) in accrued interest	2,093	(7,251)
Increase (decrease) in subscriber deposits	(344)	245
Decrease in long-term deferred revenue	(1,932)	(1,562)
Increase (decrease) in components of other long-term liabilities	(500)	756
	<u>\$ (11,933)</u>	<u>(48,046)</u>

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The following items are for the nine months ended September 30, 2010 and 2009 (amounts in thousands):

Net cash paid or received:	2010	2009
Interest paid, net of amounts capitalized	\$ 49,363	45,009
Income tax refund received	\$ 1,163	911
Income tax paid	\$ -	9

The following items are non-cash investing and financing activities for the nine months ended September 30, 2010 and 2009 (amounts in thousands):

	2010	2009
Non-cash additions for purchases of property and equipment	\$ 3,547	3,977
Asset retirement obligation additions to property and equipment	\$ 657	957
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 September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Amortization expense	\$ 1,557	1,939	4,854	5,709

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	\$ 5,372
2011	4,608
2012	3,162
2013	2,086
2014	1,233

(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.

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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 \$2.7 million of letters of credit outstanding, which leaves \$72.3 million available for borrowing under our revolving credit facility at September 30, 2010. The amended Senior Credit Facility replaced our then existing Senior Credit Facility. The amended Senior Credit Facility will mature on January 29, 2015.

On October 20, 2010, we borrowed \$30.0 million under our revolving credit facility to partially fund a repurchase of our Class A common stock as further described in note 9. After consideration of this transaction, we have \$42.3 million available for borrowing under our revolving credit facility.

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

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 September 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 September 30, 2010 and December 31, 2009 follow (amounts in thousands):

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	September 30, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Current and long-term debt and capital lease obligations	\$ 871,553	905,875	872,294	866,820
Other liabilities	72,383	71,607	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 September 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)
September 30, 2010 Assets			
Money market funds	\$ 7	-	-
U.S. government and agency obligations	944	-	-
Deferred compensation plan assets (money market funds)	1,567	-	-
Total assets at fair value	\$ 2,518	-	-

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<u>December 31, 2009 Assets</u>			
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 and money market 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 nine months ended September 30, 2010 and 2009 was \$2.84 per share and \$3.49 per share, respectively. The total fair value of options vesting during the nine months ended September 30, 2010 and 2009 was \$151,000 and \$103,000, respectively.

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

	2010	2009
Employee share-based compensation expense	\$ 3,982	4,533
Expense reversal for performance based options and awards not expected to vest	-	(2,134)
Adjustment to fair value of liability classified awards	714	(502)
Total share-based compensation expense	\$ 4,696	1,897

Share-based compensation expense is classified as selling, general and administrative expense in our consolidated income statement. Unrecognized share-based compensation expense was \$5.0 million relating to 2.1 million restricted stock awards and \$874,000 relating to 386,000 unvested stock options as of September 30, 2010. We expect to recognize share-based compensation expense over a weighted average period of 2.0 years for stock options and 1.6 years for restricted stock awards.

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A summary of option activity under the Stock Option Plan for the nine months ended September 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	(41)	\$ 5.01		
Forfeited and retired	(451)	\$ 7.64		
Outstanding at September 30, 2010	<u>1,338</u>	<u>\$ 7.01</u>	4.6	\$ 4,051
Exercisable at September 30, 2010	<u>951</u>	<u>\$ 7.17</u>	3.1	\$ 2,736

A summary of nonvested restricted stock award activity under the Stock Option Plan for the nine months ended September 30, 2010, follows (share amounts in thousands):

	Shares	Weighted Average Grant Date Fair Value
Nonvested Restricted Stock Awards		
Nonvested at December 31, 2009	2,225	\$ 5.69
Granted	211	\$ 6.14
Vested	(233)	\$ 8.30
Forfeited	(132)	\$ 12.51
Nonvested at September 30, 2010	<u>2,071</u>	<u>\$ 5.01</u>

At September 30, 2010, 4.3 million shares were available for grant under the Stock Option Plan.

The total intrinsic values, determined as of the date of exercise, of options exercised during the nine months ended September 30, 2010 and 2009 were \$116,000 and \$96,000, respectively. We received \$207,000 and \$399,000 in cash from stock option exercises during the the nine months ended September 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 nine months ended September 30, 2010 (share amounts in thousands):

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

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

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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 nine months ended September 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 nine months ended September 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 nine months ended September 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.

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.

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

Three months ended September 30, 2010	Consumer	Network Access	Commercial	Managed Broadband	Regulated Operations	Total Reportable Segments
Revenues:						
Intersegment	\$ -	(1)	1,386	-	44	1,429
External	88,713	28,204	35,449	13,548	5,595	171,509
Total revenues	<u>\$ 88,713</u>	<u>28,203</u>	<u>36,835</u>	<u>13,548</u>	<u>5,639</u>	<u>172,938</u>
Adjusted EBITDA	<u>\$ 31,212</u>	<u>15,028</u>	<u>9,125</u>	<u>5,826</u>	<u>1,550</u>	<u>62,741</u>
2009						
Revenues:						
Intersegment	\$ -	76	1,371	-	50	1,497
External	75,021	30,263	27,780	11,715	6,037	150,816
Total revenues	<u>\$ 75,021</u>	<u>30,339</u>	<u>29,151</u>	<u>11,715</u>	<u>6,087</u>	<u>152,313</u>
Adjusted EBITDA	<u>\$ 23,234</u>	<u>14,084</u>	<u>6,154</u>	<u>5,501</u>	<u>1,299</u>	<u>50,272</u>
Nine months ended September 30, 2010						
Revenues:						
Intersegment	\$ -	-	4,042	-	132	4,174
External	256,230	81,499	95,243	36,020	17,262	486,254
Total revenues	<u>\$ 256,230</u>	<u>81,499</u>	<u>99,285</u>	<u>36,020</u>	<u>17,394</u>	<u>490,428</u>
Adjusted EBITDA	<u>\$ 88,420</u>	<u>40,206</u>	<u>23,526</u>	<u>13,888</u>	<u>5,110</u>	<u>171,150</u>
2009						
Revenues:						
Intersegment	\$ -	459	4,309	-	154	4,922
External	219,139	94,582	82,683	33,323	18,574	448,301
Total revenues	<u>\$ 219,139</u>	<u>95,041</u>	<u>86,992</u>	<u>33,323</u>	<u>18,728</u>	<u>453,223</u>
Adjusted EBITDA	<u>\$ 64,304</u>	<u>46,674</u>	<u>17,047</u>	<u>14,777</u>	<u>5,154</u>	<u>147,956</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Reportable segment revenues	\$ 172,938	152,313	490,428	453,223
Less intersegment revenues eliminated in consolidation	1,429	1,497	4,174	4,922
Consolidated revenues	<u>\$ 171,509</u>	<u>150,816</u>	<u>486,254</u>	<u>448,301</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Reportable segment adjusted EBITDA	\$ 62,741	50,272	171,150	147,956
Less depreciation and amortization expense	(30,288)	(30,874)	(92,234)	(92,778)
(Less) plus share-based compensation expense	(2,250)	1,332	(4,696)	(1,897)
(Less) plus non-cash contribution adjustment	-	-	160	(480)
Consolidated operating income	30,203	20,730	74,380	52,801
Less other expense, net	(17,661)	(13,127)	(52,933)	(39,028)
Consolidated income before income tax expense	<u>\$ 12,542</u>	<u>7,603</u>	<u>21,447</u>	<u>13,773</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 we are involved in the following matters:

- In August 2008, the Federal Communications Commission's ("FCC") Office of Inspector General ("OIG") initiated an investigation by requesting information 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 are presently unable to assess the ultimate resolution of this matter; and
- In August 2010, a GCI-owned aircraft was involved in an accident resulting in five fatalities and injuries to the remaining four passengers on board. We had aircraft and liability insurance coverage in effect at the time of the accident. We cannot predict the likelihood or nature of any potential claims related to the accident.

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.

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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.

Rural Health Care Division Revenue

We have a customer that 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 customer-owned equipment placed in service in relation to service charges. On August 23, 2010, we filed with the FCC a request for review of the denial. We have recorded a reserve by reducing revenue \$1.7 million in the nine months ended September 30, 2010. The commitment letter for the year from July 2009 to June 2010 approved funding in full. At September 30, 2010, we have recorded net accounts receivable of \$21.4 million for this agreement.

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

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("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 two to three years of starting construction.

(9) Subsequent Event

On October 21, 2010, we entered into a stock purchase agreement with Arctic Slope Regional Corporation, pursuant to which GCI repurchased 7,486,240 shares of GCI's Class A common stock for \$10.16 per share, representing a total purchase price of \$76.0 million. This repurchase will reduce the amount available under the \$100.0 million stock buyback program to \$29.0 million. On October 20, 2010, we borrowed \$30.0 million under our amended Senior Credit Facility to partially fund the repurchase with the remaining amount funded by working capital. The repurchased stock has been restored to the status of authorized but unissued. Prior to the repurchase Arctic Slope Regional Corporation was a related party.

(Continued)

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 and business 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 economic 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
Directories			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 Change ¹ 2010 vs. 2009	Nine Months Ended		Percentage Change ¹ 2010 vs. 2009
	September 30, 2010	2009		September 30, 2010	2009	
(Unaudited)						
Statements of Operations Data:						
Revenues:						
Consumer segment	52%	50%	18%	53%	49%	17%
Network Access segment	16%	20%	(7%)	17%	21%	(14%)
Commercial segment	21%	18%	28%	20%	19%	15%
Managed Broadband segment	8%	8%	16%	7%	7%	8%
Regulated Operations segment	3%	4%	(7%)	3%	4%	(7%)
Total revenues	100%	100%	14%	100%	100%	8%
Selling, general and administrative expenses	34%	33%	19%	34%	35%	6%
Depreciation and amortization expense	18%	20%	(2%)	19%	21%	(1%)
Operating income	18%	14%	46%	15%	12%	41%
Other expense, net	10%	9%	35%	11%	9%	36%
Income before income tax expense	7%	5%	65%	4%	3%	56%
Net income	4%	3%	75%	2%	2%	54%

¹ Percentage change in underlying data.

Three Months Ended September 30, 2010 ("third quarter of 2010") Compared to Three Months Ended September 30, 2009 ("third quarter of 2009")

Overview of Revenues and Cost of Goods Sold

Total revenues increased 14% from \$150.8 million in the third quarter of 2009 to \$171.5 million in the third quarter of 2010. Revenue 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.

Total Cost of Goods Sold increased 5% from \$50.2 million in the third quarter of 2009 to \$52.5 million in the third 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 52% of third quarter of 2010 consolidated revenues. The components of Consumer segment revenue are as follows (amounts in thousands):

	Third Quarter of		Percentage
	2010	2009	Change
Voice	\$ 14,601	12,487	17%
Video	29,720	27,612	8%
Data	15,797	12,726	24%
Wireless	28,595	22,196	29%
Total Consumer segment revenue	\$ 88,713	75,021	18%

Consumer segment Cost of Goods Sold represented 48% of third quarter of 2010 consolidated Cost of Goods Sold. The components of Consumer segment Cost of Goods Sold are as follows (amounts in thousands):

	Third Quarter of		Percentage
	2010	2009	Change
Voice	\$ 2,724	4,000	(32%)
Video	12,662	11,921	6%
Data	972	1,127	(14%)
Wireless	9,016	7,638	18%
Total Consumer segment Cost of Goods Sold	\$ 25,374	24,686	3%

Consumer segment adjusted EBITDA, representing 50% of third quarter of 2010 consolidated adjusted EBITDA, is as follows (amounts in thousands):

	Third Quarter of		Percentage
	2010	2009	Change
Consumer segment adjusted EBITDA	\$ 31,212	23,234	34%

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:

	September 30,		Percentage
	2010	2009	Change
Voice:			
Long-distance subscribers ¹	89,000	89,900	(1%)
Long-distance minutes carried (in millions)	25.6	28.0	(8%)
Total local access lines in service ²	84,700	82,700	2%
Local access lines in service on GCI facilities ²	77,100	72,700	6%

Video:

Basic subscribers ³	130,500	129,600	1%
Digital programming tier subscribers ⁴	80,600	77,600	4%
HD/DVR converter boxes ⁵	87,500	77,000	14%
Homes passed	234,900	231,400	2%
Average monthly gross revenue per subscriber ⁶	\$ 75.85	\$ 70.95	7%
Data:			
Cable modem subscribers ⁷	104,400	97,900	7%
Wireless:			
Wireless lines in service ⁸	122,900	109,900	12%
Average monthly gross revenue per subscriber ⁹	\$ 74.61	\$ 64.17	16%

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 each month in 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 each month in the period.

Consumer Segment Revenues

The increase in voice revenue is primarily due to a \$1.9 million or 121% 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 video revenue is primarily due to the following:

- A 7% increase in programming services revenue to \$23.6 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
- A 9% increase in equipment rental revenue to \$5.9 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 \$13.5 million due to increased subscribers, rate increases in May and August 2010 and our subscribers' selection of plans that offer higher speeds.

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

- A \$5.6 million increase in USAC support. This increase includes a \$4.4 million increase in USF high cost support and a \$1.2 million increase in USF low income support. We accrue estimated USF 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, an increase in the number of wireless subscribers and \$1.0 million for amended line count filings for which the revenue recognition criteria was met in the third quarter of 2010. The increase in low income support is due to an increase in the number of wireless subscribers who qualify under this program; and
- A \$1.6 million increase in plan fee revenue due to an increase in the number of wireless subscribers.

Consumer Segment Cost of Goods Sold

The decrease in voice Cost of Goods Sold is primarily due to decreased voice minutes carried and a \$392,000 favorable adjustment based upon refunds from several vendors. In the course of business we estimate unbilled long-distance services Cost of Goods Sold based upon minutes of use processed through our network and established rates. Such estimates are revised when subsequent billings are received, payments are made, billing matters are researched and resolved, tariffed billing periods lapse, or when disputed charges are resolved.

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 through our HD/DVR converter boxes due to the increased number of boxes in service, increased video on demand sales and an increase in digital programming tier subscribers. The increases were partially offset by the absence of a \$594,000 charge in the third quarter of 2009 to settle a billing issue with a cable programmer.

The wireless Cost of Goods Sold increase is primarily due to increased costs for handset equipment sales associated with the increased number of wireless subscribers and an increased number 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 16% of third quarter of 2010 consolidated revenues. The components of Network Access segment revenue are as follows (amounts in thousands):

	Third Quarter of		Percentage
	2010	2009	Change
Voice	\$ 8,636	12,197	(29%)
Data	14,208	14,876	(4%)
Wireless	5,360	3,190	68%
Total Network Access segment revenue	\$ 28,204	30,263	(7%)

Network Access segment Cost of Goods Sold represented 11% of third quarter of 2010 consolidated Cost of Goods Sold. The components of Network Access segment Cost of Goods Sold are as follows (amounts in thousands):

	Third Quarter of		Percentage Change
	2010	2009	
Voice	\$ 4,437	4,406	1%
Data	680	2,792	(76%)
Wireless	430	338	27%
Total Network Access segment Cost of Goods Sold	\$ 5,547	7,536	(26%)

Network Access segment adjusted EBITDA, representing 24% of third quarter of 2010 consolidated adjusted EBITDA, is as follows (amounts in thousands):

	Third Quarter of		Percentage Change
	2010	2009	
Network Access segment adjusted EBITDA	\$ 15,028	14,084	7%

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:

	September 30,		Percentage Change
	2010	2009	
Voice:			
Long-distance minutes carried (in millions)	205.4	224.6	(9%)
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 primarily 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 is partially offset by a \$1.2 million increase from growth of services sold to a certain customer. Also partially offsetting the decrease is a \$1.1 million reclassification of 2010 revenue from Network Access segment data revenue for a more accurate presentation. The associated revenue was insignificant in 2009 and therefore a similar reclassification was not needed.

The decrease in data revenue is primarily due to decreased rates for capacity purchased by our common carrier customers and the reclassification of \$1.1 million in 2010 revenue to Network Access segment voice revenue as discussed above. The decreases were 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 increase in voice Cost of Goods Sold is primarily due to a \$919,000 increase from the reclassification of certain 2010 costs from the data Cost of Goods Sold category for a more accurate categorization and a \$308,000 increase from growth in services to a certain customer. The increases were almost wholly offset by decreases in Cost of Goods Sold resulting from a \$771,000 favorable adjustment based upon refunds from several vendors. In the course of business we estimate unbilled long-distance services Cost of Goods Sold based upon minutes of use processed through our network and established rates. Such estimates are revised when subsequent billings are received, payments are made, billing matters are researched and resolved, tariffed billing periods lapse, or when disputed charges are resolved.

The decrease in data Cost of Goods Sold is primarily due to the \$919,000 reclassification of 2010 costs to the voice Cost of Goods Sold category as described above and a \$724,000 favorable adjustment based upon refunds from several vendors. In the course of business we estimate unbilled data services Cost of Goods Sold based upon usage processed through our network and established rates. Such estimates are revised when subsequent billings are received, payments are made, billing matters are researched and resolved, tariffed billing periods lapse, or when disputed charges are resolved.

Network Access Segment Adjusted EBITDA

The adjusted EBITDA increase is primarily due to decreased Cost of Goods Sold as described in "Network Access Segment Cost of Goods Sold" and a decrease in the selling, general and administrative expense that was allocated to our Network Access segment primarily due to a decrease in the 2009 segment margin upon which the selling, general and administrative expense allocation is based. The decreases were partially off-set by decreased revenues as described in "Network Access Segment Revenues."

Commercial Segment Overview

Commercial segment revenue represented 21% of third 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):

	Third Quarter of		Percentage
	2010	2009	Change
Voice	\$ 8,025	7,688	4%
Video	2,953	2,320	27%
Data	22,211	15,801	41%
Wireless	2,260	1,971	15%
Total Commercial segment revenue	\$ 35,449	27,780	28%

Commercial segment Cost of Goods Sold represented 32% of third quarter of 2010 consolidated Cost of Goods Sold. The components of Commercial segment Cost of Goods Sold are as follows (amounts in thousands):

	Third Quarter of		Percentage
	2010	2009	Change
Voice	\$ 3,486	4,926	(29%)
Video	520	529	(2%)
Data	11,752	7,164	64%
Wireless	973	691	41%
Total Commercial segment Cost of Goods Sold	\$ 16,731	13,310	26%

Commercial segment adjusted EBITDA, representing 15% of third quarter of 2010 consolidated adjusted EBITDA, is as follows (amounts in thousands):

	Third Quarter of		Percentage Change
	2010	2009	
Commercial segment adjusted EBITDA	\$ 9,125	6,154	48%

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:

	September 30,		Percentage Change
	2010	2009	
Voice:			
Long-distance subscribers ¹	9,300	9,700	(4%)
Long-distance minutes carried (in millions)	29.8	30.6	(3%)
Total local access lines in service ²	48,100	47,300	2%
Local access lines in service on GCI facilities ²	20,900	19,000	10%
Data:			
Cable modem subscribers ³	10,800	10,600	2%
Wireless:			
Wireless lines in service ⁴	13,600	10,100	35%

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 video revenue is primarily due to an increase in cable advertising services due to state and federal political advertising in the third quarter of 2010.

The increase in data revenue is primarily due to a \$5.8 million or 79% increase in managed services project revenue due to special project work.

Commercial Segment Cost of Goods Sold

The decrease in voice Cost of Goods Sold is primarily due to a \$1.0 million favorable adjustment based upon refunds from several vendors. In the course of business we estimate unbilled long-distance services Cost of Goods Sold based upon minutes of use processed through our network and established rates. Such estimates are revised when subsequent billings are received, payments are made, billing matters are researched and resolved, tariffed billing periods lapse, or when disputed charges are resolved.

The increase in data Cost of Goods Sold is primarily due to a \$4.9 million or 99% 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 8%, 7% and 9% of third 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, increased 16% to \$13.5 million in the third quarter of 2010 as compared to the third quarter of 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.

Managed Broadband Segment Cost of Goods Sold

Managed Broadband segment Cost of Goods Sold increased 23% to \$3.5 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 increased 6% to \$5.8 million in 2010 .

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 2% of third quarter of 2010 consolidated revenues, Cost of Goods Sold and adjusted EBITDA, respectively.

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

	September 30,		Percentage
	2010	2009	Change
Voice:			
Total local access lines in service on GCI facilities ¹	10,200	11,300	(10%)

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 \$6.0 million in the third quarter of 2009 to \$5.6 million in the third quarter of 2010.

Regulated Operations Segment Cost of Goods Sold

Regulated Operations segment Cost of Goods Sold decreased from \$1.7 million in the third quarter of 2009 to \$1.3 million in the third quarter of 2010.

Regulated Operations Segment Adjusted EBITDA

Regulated Operations segment adjusted EBITDA increased 19% to \$1.6 million in 2010.

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 19% to \$58.5 million in the third quarter of 2010 primarily due to the following:

- A \$3.4 million increase in share-based compensation expense primarily due to the absence of a \$2.4 million reversal of expense in the third quarter of 2009. The expense had been properly recognized in previous periods for certain performance-based stock options and restricted stock awards but in the third quarter of 2009 we determined they were not expected to vest,
- \$1.9 million in costs, including workers compensation expense, related to an accident involving our company-owned aircraft in August 2010,
- A \$1.6 million increase in our company-wide success sharing bonus accrual ,
- A \$1.4 million increase in health care costs, and
- A \$1.2 million increase in labor costs .

The increases were partially off-set by a \$590,000 decrease in bad debt expense.

As a percentage of total revenues, selling, general and administrative expenses increased to 34% in the third quarter of 2010 from 33% in the third quarter of 2009.

Depreciation and Amortization Expense

Depreciation and amortization expense decreased 2% to \$30.3 million in the third quarter of 2010 primarily due to assets which became fully depreciated during the last three months of 2009 and the first nine months of 2010.

Other Expense, Net

Other expense, net of other income, increased 35% to \$17.7 million in the third quarter of 2010 primarily due to a \$4.2 million increase in interest expense to \$17.4 million in 2010. The interest expense increase is due to the issuance of the 2019 Notes in November 2009, 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 \$5.0 million and \$3.3 million in the third quarter of 2010 and 2009, respectively. Our effective income tax rate decreased from 43% in 2009 to 40% in 2010 primarily due to a decrease in the amount of estimated permanent differences as compared to our estimated income before income tax expense in 2010 as compared to 2009.

At September 30, 2010, we have (1) tax net operating loss carryforwards of \$210.6 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 \$86.6 million associated with income tax net operating losses that were generated from 1996 to 2009, and that primarily 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 47% to 50% in the year ended December 31, 2010.

Nine Months Ended September 30, 2010 ("2010") Compared to Nine Months Ended September 30, 2009 ("2009")

Overview of Revenues and Cost of Goods Sold

Total revenues increased 8% from \$448.3 million in 2009 to \$486.3 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 5% from \$145.4 million in 2009 to \$153.1 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 follows (amounts in thousands):

	2010	2009	Percentage Change
Voice	\$ 43,711	39,390	11%
Video	88,096	82,114	7%
Data	44,531	36,654	21%
Wireless	79,892	60,981	31%
Total Consumer segment revenue	\$ 256,230	219,139	17%

Consumer segment Cost of Goods Sold represented 50% 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	\$ 9,227	11,492	(20%)
Video	38,128	34,280	11%
Data	2,795	3,255	(14%)
Wireless	27,049	23,073	17%
Total Consumer segment Cost of Goods Sold	\$ 77,199	72,100	7%

Consumer segment adjusted EBITDA, representing 52% of 2010 consolidated adjusted EBITDA, is as follows (amounts in thousands):

	2010	2009	Percentage Change
Consumer segment adjusted EBITDA	\$ 88,420	64,304	38%

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:

	September 30, 2010	September 30, 2009	Percentage Change
Voice:			
Long-distance minutes carried (in millions)	80.6	85.9	(6%)
Video:			
Average monthly gross revenue per subscriber ¹	\$ 74.80	\$ 69.61	7%
Wireless:			
Average monthly gross revenue per subscriber ²	\$ 70.51	\$ 63.55	11%

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

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

Consumer Segment Revenues

The increase in voice revenue is primarily due to a \$3.2 million or 48% 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. 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 \$69.8 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 \$17.3 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 \$38.9 million due to increased subscribers, rate increases in May and August 2010 and our subscribers' selection of plans that offer higher speeds.

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

- A \$15.9 million increase in USAC support. This increase includes a \$11.6 million increase in USF high cost support and a \$4.3 million increase in USF low income support. We accrue estimated USF 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, an increase in the number of wireless subscribers and \$1.0 million for amended line count filings for which the revenue recognition criteria was met in the third quarter of 2010. The increase in USF low income support is due to an increase in the number of wireless subscribers who qualify under this program; and
- A \$3.8 million increase in plan fee revenue due to an increase in the number of wireless subscribers.

These increases were partially off-set by the following:

- An absence of \$1.7 million in support recorded 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 recorded 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.

Consumer Segment Cost of Goods Sold

The decrease in voice Cost of Goods Sold is primarily due to decreased voice minutes carried, cost savings resulting from the increased deployment of local access services lines on our own facilities during the last three months of 2009 and the first nine months of 2010, and a \$392,000 favorable adjustment based upon refunds from several vendors. In the course of business we estimate unbilled long-distance services Cost of Goods Sold based upon minutes of use processed through our network and established rates. Such estimates are revised when subsequent billings are received, payments are made, billing matters are researched and resolved, tariffed billing periods lapse, or when disputed charges are resolved.

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

through our HD/DVR converter boxes due to the increased number of boxes in service, and an increase in digital programming tier subscribers. The increases were partially offset by the absence of a \$594,000 charge in 2009 to settle a billing issue with a cable programmer.

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 an increased number 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." The increase 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	\$ 22,471	39,975	(44%)
Data	46,360	48,903	(5%)
Wireless	12,668	5,704	122%
Total Network Access segment revenue	<u>\$ 81,499</u>	<u>94,582</u>	<u>(14%)</u>

Network Access segment Cost of Goods Sold represented 12% 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	\$ 11,137	12,947	(14%)
Data	6,288	7,004	(10%)
Wireless	1,029	825	25%
Total Network Access segment Cost of Goods Sold	<u>\$ 18,454</u>	<u>20,776</u>	<u>(11%)</u>

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	\$ 40,206	46,674	(14%)

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:

	September 30, 2010	2009	Percentage Change
Voice:			
Long-distance minutes carried (in millions)	600.3	640.6	(6%)

Please refer to our three-month results of operations discussion for additional selected key performance indicators for the third 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 is partially offset by a \$2.3 million increase from growth of services sold to a certain customer. Also partially offsetting the decrease is a \$1.1 million reclassification of 2010 revenue from Network Access segment data revenue for a more accurate presentation. The associated revenue was insignificant in 2009 and therefore a similar reclassification was not needed.

The decrease in data revenue is primarily due to decreased rates for capacity purchased by our common carrier customers and the reclassification of \$1.1 million in 2010 revenue to the Network Access segment voice revenue category as discussed above. The decreases were 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, the movement of more traffic onto our network in lieu of carrying traffic on third party networks, and a \$771,000 favorable adjustment based upon refunds from several vendors. In the course of business we estimate unbilled long-distance services Cost of Goods Sold based upon minutes of use processed through our network and established rates. Such estimates are revised when subsequent billings are received, payments are made, billing matters are researched and resolved, tariffed billing periods lapse, or when disputed charges are resolved. The decreases were partially offset by a \$1.2 million increase from growth of services sold to a certain customer and a \$919,000 increase resulting from the reclassification of certain 2010 costs from the data Cost of Goods Sold category for a more accurate categorization.

The decrease in data Cost of Goods Sold is primarily due to the \$919,000 reclassification of 2010 costs to the voice Cost of Goods Sold category as described above and a \$724,000 favorable adjustment based upon refunds from several vendors. In the course of business we estimate unbilled data services Cost of Goods Sold based upon minutes of use processed through our network and established rates. Such estimates are revised when subsequent billings are received, payments are made, billing matters are researched and resolved, tariffed billing periods lapse, or when disputed charges are resolved. The decreases were partially offset by the absence of 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 ." This decrease is partially off-set by decreased Cost of Goods Sold as described in "Network Access Segment Cost of Goods Sold" and a decrease in the selling, general and administrative expense that was allocated to our Network Access segment primarily due to a decrease in the 2009 segment margin upon which the selling, general and administrative expense allocation is based.

Commercial Segment Overview

Commercial segment revenue represented 20% 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	\$ 24,316	23,373	4%
Video	7,909	6,591	20%
Data	56,544	47,725	18%
Wireless	6,474	4,994	30%
Total Commercial segment revenue	\$ 95,243	82,683	15%

Commercial segment Cost of Goods Sold represented 29% 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	\$ 11,626	14,393	(19%)
Video	1,550	1,532	1%
Data	28,276	21,425	32%
Wireless	2,747	2,292	20%
Total Commercial segment Cost of Goods Sold	\$ 44,199	39,642	11%

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

	2010	2009	Percentage Change
Commercial segment adjusted EBITDA	\$ 23,526	17,047	38%

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:

	September 30, 2010	2009	Percentage Change
Voice:			
Long-distance minutes carried (in millions)	88.8	94.5	(6%)

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

Commercial Segment Revenues

The increase in voice revenue is primarily due to a \$856,000 or 45% increase in USAC support. We accrue estimated USF 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 an increase in sales of cable advertising services due to state and federal political advertising and the 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 \$7.7 million or 35% increase in managed services project revenue due to special project work. 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 \$1.1 million or 152% increase in USAC support. We accrue estimated USF 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 the following:

- A \$1.0 million favorable adjustment based upon refunds from several vendors. In the course of business we estimate unbilled long-distance services Cost of Goods Sold based upon minutes of use processed through our network and established rates. Such estimates are revised when subsequent billings are received, payments are made, billing matters are researched and resolved, tariffed billing periods lapse, or when disputed charges are resolved; and
- Cost savings resulting from increased deployment of local access services lines on our own facilities during the last three months of 2009 and first nine months of 2010.

The increase in data Cost of Goods Sold is primarily due to a \$7.6 million or 52% 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%, 7% and 8% 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 third quarters of 2010 and 2009.

Managed Broadband Segment Revenues

Managed Broadband segment revenue, which includes data products only, increased 8% to \$36.0 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 \$7.9 million in 2009 to \$9.9 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 6% to \$13.9 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," and an increase in the selling, general and administrative expense that was allocated to our Managed Broadband segment primarily due to an increase in the consolidated selling, general and administrative expense. These increases were 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 3%, 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 third quarters of 2010 and 2009.

Regulated Operations Segment Revenues

Regulated Operations segment revenues decreased from \$18.6 million in 2009 to \$17.3 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 \$4.9 million in 2009 to \$3.4 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 1% to \$5.1 million in 2010.

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 \$9.1 million to \$166.5 million in 2010 primarily due to the following:

- A \$3.2 million increase in labor costs,
- A \$3.0 million increase in health benefit costs,
- A \$2.8 million increase in share-based compensation expense primarily due to the absence of a \$2.4 million reversal of expense in 2009. The expense had been properly recognized in previous periods for certain performance-based stock options and restricted stock awards but in the third quarter of 2009 we determined they were not expected to vest, and
- \$1.9 million in costs, including workers compensation expense, related to an accident involving our company-owned aircraft in August 2010.

The increases were partially off-set by the following:

- A \$2.0 million decrease in sales expense,
- The absence of \$1.2 million in costs for the conversion of our customers' wireless phones to our facilities in 2009,
- A \$737,000 decrease in contract labor, 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.

As a percentage of total revenues, selling, general and administrative expenses decreased to 34% in 2010 from 35% in 2009, primarily due to increasing revenues.

Depreciation and Amortization Expense

Depreciation and amortization expense decreased \$544,000 to \$92.2 million in 2010 primarily due to assets which became fully depreciated during the last three months of 2009 and the first nine months of 2010.

Other Expense, Net

Other expense, net of other income, increased 36% to \$52.9 million in 2010 primarily due to a \$12.4 million increase in interest expense to \$52.1 million in 2010. The interest expense increase is due to the

issuance of the 2019 Notes in November 2009, 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 \$10.3 million and \$6.5 million in 2010 and 2009, respectively. Our effective income tax rate increased slightly from 47% in 2009 to 48% in 2010.

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 two to 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. 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	\$ 112,156	67,252
Investing activities	(77,384)	(95,302)
Financing activities	(4,548)	20,649
Net increase (decrease) in cash and cash equivalents	<u>\$ 30,224</u>	<u>(7,401)</u>

Operating Activities

The increase in cash flows provided by operating activities is due primarily to an increase in operating income in 2010 as compared to 2009 and a \$15.0 million contractually required payment made in 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 \$68.8 million and \$93.0 million during the nine months ended September 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 our liquidity needs. We may use excess cash to make optional repayments on our debt or repurchase our common stock depending on various factors, such as market conditions. The 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 \$2.7 million of letters of credit outstanding, which leaves \$72.3 million available for borrowing under the revolving credit facility as of September 30, 2010.

On October 20, 2010, we borrowed \$30.0 million under our revolving credit facility to partially fund a repurchase of our Class A common stock. After consideration of this transaction, we have \$42.3 million available for borrowing under our revolving credit facility. See note 9 in the "Condensed Notes to Interim Consolidated Financial Statements" included in Part I of this quarterly report on Form 10-Q for further discussion on this transaction.

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 \$64.8 million of repurchases as of September 30, 2010. In October 2010, GCI's Board of Directors approved an increase to the common stock buyback plan. Under the amended plan, we are authorized to repurchase up to \$100.0 million worth of GCI common stock. We are authorized to increase our repurchase limit \$5.0 million per quarter indefinitely and to use stock option exercise proceeds to repurchase additional shares. If stock repurchases are less than the total approved quarterly amount the difference may be carried forward and applied against future stock repurchases. During the nine months ended September 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.

On October 21, 2010, we entered into a stock purchase agreement with the Arctic Slope Regional Corporation, pursuant to which GCI repurchased 7,486,240 shares of GCI's Class A common stock for \$10.16 per share, representing a total purchase price of \$76.0 million. This repurchase will reduce the amount available under the \$100.0 million stock buyback program to \$29.0 million. See note 9 in the "Condensed Notes to

Interim Consolidated Financial Statements" included in Part I of this quarterly report on Form 10-Q for further discussion regarding this transaction.

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 nine months ended September 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 September 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 acquisitions of wireless companies and 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 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 judgment 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, expected future operating results, or 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 \$86.6 million associated with income tax net operating losses that were generated from 1996 to 2009, and that primarily 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 September 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 September 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 September 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 the June 30, 2010 quarterly report. The impact of this error was deemed to be immaterial in the current and prior periods. We began 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. We will continue our remediation efforts in the fourth quarter of 2010.

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 September 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 we are involved in the following matters:

- In August 2008, the FCC's OIG initiated an investigation by requesting information 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 are presently unable to assess the ultimate resolution of this matter; and
- In August 2010, a GCI-owned aircraft was involved in an accident resulting in five fatalities and injuries to the remaining four passengers on board. We had aircraft and liability insurance coverage in effect at the time of the accident. We cannot predict the likelihood or nature of any potential claims related to the accident.

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
10.177	Description of Incentive Compensation Guidelines for Named Executive Officers #
#	Incorporated by reference to our Current Report on Form 8-K dated October 15, 2010.

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>November 8, 2010</u>
<u>/s/ John M. Lowber</u> John M. Lowber	Senior Vice President, Chief Financial Officer, Secretary and Treasurer (Principal Financial Officer)	<u>November 8, 2010</u>
<u>/s/ Lynda L. Tarbath</u> Lynda L. Tarbath	Vice President, Chief Accounting Officer (Principal Accounting Officer)	<u>November 8, 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 September 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
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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: November 8, 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 September 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: November 8, 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 September 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: November 8, 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 September 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: November 8, 2010

/s/ John M. Lowber

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