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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2011

OR

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

For the transition period from _____ to _____

Commission File No. 0-15279

GENERAL COMMUNICATION, INC.

(Exact name of registrant as specified in its charter)

State of Alaska

(State or other jurisdiction of
incorporation or organization)

92-0072737

(I.R.S Employer
Identification No.)

**2550 Denali Street
Suite 1000**

Anchorage, Alaska

(Address of principal
executive offices)

99503

(Zip Code)

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

Not Applicable

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

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

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

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

Large accelerated filer

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

Accelerated filer

Smaller reporting company

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

The number of shares outstanding of the registrant's classes of common stock as of July 29, 2011 was:

42,576,671 shares of Class A common stock; and
3,176,491 shares of Class B common stock.

GENERAL COMMUNICATION, INC.
FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2011

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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, 2010 annual report on Form 10-K. Those factors may cause our actual results to differ materially from any of our forward-looking statements. For these forward looking statements, we claim the protection of the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995.

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

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

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

(Amounts in thousands)

ASSETS	June 30, 2011	December 31, 2010
Current assets:		
Cash and cash equivalents	\$ 25,869	33,070
Receivables	155,632	132,856
Less allowance for doubtful receivables	7,530	9,189
Net receivables	148,102	123,667
Deferred income taxes	10,145	10,145
Prepaid expenses	9,141	5,950
Inventories	6,523	5,804
Other current assets	3,734	3,940
Total current assets	203,514	182,576
Property and equipment in service, net of depreciation	766,051	798,278
Construction in progress	77,549	31,144
Net property and equipment	843,600	829,422
Cable certificates	191,635	191,635
Goodwill	73,932	73,932
Wireless licenses	25,967	25,967
Other intangible assets, net of amortization	16,435	17,717
Deferred loan and senior notes costs, net of amortization	13,418	13,661
Other assets	16,333	16,850
Total other assets	337,720	339,762
Total assets	\$ 1,384,834	1,351,760

See accompanying condensed notes to interim consolidated financial statements.

(Continued)

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

(Amounts in thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY	June 30, 2011	December 31, 2010
Current liabilities:		
Current maturities of obligations under long-term debt and capital leases	\$ 7,693	7,652
Accounts payable	39,496	35,589
Deferred revenue	18,160	17,296
Accrued payroll and payroll related obligations	20,792	22,132
Accrued interest	7,326	13,456
Accrued liabilities	12,910	12,557
Subscriber deposits	1,222	1,271
Total current liabilities	<u>107,599</u>	<u>109,953</u>
Long-term debt, net		
Obligations under capital leases, excluding current maturities	830,595	779,201
Obligation under capital lease due to related party	81,433	84,144
Deferred income taxes	1,890	1,885
Long-term deferred revenue	101,845	102,401
Other liabilities	56,645	49,175
Total liabilities	<u>1,202,928</u>	<u>1,151,254</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock (no par):		
Class A. Authorized 100,000 shares; issued 42,762 and 44,213 shares at June 30, 2011 and December 31, 2010, respectively; outstanding 42,508 and 43,958 shares at June 30, 2011 and December 31, 2010, respectively	48,796	69,396
Class B. Authorized 10,000 shares; issued and outstanding 3,176 and 3,178 shares at June 30, 2011 and December 31, 2010, respectively; convertible on a share-per-share basis into Class A common stock	2,683	2,677
Less cost of 254 and 255 Class A common shares held in treasury at June 30, 2011 and December 31, 2010, respectively	(2,240)	(2,249)
Paid-in capital	39,532	37,075
Retained earnings	93,135	93,607
Total stockholders' equity	<u>181,906</u>	<u>200,506</u>
Total liabilities and stockholders' equity	<u>\$ 1,384,834</u>	<u>1,351,760</u>

See accompanying condensed notes to interim consolidated financial statements.

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(Amounts in thousands, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Revenues	\$ 168,089	162,326	332,866	314,745
Cost of goods sold (exclusive of depreciation and amortization shown separately below)	57,314	51,754	111,070	100,661
Selling, general and administrative expenses	57,697	54,704	116,590	107,961
Depreciation and amortization expense	30,632	30,820	62,352	61,946
Operating income	22,446	25,048	42,854	44,177
Other income (expense):				
Interest expense (including amortization of deferred loan fees)	(17,294)	(17,729)	(34,746)	(35,409)
Loss on extinguishment of debt	(9,111)	-	(9,111)	-
Interest income	4	76	8	137
Other	(9)	-	(33)	-
Other expense, net	(26,410)	(17,653)	(43,882)	(35,272)
Income (loss) before income tax (expense) benefit	(3,964)	7,395	(1,028)	8,905
Income tax (expense) benefit	2,007	(5,465)	556	(5,301)
Net income (loss)	\$ (1,957)	1,930	(472)	3,604
Basic net income (loss) per Class A common share	\$ (0.04)	0.04	(0.01)	0.07
Basic net income (loss) per Class B common share	\$ (0.04)	0.04	(0.01)	0.07
Diluted net income (loss) per Class A common share	\$ (0.04)	0.04	(0.01)	0.07
Diluted net income (loss) per Class B common share	\$ (0.04)	0.04	(0.01)	0.07

See accompanying condensed notes to interim consolidated financial statements

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2011 AND 2010
(Unaudited)

	2011	2010
Cash flows from operating activities:		
Net income (loss)	\$ (472)	3,604
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	62,352	61,946
Loss on extinguishment of debt	9,111	-
Deferred income tax expense (benefit)	(556)	5,301
Share-based compensation expense	2,840	2,446
Other noncash income and expense items	4,563	3,824
Change in operating assets and liabilities	(27,996)	(6,434)
Net cash provided by operating activities	49,842	70,687
Cash flows from investing activities:		
Purchases of property and equipment	(71,892)	(41,943)
Purchases of other assets and intangible assets	(3,247)	(1,694)
Purchase of businesses, net of cash received	-	(5,545)
Purchase of marketable securities	-	(182)
Proceeds from sale of marketable securities	-	178
Other	233	-
Net cash used in investing activities	(74,906)	(49,186)
Cash flows from financing activities:		
Issuance of 2021 Notes	325,000	-
Borrowing on Senior Credit Facility	68,000	-
Purchase of treasury stock to be retired	(21,390)	(1,306)
Repayment of debt and capital lease obligations	(348,873)	(4,824)
Payment of Senior Notes call premiums	(4,728)	-
Issuance of other long-term debt	2,841	4,532
Payment of debt issuance costs	(3,272)	(2,182)
Other	285	98
Net cash provided by (used in) financing activities	17,863	(3,682)
Net increase (decrease) in cash and cash equivalents	(7,201)	17,819
Cash and cash equivalents at beginning of period	33,070	48,776
Cash and cash equivalents at end of period	\$ 25,869	66,595

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 direct and indirect 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, 2010, filed with the SEC on March 15, 2011 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, and
- 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.

(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

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-04 "Fair Value Measurement (Topic 820); Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards ("IFRS")" which amends current guidance to achieve common fair value measurement and disclosure requirements in GAAP and IFRS. The amendments generally represent clarification of FASB ASC Topic 820, but also include instances where a particular principle or requirement for measuring fair value or disclosing information about fair value measurements has changed. This pronouncement is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of ASU 2011-04 is not expected to have a material impact on our statement of operations, financial position or cash flows.

(Continued)

(d) Recently Adopted Accounting Pronouncements

FASB 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 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. The adoption of ASU 2009-13 on January 1, 2011, did not have a material impact on our statement of operations, financial position or cash flows.

Under ASU 2010-28 "Intangibles—Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts", if the carrying amount of a reporting unit is zero or negative, an entity must assess whether it is more likely than not that goodwill impairment exists. To make that determination, an entity should consider whether there are adverse qualitative factors that could impact the amount of goodwill, including those listed in ASC 350-20-35-30. As a result of the new guidance, an entity can no longer assert that a reporting unit is not required to perform the second step of the goodwill impairment test because the carrying amount of the reporting unit is zero or negative, despite the existence of qualitative factors that indicate goodwill is more likely than not impaired. The adoption of ASU 2010-28 on January 1, 2011, did not have a material impact on our statement of operations, financial position or cash flows.

ASU 2010-29 "Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations" specifies that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments in this update also expand the supplemental pro forma disclosures under Topic 805 to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The adoption of ASU 2010-29 on January 1, 2011, did not have a material impact on our statement of operations, financial position, cash flows or related disclosures.

(e) Regulatory Accounting and Regulation

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

(f) Earnings per Common Share

We compute net income (loss) per share of Class A and Class B common stock using the "two class" method. Therefore, basic net income (loss) per share is computed by dividing net income (loss) applicable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common and dilutive common equivalent shares outstanding during the period. The computation of the dilutive net income (loss) 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 (loss) per share of Class B common stock does not assume the conversion of those shares. Additionally in applying the "two-class" method, undistributed earnings (losses) 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.

(Continued)

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

Undistributed earnings (losses) for each year are allocated based on the contractual participation rights of Class A and Class B common shares as if the earnings (losses) 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 (losses) on a proportionate basis.

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

	Three Months Ended June 30,			
	2011		2010	
	Class A	Class B	Class A	Class B
Basic net income (loss) per share:				
Numerator:				
Allocation of undistributed earnings (losses)	\$ (1,823)	(134)	\$ 1,818	112
Denominator:				
Weighted average common shares outstanding	43,098	3,178	51,489	3,185
Basic net income (loss) per share	<u>\$ (0.04)</u>	<u>(0.04)</u>	<u>\$ 0.04</u>	<u>0.04</u>
Diluted net income (loss) per share:				
Numerator:				
Allocation of undistributed earnings (losses) for basic computation	\$ (1,823)	(134)	\$ 1,818	112
Reallocation of undistributed earnings (losses) as a result of conversion of Class B to Class A shares	(134)	-	112	-
Net income (loss) adjusted for allocation of undistributed earnings and effect of share based compensation that may be settled in cash or shares	\$ (1,957)	(134)	\$ 1,930	112
Denominator:				
Number of shares used in basic computation	43,098	3,178	51,489	3,185
Conversion of Class B to Class A common shares outstanding	3,178	-	3,185	-
Unexercised stock options	-	-	71	-
Number of shares used in per share computations	<u>46,276</u>	<u>3,178</u>	<u>54,745</u>	<u>3,185</u>
Diluted net income (loss) per share	<u>\$ (0.04)</u>	<u>(0.04)</u>	<u>\$ 0.04</u>	<u>0.04</u>

(Continued)

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

	Six Months Ended June 30,			
	2011		2010	
	Class A	Class B	Class A	Class B
Basic net income (loss) per share:				
Numerator:				
Allocation of undistributed earnings (losses)	\$ (440)	(32)	\$ 3,394	210
Denominator:				
Weighted average common shares outstanding	43,536	3,178	51,534	3,185
Basic net income (loss) per share	<u>\$ (0.01)</u>	<u>(0.01)</u>	<u>\$ 0.07</u>	<u>0.07</u>
Diluted net income (loss) per share:				
Numerator:				
Allocation of undistributed earnings (losses) for basic computation	\$ (440)	(32)	\$ 3,394	210
Reallocation of undistributed earnings (losses) as a result of conversion of Class B to Class A shares	(32)	-	210	-
Reallocation of undistributed earnings (losses) as a result of conversion of Class B to Class A shares outstanding	-	(5)	-	-
Effect of share based compensation that may be settled in cash or shares	(75)	-	-	-
Net income (loss) adjusted for allocation of undistributed earnings and effect of share based compensation that may be settled in cash or shares	\$ (547)	(37)	\$ 3,604	210
Denominator:				
Number of shares used in basic computation	43,536	3,178	51,534	3,185
Conversion of Class B to Class A common shares outstanding	3,178	-	3,185	-
Unexercised stock options	-	-	67	-
Number of shares used in per share computations	<u>46,714</u>	<u>3,178</u>	<u>54,786</u>	<u>3,185</u>
Diluted net (loss) income per share	<u>\$ (0.01)</u>	<u>(0.01)</u>	<u>\$ 0.07</u>	<u>0.07</u>

Weighted average shares associated with outstanding share awards for the three and six months ended June 30, 2011 and 2010, 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 June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	Shares associated with anti-dilutive unexercised stock options	36	1,077	14
Share-based compensation that may be settled in cash or shares, the effect of which is anti-dilutive	515	233	524	233

(Continued)

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

Additionally, 50,000 weighted average shares associated with contingent awards were excluded from the computation of diluted EPS for the three and six months ended June 30, 2011 because the contingencies of these awards have not been met at June 30, 2011.

(g) Common Stock

Following are the changes in issued common stock for the six months ended June 30, 2011 and 2010 (shares, in thousands):

	Class A	Class B
Balances at December 31, 2009	51,899	3,186
Class B shares converted to Class A	1	(1)
Shares issued upon stock option exercises	24	-
Share awards issued	188	-
Shares retired	(132)	-
Other	(2)	-
Balances at June 30, 2010	<u>51,978</u>	<u>3,185</u>
Balances at December 31, 2010	44,213	3,178
Class B shares converted to Class A	2	(2)
Shares issued upon stock option exercises	37	-
Share awards issued	416	-
Shares retired	(1,881)	-
Other	(25)	-
Balances at June 30, 2011	<u>42,762</u>	<u>3,176</u>

GCI's Board of Directors has authorized a common stock buyback program for the repurchase of GCI's Class A and Class B common stock in order to reduce the outstanding shares of Class A and Class B common stock. We are authorized to increase our repurchase limit \$5.0 million per quarter indefinitely and to use stock option exercise proceeds to repurchase additional shares. If stock repurchases are less than the total approved quarterly amount the difference may be carried forward and used to repurchase additional shares in future quarters.

Under the stock buyback program, we repurchased 1.2 million and 171,000 shares of our Class A and B common stock at a cost of \$14.1 million and \$1.0 million, during the three months ended June 30, 2011 and 2010, respectively. During the six months ended June 30, 2011 and 2010 we repurchased 1.9 million and 224,000 shares of our Class A and B common stock at a cost of \$21.1 million and \$1.3 million, respectively. The cost of the repurchased common stock reduced Common Stock on our Consolidated Balance Sheets. The 2011 repurchases reduced the amount available under the stock buyback program to \$114.4 million at June 30, 2011. The repurchased stock was constructively retired as of June 30, 2011.

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.

(Continued)

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

(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 (exclusive of depreciation and amortization) 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 are subject to upward or downward adjustment in subsequent periods.

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

(i) 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 reported on a gross basis in our Consolidated Statement of Operations for the three and six months ended June 30, 2011 and 2010 (amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Surcharges reported gross	\$ 1,376	1,416	2,800	2,751

(2) Consolidated Statements of Cash Flows Supplemental Disclosures

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

Six month period ended June 30,	2011	2010
Increase in accounts receivable	\$ (27,245)	(7,534)
Increase in prepaid expenses	(3,191)	(2,903)
(Increase) decrease in inventories	(719)	3,609
Decrease in other current assets	206	314
Decrease in other assets	1,857	1,022
Increase in accounts payable	2,361	867
Increase in deferred revenues	864	1,040
Decrease in accrued payroll and payroll related obligations	(1,559)	(2,893)
Increase in accrued liabilities	134	3,472

(Continued)

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
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Decrease in accrued interest	(6,130)	(1,393)
Decrease in subscriber deposits	(49)	(191)
Increase (decrease) in long-term deferred revenue	7,470	(1,282)
Decrease in components of other long-term liabilities	(1,995)	(562)
	<u>\$ (27,996)</u>	<u>(6,434)</u>

The following items are for the six months ended June 30, 2011 and 2010 (amounts in thousands):

Net cash paid or received:	2011	2010
Interest paid, net of amounts capitalized	\$ 40,614	35,740
Income tax refund received	\$ -	1,163

The following items are non-cash investing and financing activities for the six months ended June 30, 2011 and 2010 (amounts in thousands):

	2011	2010
Non-cash additions for purchases of property and e quipment	\$ 9,388	5,842
Asset retirement obligation additions to property and equipment	\$ 123	570
Asset retirement obligation reductions to property and equipment for revisions to previous estimates	\$ 294	-
Write-off of original issue discount on 2014 Notes	\$ 1,530	-

(3) Intangible Assets

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Amortization expense	<u>\$ 1,583</u>	<u>1,586</u>	<u>3,156</u>	<u>3,297</u>

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,	
2011	\$ 5,877
2012	4,059
2013	3,001
2014	2,141
2015	1,414

(Continued)

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
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(4) Long-Term Debt

2021 Notes

On May 20, 2011 ("Closing Date"), GCI, Inc. our wholly-owned subsidiary, completed an offering of \$325.0 million in aggregate principal amount of 6 3/4% Senior Notes due 2021 ("2021 Notes") at an issue price of 100% to qualified institutional buyers in reliance on Rule 144A under the Securities Act of 1933, as amended ("Securities Act"), and to persons outside the United States in accordance with Regulation S under the Securities Act. We used the net proceeds from this offering to repay and retire all \$320.0 million of our outstanding senior unsecured notes due 2014 ("2014 Notes").

The 2021 Notes mature on June 1, 2021. Semi-annual interest payments are payable on June 1 and December 1, beginning on December 1, 2011. The 2021 Notes are carried on our Consolidated Balance Sheet.

The 2021 Notes are senior unsecured obligations which rank equally in right of payment with our existing and future senior unsecured debt, including our 8 5/8% Senior Notes due 2019, and senior in right of payment to all future subordinated indebtedness.

The 2021 Notes were issued pursuant to an Indenture, dated as of the Closing Date, between us and Union Bank, N.A., as trustee.

We are not required to make mandatory sinking fund payments with respect to the 2021 Notes.

Upon the occurrence of a change of control, each holder of the 2021 Notes will have the right to require us to purchase all or any part (equal to \$1,000 or an integral multiple thereof, except that no 2021 Note will be purchased in part if the remaining portion thereof would not be at least \$2,000) of such holder's 2021 Notes at a purchase price equal to 101% of the principal amount of such 2021 Notes, plus accrued and unpaid interest on such 2021 Notes, if any. If we or certain of our subsidiaries engage in asset sales, we must generally either invest the net cash proceeds from such sales in our business within a period of time, prepay debt under any outstanding credit facility, or make an offer to purchase a principal amount of the 2021 Notes equal to the excess net cash proceeds, with the purchase price equal to 100% of their principal amount, plus accrued and unpaid interest, if any.

The covenants in the Indenture restrict GCI, Inc. and certain of its subsidiaries from incurring additional debt, but permits debt under the Senior Credit Facility and vendor financing as long as our leverage ratio, as defined, does not exceed 5.5 to one; or enter into sale and leaseback transactions; pay dividends or distributions on capital stock or repurchase capital stock; issue stock of subsidiaries; make certain investments; create liens on assets to secure debt; enter into transactions with affiliates; merge or consolidate with another company; and transfer and sell assets. These covenants are subject to a number of limitations and exceptions, as further described in the Indenture.

On July 7, 2011, GCI, Inc. launched an exchange offer pursuant to which it offered new 2021 Notes identical to the original notes except that the new 2021 Notes will have been registered under the Securities Act. The exchange offer is expected to close on or about August 13, 2011.

We paid closing costs totaling \$3.5 million in connection with the offering, which were recorded as deferred loan costs and are being amortized over the term of the 2021 Notes. We recorded a \$9.1 million Loss on Extinguishment of Debt on our Consolidated Statement of Operations. Included in the loss was \$2.9 million in unamortized deferred loan costs, \$1.5 million for the unamortized portion of the original issue discount and \$4.7 million in call premium payments to redeem our 2014 Notes.

Senior Credit Facility

In June 2011, GCI Holdings, Inc. ("Holdings"), our wholly owned subsidiary, entered into an Add-On Term Loan Supplement No. 1 ("Supplement No. 1") to our Senior Credit Facility. The Supplement No. 1 provided for an additional \$25.0 million term loan with an initial interest rate of LIBOR plus 2.5%, payable in accordance with the terms of our Senior Credit Facility. Holdings used \$20.0 million of the loan

(Continued)

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
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proceeds to pay down outstanding revolving loans under our Senior Credit Facility, thus increasing availability under the revolving portion of our Senior Credit Facility. The remaining \$5.0 million was used for general corporate purposes.

Our Senior Credit Facility, which includes the Supplement No. 1 as discussed above, includes a \$25.0 million term loan and a \$75.0 million revolving credit facility with a \$25.0 million sublimit for letters of credit. A total of \$63.0 million is outstanding as of June 30, 2011. The term loan is fully drawn as of June 30, 2011. Under the revolving portion of the Senior Credit Facility, we have borrowed \$38.0 million and have \$2.7 million of letters of credit outstanding, which leaves \$34.3 million available for borrowing as of June 30, 2011. The Senior Credit Facility will mature on January 29, 2015.

(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 June 30, 2011 and December 31, 2010, the fair values of cash and cash equivalents, net receivables, accounts payable, accrued payroll and payroll related obligations, accrued interest, accrued liabilities, and subscriber deposits approximate their carrying value due to the short-term nature of these financial instruments. The carrying amounts and estimated fair values of our financial instruments at June 30, 2011 and December 31, 2010 follow (amounts in thousands):

	June 30, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Current and long-term debt and capital lease obligations	\$ 921,611	957,100	872,882	908,286
Other liabilities	79,242	78,372	73,309	72,065

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

Current and long-term debt and capital lease obligations: The fair values of our 2021 Notes, 2019 Notes, 2014 Notes, Rural Utilities Service ("RUS") debt, CoBank mortgage note payable, and capital leases are based upon quoted market prices for the same or similar issues or on the current rates offered to us for the same remaining maturities. The fair value of our Senior Credit Facility is estimated to approximate the carrying value because this instrument is subject to variable interest rates.

Other Liabilities: Lease escalation liabilities are valued at the discounted amount of future cash flows using quoted market prices on current rates offered to us. 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. Our non-employee share-based compensation awards are reported at their fair value at each reporting period.

Fair Value Measurements

Assets measured at fair value on a recurring basis as of June 30, 2011 and December 31, 2010 were as follows (amounts in thousands):

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	Fair Value Measurement at Reporting Date Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2011 Assets			
Deferred compensation plan assets (mutual funds)	\$ 1,713	-	-
Total assets at fair value	\$ 1,713	-	-
December 31, 2010 Assets			
Deferred compensation plan assets (mutual funds)	\$ 1,678	-	-
Total assets at fair value	\$ 1,678	-	-

The valuation of our mutual funds is 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 of GCI Class A common stock are issued when stock option agreements are exercised or restricted stock awards are granted.

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

The weighted average grant date fair value of options granted during the six months ended June 30, 2010 was \$2.84 per share. There were no options granted during the six months ended June 30, 2011. The total fair value of options vesting during the six months ended June 30, 2011 and 2010 was \$97,000 and \$82,000, respectively.

The following is a summary of our share-based compensation expense for the six months ended June 30, 2011 and 2010 (in thousands):

(Continued)

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	2011	2010
Employee share-based compensation expense	\$ 2,968	2,285
Adjustment to fair value of liability classified awards	(128)	161
Total share-based compensation expense	\$ 2,840	2,446

Share-based compensation expense is classified as selling, general and administrative expense in our Consolidated Statement of Operations. Unrecognized share-based compensation expense was \$6.4 million relating to 2.5 million restricted stock awards and \$490,000 relating to 308,000 unvested stock options as of June 30, 2011. We expect to recognize share-based compensation expense over a weighted average period of 1.3 years for stock options and restricted stock awards.

A summary of option activity under the Stock Option Plan for the six months ended June 30, 2011 follows (share amounts in thousands):

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2010	1,249	\$ 7.08		
Exercised	(37)	\$ 7.66		
Outstanding at June 30, 2011	<u>1,212</u>	<u>\$ 7.06</u>	<u>3.9 years</u>	<u>\$ 6,082</u>
Exercisable at June 30, 2011	<u>904</u>	<u>\$ 7.32</u>	<u>2.6 years</u>	<u>\$ 4,309</u>

A summary of nonvested restricted stock award activity under the Stock Option Plan for the six months ended June 30, 2011, follows (share amounts in thousands):

	Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2010	2,196	\$ 5.29
Granted	417	\$ 12.30
Vested	(121)	\$ 12.31
Forfeited	(12)	\$ 6.61
Nonvested at June 30, 2011	<u>2,480</u>	<u>\$ 6.12</u>

At June 30, 2011, 3.8 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 six months ended June 30, 2011 and 2010 were \$155,000 and \$48,000, respectively. We received \$285,000 and \$111,000 in cash from stock option exercises during the six months ended June 30, 2011 and 2010, respectively.

The following is a summary of activity for stock option grants that were not made pursuant to the Stock Option Plan for the six months ended June 30, 2010 and 2011 (share amounts in thousands):

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GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
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	Shares	Weighted Average Exercise Price
Outstanding at December 31, 2009	150	\$ 6.50
Options forfeited and retired	(150)	\$ 6.50
Outstanding at June 30, 2010 and 2011	-	
Available for grant at June 30, 2011	-	

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 several times, most recently on May 9, 2011. Upon signing the lease in January 2001, the lessor was granted an option to purchase 250,000 shares of GCI Class A common stock at \$6.50 per share, of which 100,000 shares were exercised during the year ended December 31, 2006 and the remaining 150,000 shares expired on March 31, 2010.

(7) Industry Segments Data

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

A description of our reportable segments follows:

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

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

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

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

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

Corporate related expenses including engineering, information technology, accounting, legal and regulatory, human resources, and other general and administrative expenses for the three and six months ended June 30, 2011 and 2010 are allocated to our segments using segment margin for the years ended December 31, 2010 and 2009, respectively. Bad debt expense for the three and six months ended June 30, 2011 and 2010 is allocated to our segments using a combination of specific identification and allocations based upon segment revenue for the three and six months ended June 30, 2011 and 2010, 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, accretion 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, 2010 annual report on Form 10-K. Intersegment sales are recorded at cost plus an agreed upon intercompany profit.

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

Summarized financial information for our reportable segments for the three and six months ended June 30, 2011 and 2010 follows (amounts in thousands):

Three months ended June 30, 2011	Consumer	Network Access	Commercial	Managed Broadband	Regulated Operations	Total Reportable Segments
Revenues:						
Intersegment	\$ -	-	1,416	-	44	1,460
External	88,554	25,151	34,216	14,639	5,529	168,089
Total revenues	<u>\$ 88,554</u>	<u>25,151</u>	<u>35,632</u>	<u>14,639</u>	<u>5,573</u>	<u>169,549</u>
Adjusted EBITDA	<u>\$ 28,258</u>	<u>12,344</u>	<u>7,401</u>	<u>5,709</u>	<u>1,221</u>	<u>54,933</u>
2010						
Revenues:						
Intersegment	\$ -	(5)	1,326	-	48	1,369
External	87,149	27,112	32,071	10,387	5,607	162,326
Total revenues	<u>\$ 87,149</u>	<u>27,107</u>	<u>33,397</u>	<u>10,387</u>	<u>5,655</u>	<u>163,695</u>
Adjusted EBITDA	<u>\$ 31,255</u>	<u>13,187</u>	<u>8,044</u>	<u>3,148</u>	<u>1,717</u>	<u>57,351</u>
Six months ended June 30, 2011						
Revenues:						
Intersegment	\$ -	-	2,825	-	113	2,938
External	176,971	50,248	66,045	28,634	10,968	332,866
Total revenues	<u>\$ 176,971</u>	<u>50,248</u>	<u>68,870</u>	<u>28,634</u>	<u>11,081</u>	<u>335,804</u>
Adjusted EBITDA	<u>\$ 56,651</u>	<u>24,224</u>	<u>14,063</u>	<u>11,420</u>	<u>1,921</u>	<u>108,279</u>
2010						
Revenues:						
Intersegment	\$ -	1	2,656	-	88	2,745
External	167,517	53,295	59,794	22,472	11,667	314,745
Total revenues	<u>\$ 167,517</u>	<u>53,296</u>	<u>62,450</u>	<u>22,472</u>	<u>11,755</u>	<u>317,490</u>
Adjusted EBITDA	<u>\$ 57,207</u>	<u>25,178</u>	<u>14,401</u>	<u>8,063</u>	<u>3,560</u>	<u>108,409</u>

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

(Continued)

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Reportable segment revenues	\$ 169,549	163,695	335,804	317,490
Less intersegment revenues eliminated in consolidation	1,460	1,369	2,938	2,745
Consolidated revenues	<u>\$ 168,089</u>	<u>162,326</u>	<u>332,866</u>	<u>314,745</u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Reportable segment Adjusted EBITDA	\$ 54,933	57,351	108,279	108,409
Less depreciation and amortization expense	(30,632)	(30,820)	(62,352)	(61,946)
Less share-based compensation expense	(1,670)	(1,643)	(2,840)	(2,446)
Plus other expense	9	160	33	160
Less accretion expense	(194)	-	(266)	-
Consolidated operating income	22,446	25,048	42,854	44,177
Less other expense, net	(26,410)	(17,653)	(43,882)	(35,272)
Consolidated income (loss) before income tax (expense) benefit	<u>\$ (3,964)</u>	<u>7,395</u>	<u>(1,028)</u>	<u>8,905</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 September 2008, the FCC's Office of Inspector General ("OIG") initiated an investigation regarding Alaska DigiTel LLC's ("Alaska DigiTel") compliance with program rules and requirements under the Lifeline Program. The request covered the period beginning January 1, 2004 through August 31, 2008 and related to 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 responded to this request on behalf of Alaska DigiTel and the GCI companies as affiliates. On January 18, 2011 we reached an agreement with the FCC and the Department of Justice to settle the matter, which required us to contribute \$1.6 million to the United States Treasury and granted us a broad release of claims including those under the False Claims Act. The \$1.6 million contribution, of which \$154,000, \$661,000 and \$741,000 were recognized in selling, general and administrative expense in the income statements in the years ending December 31, 2010, 2009 and 2008, respectively, was paid in January 2011; and

(Continued)

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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 the total potential claims related to the accident.

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, this project, called TERRA-Southwest ("TERRA-SW"), will be able to serve over 9,000 households and over 700 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, is made under the RUS Broadband Initiatives Program established pursuant to the American Recovery and Reinvestment Act. The award funds 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 in 2012 or earlier if possible. We have borrowed \$2.8 million in loan funds, leaving \$41.4 million remaining loan funds available as of June 30, 2011 for our TERRA-SW project. We have received \$2.8 million in grant funds, leaving \$41.2 million remaining grant funds available as of June 30, 2011 for our TERRA-SW project.

Universal Service

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 ten 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. On February 8, 2011, the FCC issued a Notice of Proposed Rulemaking to consider adopting reforms to its high cost support program, including, among other things, the proposed competitive ETC phase-out and ways to fund and distribute support for broadband services. More recently, a number of industry consensus plans have been proposed to the FCC that would substantially change the methodology for distributing USF high cost support, as well as the access charge regime. We cannot predict at this time the outcome of this proceeding, the prospects for adoption of these or other reforms, the effect on high cost support available to us, or how our access charge revenues and payments would be affected; however, our revenue for providing wireline and wireless local services in these areas would be materially adversely affected by the reduction of USF support.

(9) Related Party Transaction

In January 2001 we entered into an aircraft operating lease agreement with a company owned by our President and CEO. The lease was amended several times, most recently on May 9, 2011. The amended lease agreement added the lease of a second aircraft. The lease term of the original aircraft may be terminated at any time upon 90 days written notice. The monthly lease rate of the original aircraft is \$45,000. The lease term of the second aircraft may be terminated at any time upon 12 months' written notice. The monthly lease rate of the second aircraft is \$132,000. In 2001, we paid a deposit of \$1.5 million in connection with the lease. The deposit will be repaid to us no later than six months after the agreement terminates.

(10) Subsequent Events

On July 22, 2011, Holdings entered into an Add-On Term Loan Supplement No. 2 ("Supplement No. 2") to our Senior Credit Facility. The Supplement No. 2 provided for an additional \$25.0 million term loan with an initial interest rate of LIBOR plus 2.5%, payable in accordance with the terms of our Senior Credit Facility. Holdings used \$15.0 million to pay down outstanding revolving loans under our Senior Credit Facility, thus increasing availability under the revolving portion of our Senior Credit Facility. The remaining \$10.0 million was used for general corporate purposes.

On July 20, 2011, we borrowed an additional \$5.4 million under the loan portion of the TERRA-SW RUS award and received an additional \$5.4 million under the grant portion of the award. After consideration of these transactions, we have \$36.0 million and \$35.8 million in loan and grant funds available, respectively.

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

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

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles ("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 Universal Service Fund ("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 national economy continues to see persistent unemployment and slow economic growth and even once stabilized is not expected to return quickly to a period of strong growth. Should the national economy deteriorate further, it could lead to reductions in consumer spending which could impact our revenue growth. We believe the Alaska economy continues to perform well compared to most other states at the current time. The State of Alaska has large cash reserves that should enable it to maintain its budget for at least the short-term. This cash reserve 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 to have weathered the recessionary pressures relatively well to date. Nonetheless we cannot predict the impact the nation's future economic situation may have on us in the future.

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 ten 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. On February 8, 2011, the FCC issued a Notice of Proposed Rulemaking to consider adopting reforms to its high cost support program, including, among other things, the proposed competitive ETC phase-out and ways to fund and distribute support for broadband services. More recently, a number of industry consensus plans have been proposed to the FCC that would substantially change the methodology for distributing USF high cost support, as well as the access charge regime. We cannot predict at this time the outcome of this proceeding, the prospects for adoption of these or other reforms, the effect on high cost support available to us, or how our access charge revenues and payments would be affected; however, our revenue for providing wireline and wireless local services in these areas would be materially adversely affected by the reduction of USF support.

In November 2010, Verizon Wireless ("Verizon") acquired a license for 700 MHz wireless spectrum covering Alaska. The license is conditional on Verizon meeting applicable build-out requirements no later than June 13, 2013. We cannot predict the potential impact this new competition may have on us in the future.

In March 2011, AT&T, Inc. announced plans to acquire T-Mobile USA. The acquisition is subject to regulatory approval which is currently underway. Should the acquisition be completed, we do not expect the future net impact on us to be material.

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

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

Results of Operations

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

	Three Months Ended		Percentage Change ¹ 2011 vs. 2010	Six Months Ended		Percentage Change ¹ 2011 vs. 2010
	June 30, 2011	2010		June 30, 2011	2010	
(Unaudited)						
Statements of Operations Data:						
Revenues:						
Consumer segment	53%	54%	2%	53%	53%	6%
Network Access segment	15%	17%	(7%)	15%	17%	(6%)
Commercial segment	20%	20%	7%	20%	19%	10%
Managed Broadband segment	9%	6%	41%	9%	7%	27%
Regulated Operations segment	3%	3%	(1%)	3%	4%	(6%)
Total revenues	100%	100%	4%	100%	100%	6%
Selling, general and administrative expenses						
Depreciation and amortization expense	18%	19%	(1%)	19%	20%	1%
Operating income	13%	15%	(10%)	13%	14%	(3%)
Other expense, net	16%	11%	50%	13%	11%	24%
Income (loss) before income tax (expense) benefit						
Net income (loss)	(2%)	5%	(154%)	0%	3%	(112%)
	(1%)	1%	(201%)	0%	1%	(113%)

¹ Percentage change in underlying data.

We evaluate performance and allocate resources based on earnings before depreciation and amortization expense, net interest expense, income taxes, share-based compensation expense, accretion 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. See note 7 to the accompanying consolidated financial statements for a reconciliation of Adjusted EBITDA to Consolidated Income (Loss) Before Income Taxes.

Three Months Ended June 30, 2011 ("second quarter of 2011") Compared to Three Months Ended June 30, 2010 ("second quarter of 2010")

Overview of Revenues and Cost of Goods Sold

Total revenues increased 4% from \$162.3 million in the second quarter of 2010 to \$168.1 million in the second quarter of 2011. 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 11% from \$51.8 million in the second quarter of 2010 to \$57.3 million in the second quarter of 2011. Cost of Goods Sold increased in all of our segments. See the discussion below for more information by segment.

Consumer Segment Overview

Consumer segment revenue represented 53% of second quarter of 2011 consolidated revenues. The components of Consumer segment revenue are as follows (amounts in thousands):

	Second Quarter of 2011	2010	Percentage Change
Voice	\$ 13,625	15,254	(11%)
Video	29,546	29,352	1%
Data	17,257	14,608	18%
Wireless	28,126	27,935	1%
Total Consumer segment revenue	\$ 88,554	87,149	2%

Consumer segment Cost of Goods Sold represented 49% of second quarter of 2011 consolidated Cost of Goods Sold. The components of Consumer segment Cost of Goods Sold are as follows (amounts in thousands):

	Second Quarter of 2011	2010	Percentage Change
Voice	\$ 2,711	3,168	(14%)
Video	13,453	12,569	7%
Data	1,488	924	61%
Wireless	10,359	9,531	9%
Total Consumer segment Cost of Goods Sold	\$ 28,011	26,192	7%

Consumer segment Adjusted EBITDA, representing 52% of second quarter of 2011 consolidated Adjusted EBITDA, is as follows (amounts in thousands):

	Second Quarter of 2011	2010	Percentage Change
Consumer segment Adjusted EBITDA	\$ 28,258	31,255	(10%)

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 (loss) before income taxes.

Selected key performance indicators for our Consumer segment follow:

	June 30,		Percentage
	2011	2010	Change
Voice:			
Long-distance subscribers ¹	84,600	90,200	(6%)
Long-distance minutes carried (in millions)	23.2	26.7	(13%)
Total local access lines in service ²	82,300	85,100	(3%)
Local access lines in service on GCI facilities ²	75,900	77,100	(2%)
Video:			
Basic subscribers ³	126,900	131,200	(3%)
Digital programming tier subscribers ⁴	77,400	80,600	(4%)
HD/DVR converter boxes ⁵	87,700	86,500	1%
Homes passed	239,000	234,700	2%
Average monthly gross revenue per subscriber ⁶	\$ 76.47	\$ 74.54	3%
Data:			
Cable modem subscribers ⁷	105,400	103,500	2%
Wireless:			
Wireless lines in service ⁸	126,400	119,000	6%
Average monthly gross revenue per subscriber ⁹	\$ 70.52	\$ 75.07	(6%)

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 decrease in voice revenue is primarily due to a \$1.3 million or 30% decrease 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 decrease in USF high cost support is due to changes in the rates used to calculate our estimate and a decrease in the number of local subscribers.

The increase in data revenue is primarily due to a 17% increase in cable modem revenue to \$15.1 million due to increased subscribers, rate increases in May and August 2010 and in May 2011 and our subscribers' selection of plans that offer higher speeds.

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

- A \$1.4 million increase in USF high cost 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 due to changes in the rates used to calculate our estimate and an increase in the number of wireless subscribers; and
- A \$1.3 million increase in plan fee revenue to \$10.6 million primarily due to an increase in the number of wireless subscribers and our subscribers' selection of plans that offer more usage.

These increases are offset by the absence of a \$2.9 million change in estimate for high cost support recorded in the second quarter of 2010.

Consumer Segment Cost of Goods Sold

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 and increased video on demand sales.

The wireless Cost of Goods Sold increase is primarily due to a change in the allocation of network maintenance costs which resulted in an increase to our Consumer segment and a decrease to our Network Access, Commercial and Managed Broadband segments and 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. As part of an agreement signed in December 2007 with AT&T Mobility, AT&T Mobility has provided to us a large block of wireless network usage at no charge that we use for roaming. We expect this block of minutes to expire in the first quarter of 2012 at which time we expect a material increase to our wireless Cost of Goods Sold estimated at \$5.0 million to \$6.0 million for the year ended December 31, 2012.

Consumer Segment Adjusted EBITDA

The decrease in Adjusted EBITDA is primarily due to 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 due to an increase in the 2010 segment margin upon which the selling, general and administrative expense allocation is based and an increase in consolidated selling, general and administrative expense. These decreases were partially offset by increased revenue as described above in "Consumer Segment Revenues."

Network Access Segment Overview

Network Access segment revenue represented 15% of second quarter of 2011 consolidated revenues. The components of Network Access segment revenue are as follows (amounts in thousands):

	Second Quarter of		Percentage
	2011	2010	Change
Voice	\$ 5,441	7,176	(24%)
Data	15,023	15,823	(5%)
Wireless	4,687	4,113	14%
Total Network Access segment revenue	\$ 25,151	27,112	(7%)

Network Access segment Cost of Goods Sold represented 11% of second quarter of 2011 consolidated Cost of Goods Sold. The components of Network Access segment Cost of Goods Sold are as follows (amounts in thousands):

	Second Quarter of		Percentage
	2011	2010	Change
Voice	\$ 3,131	3,216	(3%)
Data	3,164	2,855	11%
Wireless	281	308	(9%)
Total Network Access segment Cost of Goods Sold	\$ 6,576	6,379	3%

Network Access segment Adjusted EBITDA, representing 23% of second quarter of 2011 consolidated Adjusted EBITDA, is as follows (amounts in thousands):

	Second Quarter of		Percentage
	2011	2010	Change
Network Access segment Adjusted EBITDA	\$ 12,344	13,187	(6%)

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 (loss) before income taxes.

Selected key performance indicators for our Network Access segment follow:

	2011	June 30, 2010	Percentage Change
Voice:			
Long-distance minutes carried (in millions)	187.5	201.3	(7%)
Data:			
Total Internet service provider access lines in service ¹	1,600	1,700	(6%)

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, the transition of voice traffic to dedicated networks and a decrease in minutes carried. 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.

Network Access Segment Cost of Goods Sold

The increase in data Cost of Goods Sold is primarily due to an increase in off-network capacity purchased by our common carrier customers.

Network Access Segment Adjusted EBITDA

The Adjusted EBITDA decrease is primarily due to decreased revenues as described above in "Network Access Segment Revenues" and an increase in Cost of Goods Sold as described above in "Network Access Segment Cost of Goods Sold." These changes were partially off-set by a decrease in the selling, general and administrative expense that was allocated to our Network Access segment primarily due to a decrease in the 2010 segment margin upon which the selling, general and administrative expense allocation is based.

Commercial Segment Overview

Commercial segment revenue represented 20% of second quarter of 2011 consolidated revenues. Commercial segment data revenue is comprised of monthly recurring charges for data services and charges billed on a time and materials basis largely for personnel providing on-site customer support. This latter category can vary significantly based on project activity. The components of Commercial segment revenue are as follows (amounts in thousands):

	Second Quarter of		Percentage Change
	2011	2010	
Voice	\$ 7,340	8,448	(13%)
Video	2,936	2,639	11%
Data	21,518	18,831	14%
Wireless	2,422	2,153	12%
Total Commercial segment revenue	\$ 34,216	32,071	7%

Commercial segment Cost of Goods Sold represented 30% of second quarter of 2011 consolidated Cost of Goods Sold. The components of Commercial segment Cost of Goods Sold are as follows (amounts in thousands):

	Second Quarter of		Percentage Change
	2011	2010	
Voice	\$ 3,622	3,902	(7%)
Video	549	532	3%
Data	11,681	9,712	20%
Wireless	1,080	951	14%
Total Commercial segment Cost of Goods Sold	\$ 16,932	15,097	12%

Commercial segment Adjusted EBITDA, representing 13% of second quarter of 2011 consolidated Adjusted EBITDA, is as follows (amounts in thousands):

	Second Quarter of		Percentage Change
	2011	2010	
Commercial segment Adjusted EBITDA	\$ 7,401	8,044	(8%)

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 (loss) before income taxes.

Selected key performance indicators for our Commercial segment follow:

	June 30,		Percentage Change
	2011	2010	
Voice:			
Long-distance subscribers ¹	9,100	9,400	(3%)
Long-distance minutes carried (in millions)	28.0	29.4	(5%)
Total local access lines in service ²	49,100	48,000	2%
Local access lines in service on GCI facilities ²	25,600	20,600	24%
Data:			
Cable modem subscribers ³	11,000	10,800	2%
Wireless:			
Wireless lines in service ⁴	14,600	12,200	20%

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 data revenue is primarily due to a \$1.6 million or 16% increase in managed services project revenue due to special project work.

Commercial Segment Cost of Goods Sold

The increase in data Cost of Goods Sold is primarily due to a \$1.2 million or 15% 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 decrease is primarily due to 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 and increased Cost of Goods Sold as described above in "Commercial Segment Cost of Goods Sold." These decreases are partially off-set by increased revenues as described above in "Commercial Segment Revenues."

Managed Broadband Segment Overview

Managed Broadband segment revenue, Cost of Goods Sold and Adjusted EBITDA represented 9%, 8% and 10% of second quarter of 2011 consolidated revenues, Cost of Goods Sold and Adjusted EBITDA, respectively.

Managed Broadband Segment Revenues

Managed Broadband segment revenue, which includes data products only, increased 41% to \$14.6 million in the second quarter of 2011 as compared to the second quarter of 2010. The increase is primarily due to increased monthly contract revenue due to increased data network capacity purchased by our ConnectMD® and SchoolAccess® customers and absence of \$1.7 million in denied funding from the USAC for one ConnectMD ® customer for the funding year July 2008 to June 2009. We received the funding commitment letter, which outlined the denied portion, in the second quarter of 2010. The denial has been appealed to the FCC and we cannot predict the likelihood of success.

Managed Broadband Segment Cost of Goods Sold

Managed Broadband segment Cost of Goods Sold increased 45% to \$4.6 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 81% to \$5.7 million in 2011 primarily due to increased revenues as described above in "Managed Broadband Segment Revenues," partially off-set by increased Cost of Goods Sold as described above in "Managed Broadband Segment Cost of Goods Sold."

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

Regulated Operations Segment Overview

Regulated Operations segment revenue, Cost of Goods Sold and Adjusted EBITDA represented 3%, 2% and 2% of second quarter of 2011 consolidated revenues, Cost of Goods Sold and Adjusted EBITDA, respectively.

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

	June 30,		Percentage
	2011	2010	Change
Voice:			
Total local access lines in service on GCI facilities ¹	9,400	10,600	(11%)

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 \$5.6 million in the second quarter of 2010 to \$5.5 million in the second quarter of 2011.

Regulated Operations Segment Cost of Goods Sold

Regulated Operations segment Cost of Goods Sold increased from \$926,000 in the second quarter of 2010 to \$1.2 million in the second quarter of 2011.

Regulated Operations Segment Adjusted EBITDA

Regulated Operations segment Adjusted EBITDA decreased 29% to \$1.2 million in the second quarter of 2011 primarily due to increased Cost of Goods Sold as described above in "Regulated Operations Segment Cost of Goods Sold."

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

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 5% to \$57.7 million in the second quarter of 2011. Individually significant items contributing to the increase include:

- A \$708,000 increase in health care costs, and
- A \$520,000 increase in labor costs.

The remainder of the increase is comprised of individually insignificant items. These increases were partially off-set by a \$773,000 decrease in our company-wide success sharing bonus accrual.

As a percentage of total revenues, selling, general and administrative expense was 34% in the second quarters of 2011 and 2010.

Depreciation and Amortization Expense

Depreciation and amortization expense decreased 1% to \$30.6 million in the second quarter of 2011.

Other Expense, Net

Other expense, net of other income, increased 50% to \$26.4 million in the second quarter of 2011 primarily due to a \$9.1 million loss on extinguishment of debt. On May 20, 2011, GCI, Inc., our wholly-owned subsidiary, completed an offering of \$325.0 million in aggregate principal amount of senior unsecured notes due 2021 ("2021 Notes"). We used the net proceeds from this offering to repay and retire all of our outstanding senior unsecured notes due 2014 ("2014 Notes").

Income Tax Expense

Income tax expense (benefit) totaled \$(2.0) million and \$5.5 million in the second quarters of 2011 and 2010, respectively. Our effective income tax rate decreased from 74% in 2010 to 51% in 2011 primarily due to a decrease in the amount of estimated permanent differences as compared to our estimated income before income tax expense in 2011 as compared to 2010.

At June 30, 2011, we have (1) tax net operating loss carryforwards of \$273.4 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 \$112.4 million associated with income tax net operating losses that were generated from 1996 to 2011, and that primarily expire from 2018 to 2031, and with charitable contributions that were converted to net operating losses in 2004 through 2011, and that expire in 2024 through 2031, 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 52% to 56% in the year ended December 31, 2011.

Six Months Ended June 30, 2011 ("2011") Compared to Six Months Ended June 30, 2010 ("2010")

Overview of Revenues and Cost of Goods Sold

Total revenues increased 6% from \$314.7 million in 2010 to \$332.9 million in 2011. 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 10% from \$100.7 million in 2010 to \$111.1 million in 2011. Cost of Goods Sold increased in all of our segments. See the discussion below for more information by segment.

Consumer Segment Overview

Consumer segment revenue represented 53% of 2011 consolidated revenues. The components of Consumer segment revenue are as follows (amounts in thousands):

	2011	2010	Percentage Change
Voice	\$ 27,377	29,110	(6%)
Video	59,885	58,376	3%
Data	33,958	28,734	18%
Wireless	55,751	51,297	9%
Total Consumer segment revenue	\$ 176,971	167,517	6%

Consumer segment Cost of Goods Sold represented 50% of 2011 consolidated Cost of Goods Sold. The components of Consumer segment Cost of Goods Sold are as follows (amounts in thousands):

	2011	2010	Percentage Change
Voice	\$ 5,639	6,503	(13%)
Video	26,988	25,466	6%
Data	2,914	1,823	60%
Wireless	19,778	18,033	10%
Total Consumer segment Cost of Goods Sold	\$ 55,319	51,825	7%

Consumer segment Adjusted EBITDA, representing 52% of 2011 consolidated adjusted EBITDA, is as follows (amounts in thousands):

	2011	2010	Percentage Change
Consumer segment Adjusted EBITDA	\$ 56,651	57,207	(1%)

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 (loss) before income taxes.

Selected key performance indicators for our Consumer segment follow:

	2011	June 30, 2010	Percentage Change
Voice:			
Long-distance minutes carried (in millions)	47.6	55.0	(13%)
Video:			
Average monthly gross revenue per subscriber ¹	\$ 77.10	\$ 73.77	5%
Wireless:			
Average monthly gross revenue per subscriber ²	\$ 70.24	\$ 68.88	2%

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 second quarters of 2011 and 2010.

Consumer Segment Revenues

The increase in data revenue is primarily due to a 19% increase in cable modem revenue to \$30.0 million due to increased subscribers, rate increases in May and August 2010 and in May 2011 and our subscribers' selection of plans that offer higher speeds.

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

- A \$4.5 million increase in USF high cost 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 due to changes in the rates used to calculate our estimate and an increase in the number of wireless subscribers; and
- A \$3.1 million increase in plan fee revenue to \$21.0 million primarily due to an increase in the number of wireless subscribers and our subscribers' selection of plans that offer more usage.

These increases are partially offset by the absence of a \$2.9 million change in estimate for high cost support recorded in 2010.

Consumer Segment Cost of Goods Sold

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

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. As part of an agreement signed in December 2007 with AT&T Mobility, AT&T Mobility has provided to us a large block of wireless network usage at no charge that we use for roaming. We expect this block of minutes to expire in the first quarter of 2012 at which time we expect a material increase to our wireless Cost of Goods Sold estimated at \$5.0 million to \$6.0 million for the year ended December 31, 2012.

Consumer Segment Adjusted EBITDA

The decrease in Adjusted EBITDA is primarily due to 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 due to an increase in the 2010 segment margin upon which the selling, general and administrative expense allocation is based and an increase in consolidated selling, general and administrative expense. These increases are partially offset by increased revenue as described above in "Consumer Segment Revenues."

Network Access Segment Overview

Network access segment revenue represented 15% of 2011 consolidated revenues. The components of Network Access segment revenue are as follows (amounts in thousands):

	2011	2010	Percentage Change
Voice	\$ 11,911	13,835	(14%)
Data	29,995	32,152	(7%)
Wireless	8,342	7,308	14%
Total Network Access segment revenue	<u>\$ 50,248</u>	<u>53,295</u>	<u>(6%)</u>

Network Access segment Cost of Goods Sold represented 12% of 2011 consolidated Cost of Goods Sold. The components of Network Access segment Cost of Goods Sold are as follows (amounts in thousands):

	2011	2010	Percentage Change
Voice	\$ 6,381	6,700	(5%)
Data	6,358	5,608	13%
Wireless	502	599	(16%)
Total Network Access segment Cost of Goods Sold	<u>\$ 13,241</u>	<u>12,907</u>	<u>3%</u>

Network Access segment Adjusted EBITDA, representing 22% of 2011 consolidated Adjusted EBITDA, is as follows (amounts in thousands):

	2011	2010	Percentage Change
Network Access segment Adjusted EBITDA	<u>\$ 24,224</u>	<u>25,178</u>	<u>(4%)</u>

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 (loss) before income taxes.

Selected key performance indicators for our Network Access segment follow:

	2011	June 30, 2010	Percentage Change
Voice:			
Long-distance minutes carried (in millions)	378.2	394.9	(4%)

Please refer to our three-month results of operations discussion for additional selected key performance indicators for the second quarters of 2011 and 2010.

Network Access Segment Cost of Goods Sold

The increase in data Cost of Goods Sold is primarily due to an increase in off-network capacity purchased by our common carrier customers.

Network Access Segment Adjusted EBITDA

The Adjusted EBITDA decrease is primarily due to decreased revenue as described above in "Network Access Segment Revenues" and increased Cost of Goods Sold as described above in "Network Access Segment Cost of Goods Sold." These changes are partially off-set by a decrease in the selling, general and administrative expense that was allocated to our Network Access segment primarily due to a decrease in the 2010 segment margin upon which the selling, general and administrative expense allocation is based.

Commercial Segment Overview

Commercial segment revenue represented 20% of 2011 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):

	2011	2010	Percentage Change
Voice	\$ 14,913	16,291	(8%)
Video	5,776	4,956	17%
Data	40,613	34,333	18%
Wireless	4,743	4,214	13%
Total Commercial segment revenue	<u>\$ 66,045</u>	<u>59,794</u>	<u>10%</u>

Commercial segment Cost of Goods Sold represented 29% of 2011 consolidated Cost of Goods Sold. The components of Commercial segment Cost of Goods Sold are as follows (amounts in thousands):

	2011	2010	Percentage Change
Voice	\$ 7,513	8,140	(8%)
Video	1,039	1,030	1%
Data	21,138	16,524	28%
Wireless	2,108	1,774	19%
Total Commercial segment Cost of Goods Sold	\$ 31,798	27,468	16%

Commercial segment Adjusted EBITDA, representing 13% of 2011 consolidated Adjusted EBITDA, is as follows (amounts in thousands):

	2011	2010	Percentage Change
Commercial segment Adjusted EBITDA	\$ 14,063	14,401	(2%)

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 (loss) before income taxes.

Selected key performance indicators for our Commercial segment follow:

	June 30, 2011	2010	Percentage Change
Voice:			
Long-distance minutes carried (in millions)	56.4	59.0	(4%)

Please refer to our three-month results of operations discussion for additional selected key performance indicators for the second quarters of 2011 and 2010.

Commercial Segment Revenues

The increase in data revenue is primarily due to a \$4.5 million or 27% increase in managed services project revenue due to special project work.

Commercial Segment Cost of Goods Sold

The increase in data Cost of Goods Sold is primarily due to a \$3.3 million or 27% 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 decrease is primarily due to increased Cost of Goods Sold as described above 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. These increases were partially off-set by increased revenue as described above in "Commercial Segment Revenues."

Managed Broadband Segment Overview

Managed Broadband segment revenue, Cost of Goods Sold and Adjusted EBITDA represented 9%, 8% and 11% of 2011 consolidated revenues, Cost of Goods Sold and Adjusted EBITDA, respectively.

Please refer to our three-month results of operations discussion for additional selected key performance indicators for the second quarters of 2011 and 2010.

Managed Broadband Segment Revenues

Managed Broadband segment revenue, which includes data products only, increased 27% to \$28.6 million in 2011 as compared to 2010. The increase is primarily due to increased monthly contract revenue due to increased data network capacity purchased by our ConnectMD® and SchoolAccess® customers and absence of \$1.7 million in denied funding from the USAC for one ConnectMD® customer for the funding year July

2008 to June 2009. We received the funding commitment letter, which outlined the denied portion, in the second quarter of 2010. The denial has been appealed to the FCC and we cannot predict the likelihood of success.

Managed Broadband Segment Cost of Goods Sold

Managed Broadband segment Cost of Goods Sold increased from \$6.4 million in 2010 to \$8.5 million in 2011 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 42% to \$11.4 million in 2011 primarily due to an increase in revenue as described above in "Managed Broadband Segment Revenues," partially off-set by 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. The increase in selling, general and administrative expense is primarily due to an increase in the consolidated selling, general and administrative expense.

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 (loss) before income taxes.

Regulated Operations Segment Overview

Regulated Operations segment revenue, Cost of Goods Sold and Adjusted EBITDA represented 3%, 2% and 2% of 2011 consolidated revenues, Cost of Goods Sold and Adjusted EBITDA, respectively.

Please refer to our three-month results of operations discussion for additional selected key performance indicators for the second quarters of 2011 and 2010.

Regulated Operations Segment Revenues

Regulated Operations segment revenues decreased from \$11.7 million in 2010 to \$11.0 million in 2011 .

Regulated Operations Segment Cost of Goods Sold

Regulated Operations segment Cost of Goods Sold increased from \$2.1 million in 2010 to \$2.2 million in 2011 .

Regulated Operations Segment Adjusted EBITDA

Regulated Operations segment Adjusted EBITDA decreased 46% to \$1.9 million in 2011 primarily due to a decrease in revenue as described above in "Regulated Operations Segment Revenues" and an increase in Cost of Goods Sold as described above in "Regulated Operations Segment Cost of Goods Sold."

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

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$8.6 million to \$116.6 million in 2011. Individually significant items contributing to the increase include:

- A \$1.5 million increase in health benefit costs,
- A \$1.2 million increase in labor costs, and
- A \$769,000 increase in bad debt expense primarily due to an increase in the age of certain accounts as our collections have been focused on the transition to our new cable video billing system implemented in the fourth quarter of 2010. We expect our accounts receivable aging to return to previous levels over time.

The remainder of the increase is comprised of individually insignificant items.

As a percentage of total revenues, selling, general and administrative expenses increased to 35% in 2011 from 34% in 2010, primarily due to increased selling, general and administrative expenses without a proportional increase in revenue.

Depreciation and Amortization Expense

Depreciation and amortization expense increased \$406,000 to \$62.4 million in 2011.

Other Expense, Net

Other expense, net of other income, increased 24% to \$43.9 million in 2011 primarily due to a \$9.1 million loss on extinguishment of debt. On May 23, 2011, GCI, Inc., our wholly-owned subsidiary, completed the offering of \$325.0 million in aggregate principal amount of 2021 Notes. We used the net proceeds from this offering to repay and retire all of our outstanding 2014 Notes.

Income Tax Expense

Income tax expense (benefit) totaled \$(556,000) and \$5.3 million in 2011 and 2010, respectively. Our effective income tax rate decreased from 60% in 2010 to 54% in 2011 primarily due to a decrease in the amount of estimated permanent differences as compared to our estimated net income before income tax expense in 2011 as compared to 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 Rural Utilities Service ("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, this project, called TERRA-Southwest ("TERRA-SW"), will be able to serve over 9,000 households and over 700 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, is made under the RUS Broadband Initiatives Program established pursuant to the American Recovery and Reinvestment Act. The award funds 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 in 2012 or earlier if possible.

On May 20, 2011, GCI, Inc., our wholly-owned subsidiary, completed an offering of \$325.0 million in aggregate principal amount of 6 3/4% Senior Notes due 2021 ("2021 Notes") at an issue price of 100%. We used the net proceeds from this offering to repay and retire all \$320.0 million of our senior unsecured notes due 2014 ("2014 Notes").

In June 2011, GCI Holdings, Inc. ("Holdings"), our wholly owned subsidiary, entered into an Add-On Term Loan Supplement No. 1 ("Supplement No. 1") to our Senior Credit Facility. The Supplement No. 1 provided for an additional \$25.0 million term loan with an initial interest rate of LIBOR plus 2.5%, payable in accordance with the terms of our Senior Credit Facility. Holdings used \$20.0 million of the term loan proceeds to pay down outstanding revolving loans under our Senior Credit Facility, thus increasing availability under the revolving portion of our Senior Credit Facility. The remaining \$5.0 million was used for general corporate purposes.

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

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

Our net cash flows provided by and (used for) operating, investing and financing activities, as reflected in the Consolidated Statements of Cash Flows for 2011 and 2010, are summarized as follows (amounts in thousands):

	2011	2010
Operating activities	\$ 49,842	70,687
Investing activities	(74,906)	(49,186)
Financing activities	17,863	(3,682)
Net increase (decrease) in cash and cash equivalents	\$ (7,201)	17,819

Operating Activities

The decrease in cash flows provided by operating activities is due primarily to an increase in accounts receivable in 2011 as compared to 2010 due to timing of receipt of payments.

Under our TERRA-SW RUS award, we have total available grant funds of \$44.0 million. We have received \$2.8 million in grant funds during the six months ended June 30, 2011, leaving \$41.2 million remaining grant funds available as of June 30, 2011. We have a \$6.1 million grant fund receivable recorded as of June 30, 2011. On July 20, 2011, we received an additional \$5.4 million under the grant portion of the award. After consideration of this transaction, we have \$35.8 million remaining grant funds.

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 increase in cash flows used for investing activities is due primarily to capital expenditures for our TERRA-SW project.

Our cash expenditures for property and equipment, including construction in progress, totaled \$71.9 million and \$41.9 million during 2011 and 2010, respectively. Our capital expenditures increased in 2011 primarily due to our TERRA-SW project. We expect to recover a substantial portion of our TERRA-SW capital expenditures in subsequent periods through grant funds and loan draws under our TERRA-SW RUS award. We expect our 2011 expenditures for property and equipment for our core operations, including construction in progress, to total \$110.0 million to \$120.0 million, depending on available opportunities and the amount of cash flow we generate during 2011, and excluding capital expenditures related to our TERRA-SW project.

Financing Activities

Net cash provided by financing activities in 2011 consists primarily of our proceeds from the issuance of our 2021 Notes and Supplement No. 1 under our Senior Credit Facility and borrowing under the revolving portion of our Senior Credit Facility. These proceeds were off-set by retirement of our 2014 Notes and repayments under the revolving portion of our Senior Credit Facility, 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.

Available Borrowings Under Senior Credit Facility

Our Senior Credit Facility, which at June 30, 2011 includes the Supplement No. 1 as discussed above, includes a \$25.0 million term loan and a \$75.0 million revolving credit facility with a \$25.0 million sublimit for letters of credit. A total of \$63.0 million is outstanding as of June 30, 2011. The term loan is fully drawn as of June 30, 2011. Under the revolving portion of the Senior Credit Facility, we have borrowed \$38.0 million and have \$2.7 million of letters of credit outstanding, which leaves \$34.3 million available for borrowing as of June 30, 2011.

On July 22, 2011, Holdings entered into an Add-On Term Loan Supplement No. 2 ("Supplement No. 2") to our Senior Credit Facility. The Supplement No. 2 provided for an additional \$25.0 million term loan with an initial interest rate of LIBOR plus 2.5%, payable in accordance with the terms of our Senior Credit Facility. Holdings used \$15.0 million of the term loan proceeds to pay down outstanding revolving loans under our Senior Credit Facility, thus increasing availability under the revolving portion of our Senior Credit Facility. The remaining \$10.0 million was used for general corporate purposes. After consideration of these transactions, we have \$49.3 million remaining loan funds available under our Senior Credit Facility.

Available TERRA-SW Borrowings Under RUS

Under our TERRA-SW RUS award, we have total available loan funds of \$44.2 million. We have borrowed \$2.8 million in loan funds, leaving \$41.4 million remaining loan funds available as of June 30, 2011. On July 20, 2011, we borrowed an additional \$5.4 million under the loan portion of the award. After consideration of this transaction, we have \$36.0 million remaining loan funds available.

Debt Covenants

We are subject to covenants and restrictions set forth in the indentures governing our 2019 and 2021 Notes, 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 \$114.4 million of repurchases as of June 30, 2011. 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 2011 we repurchased 1.9 million shares of GCI common stock under the stock buyback program at a cost of \$21.1 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 open market repurchases have and will continue to comply with the restrictions of SEC Rule 10b-18.

Critical Accounting Policies

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

Those policies considered to be critical accounting policies for 2011 are revenue recognition related to revenues from high cost, rural health and school and libraries USF programs, the allowance for doubtful receivables, impairment and useful lives of intangible assets, accruals for unbilled costs, and the valuation allowance for net operating loss deferred tax assets. A complete discussion of our critical accounting policies can be found in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our December 31, 2010 annual report on Form 10-K.

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, 2010 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 Senior Credit Facility carries interest rate risk. Amounts borrowed under this Agreement bear interest at LIBOR plus 4.0% or less depending upon our Total Leverage Ratio (as defined) for the revolving portion and LIBOR plus 2.5% for the term portion. Should the LIBOR rate change, our

interest expense will increase or decrease accordingly. As of June 30, 2011, we have borrowed \$63.0 million subject to interest rate risk. On this amount, each 1% increase in the LIBOR interest rate would result in \$630,000 of additional gross interest cost on an annualized basis. All of our other 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, accumulated and communicated to our management, including our principal executive and financial officers, to allow timely decisions regarding required financial disclosure, and reported as specified in the SEC's rules and forms. As of the end of the period covered by this Quarterly Report on Form 10-Q, we carried out an evaluation of the effectiveness of the design and operation of our "disclosure controls and procedures" (as defined in Exchange Act Rule 13a - 15(e)) under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer. Based on that evaluation, our management, including our Chief Executive Officer and our Chief Financial Officer, concluded that our disclosure controls and procedures were not effective as of June 30, 2011.

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. 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. Our remediation efforts continued in the fourth quarter of 2010 and the first two quarters of 2011 and will continue in the third quarter of 2011.

Except as described above there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) identified in connection with the evaluation of our controls performed during the quarter ended June 30, 2011 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 Federal Communications Commission ("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 September 2008, the FCC's Office of Inspector General ("OIG") initiated an investigation regarding Alaska DigiTel LLC's ("Alaska DigiTel") compliance with program rules and requirements under the Lifeline Program. The request covered the period beginning January 1, 2004 through August 31, 2008 and related to 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 responded to this request on behalf of Alaska DigiTel and the GCI companies as affiliates. On January 18, 2011 we reached an agreement with the FCC and the Department of Justice to settle the matter, which required us to contribute \$1.6 million to the United States Treasury and granted us a broad release of claims including those under the False Claims Act. The \$1.6 million contribution, of which \$154,000, \$661,000 and \$741,000 were recognized in selling, general and administrative expense in the income statements in the years ending December 31, 2010, 2009 and 2008, respectively, was paid in January 2011; 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 the total potential claims related to the accident.

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

(a) Not applicable.

(b) Not applicable.

(c) The following table provides information about repurchases of shares of our Class A and Class B common stock during the quarter ended June 30, 2011:

	(a) Total Number of Shares Purchased ¹	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ²	(d) Maximum Number (or approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plan or Programs ³
April 1, 2011 to April 30, 2011	363,535	\$ 11.11	363,535	\$ 124,489,689
May 1, 2011 to May 31, 2011	357,999	\$ 11.39	357,671	\$ 120,416,606
June 1, 2011 to June 30, 2011	513,829	\$ 11.71	511,861	\$ 114,422,891
Total	<u>1,235,363</u>			

¹ Consists of 1,193,053 open market purchases made under our publicly announced repurchase plan, 40,014 private purchases made under our publicly announced repurchase plan and 2,296 private purchases made to settle the minimum statutory tax-withholding requirements pursuant to restricted stock award vesting.

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

³ The total amount approved by our Board of Directors for repurchase under our publicly announced repurchase plan was \$285.2 million through June 30, 2011 consisting of \$280.2 million through March 31, 2011 and an additional \$5.0 million during the three months ended June 30, 2011. We have made total repurchases under the program of \$170.8 million through June 30, 2011. If stock repurchases are less than the total approved quarterly amount the difference may be carried forward and used to repurchase additional shares in future quarters, subject to Board approval.

Item 6. Exhibits

Exhibit No.	Description
31.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by our President and Director *
31.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by our Senior Vice President, Chief Financial Officer, Secretary and Treasurer *
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by our President and Director *
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by our Senior Vice President, Chief Financial Officer, Secretary and Treasurer *
3.2	Amended and Restated Bylaws of the Company dated February 9, 2009 *
10.189	Add-on Term Loan Supplement No. 1 (1)
10.190	Second Amended and Restated Aircraft Lease Agreement between GCI Communication Corp., an Alaska corporation and 560 Company, Inc., an Alaska corporation, dated May 9, 2011 *
10.191	Add-on Term Loan Supplement No. 2 (2)
101	The following materials from General Communication, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2011 formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations; (iii) Consolidated Statements of Cash Flows; and (iv) Condensed Notes to Interim Consolidated Financial Statements.

* Filed herewith.

(1) Incorporated by reference to The Company's Current Report on Form 8-K dated June 14, 2011.

(2) Incorporated by reference to The Company's Current Report on Form 8-K dated July 26, 2011.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GENERAL COMMUNICATION, INC.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Ronald A. Duncan</u> Ronald A. Duncan	President and Director (Principal Executive Officer)	<u>August 8, 2011</u>
<u>/s/ John M. Lowber</u> John M. Lowber	Senior Vice President, Chief Financial Officer, Secretary and Treasurer (Principal Financial Officer)	<u>August 8, 2011</u>
<u>/s/ Lynda L. Tarbath</u> Lynda L. Tarbath	Vice President, Chief Accounting Officer (Principal Accounting Officer)	<u>August 8, 2011</u>

**BYLAWS OF
GENERAL COMMUNICATION, INC.¹**

ARTICLE I

OFFICES

The Corporation shall maintain a principal office of the Corporation in the State of Alaska as required by law. The Corporation may also have offices in such other places, either within or without the State of Alaska, as the Board of Directors of the Corporation ("Board") may from time to time designate or as the business of the Corporation may require.

ARTICLE II

SEAL

The seal of the Corporation shall be in such form as may be required by law and as shall be approved by the Board. Until changed by the Board, the seal of the Corporation shall be in the form impressed immediately following this Article II. The seal may be used by causing it, or a facsimile thereof, to be impressed or affixed or reproduced or otherwise.

[S E A L]

ARTICLE III

SHAREHOLDER MEETINGS

Section 1. **Place of Meetings.** Meetings of the shareholders of the Corporation ("Shareholders") shall be held at such place either within or without the State of Alaska as may from time to time be designated by the Board and stated in the notice of the meeting.

Section 2. **Annual Meeting of Shareholders.** (a) The annual meeting of the Shareholders ("Annual Meeting") shall be held on the first Thursday of June of each year at a time to be designated by the Board or at such other time and date as shall be designated by the Board and stated in the notice of meeting. The purpose of the meeting shall be the election of directors and the transaction of such other business as properly may be brought before the meeting.

(b) If the election of directors shall not be held on the day designated in (a) of this Section 2 for any Annual Meeting, or at any adjournment of such meeting, the Board shall call a special meeting of the Shareholders as soon as conveniently possible thereafter. At such meeting, the election of directors shall take place, and such election and any other business transacted thereat shall have the same force and effect as at an Annual Meeting duly called and held.

Section 3. **Special Shareholders' Meetings.** Special meetings of the Shareholders may be called at any time by the President, the Chairman of the Board of Directors, the Board of Directors, or the holders of not less than one-tenth of all the shares entitled to vote at such meeting. Such request shall state the purpose of the proposed meeting. For such meetings, notices shall be given in the same manner as notices of the Annual Meeting, except they shall be signed by the persons calling the meeting. No special Shareholders' meetings shall consider any business except that which is designated in general terms in the notice of the meeting.

Section 4. **Notices of Meetings.** Written or printed notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, will be signed and delivered not less than 20 nor more than 60 days before the date of the meeting, either personally or by mail, by or at the direction of the President, the Secretary or the officer or persons calling the meeting, to each Shareholder of record entitled to vote at such meeting. Only Shareholders of record on the record date established by the Board of Directors pursuant to Section 6 of this Article III will be entitled to notice of such meeting. If mailed, such notice will be deemed to be delivered when deposited with postage prepaid in the United States mail addressed to the Shareholder at the address of the Shareholder as appears on the stock transfer books of the Corporation, or, if the Shareholder has filed with the Secretary a written request that the notice be mailed to a different address, the Corporation will mail the notice to that other address. Except where otherwise required by law or these Bylaws, notice need not be given of any adjourned meeting of the Shareholders.

Section 5. **Quorum.** The holders of a majority of the stock issued and outstanding and entitled to vote, present in person or represented by proxy, will constitute a quorum at all meetings of the Shareholders for the transaction of business except as otherwise provided by applicable law or by the Articles of Incorporation. The Shareholders present in person or represented by proxy at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Shareholders to leave less than a quorum, if any action taken other than adjournment is approved by at least a majority of shares required to constitute a quorum. If, however, such quorum initially is not present or represented at any meeting of the Shareholders, those Shareholders present in person or represented by proxy and entitled to vote will have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented. At such reconvened meeting at which a quorum is present or represented, any business may be transacted which might have been transacted at the original meeting.

Section 6. **Voting.** (a) At each meeting of the Shareholders, every Shareholder having the right to vote shall be entitled to vote, either in person or by proxy, the number of votes as provided for in or pursuant to the Articles of Incorporation for each share of voting stock registered in that Shareholder's name on the books of the Corporation on the date of the closing of the books against transfers of stock, the record date fixed for the determination of Shareholders entitled to vote at such meeting, or if the books are not so closed or no such date is fixed, the date of such meeting.

(b) When a quorum is present at any meeting, the affirmative vote of a majority of the votes represented by the issued and outstanding shares entitled to vote, present in person or represented by proxy, shall decide any matter brought before such meeting, unless the question is one upon which, by express provision of the laws of the State of Alaska or of the Articles of Incorporation, a different vote is required, in which case such express provision shall govern and control the

decision of such question.

(c) Except as may be determined by the Board of Directors of the Corporation with respect to the Preferred Stock and except as otherwise expressly required by the laws of the State of Alaska or the Articles of Incorporation, as then in effect, the holders of the Class A Common Stock of the Corporation and the holders of the Class B Common Stock of the Corporation shall vote with the holders of voting shares of the Preferred Stock of the Corporation, if any, as one class for the election of directors and for all other purposes.

Section 7. **Record Date.** In order to determine the holders of record of the Corporation's stock who are entitled to notice of meetings, to vote at a meeting or adjournment thereof, and to receive payment of any dividend, or to make a determination of the Shareholders of record for any proper purpose, the Board may do the following: (i) prescribe a record date which will be neither more than 70 days nor less than 20 days, prior to the date of the action which requires such determination during which no transfer of stock on the books of the Corporation may be made; or (ii) in lieu of closing the stock transfer books of the Corporation, fix a record date which will be neither more than 60 days nor less than 20 days prior to the date of the action which requires such determination as the record date for such determination of Shareholders.

Section 8. **Presiding Officer; Order of Business; Conduct of Meeting.** (a) Meetings of the Shareholders shall be presided over by the Chairman of the Board, or if the Chairman is not present, by the President, or if the President is not present, by a Vice President. The Secretary of the Corporation, or, in the Secretary's absence, an Assistant Secretary, shall act as secretary of every meeting. In the absence of the Secretary or Assistant Secretary, the chairman of the meeting may choose any person present to act as secretary of the meeting.

(b) Subject to the provisions of this Section 8, meetings of Shareholders shall generally follow accepted rules of parliamentary procedure, including but not limited to the following:

(1) Except when overruled by a majority of the votes represented by the votes held by Shareholders present, the chairman of the meeting shall have absolute authority over matters of procedure and authority to state the rules under which the voting shall be conducted.

(2) If disorder shall arise which prevents continuation of the legitimate business of the meeting, the chairman may quit the chair and announce the adjournment of the meeting; and upon taking such action, the meeting shall be automatically adjourned.

(3) The chairman may ask or require that anyone not a bona fide Shareholder or proxy leave the meeting.

(4) Subject to the provisions of Section 14 of this Article III, a resolution or motion may be considered for a vote if proposed by a Shareholder or duly authorized proxy, and seconded by an individual, who is a Shareholder or a duly authorized proxy, other than the individual who proposed the resolution or motion.

(c) The following order of business shall be observed at all Annual Meetings insofar as is practicable:

(1) Call to order;

(2) Present proof of notice of meeting or waiver of it;

(3) Appoint inspector of election, if necessary;

(4) Determine whether a quorum is present;

(5) Make reports;

(6) Read, correct and approve minutes of a previous meeting, unless the reading is waived;

(7) Elect directors;

(8) Address special business stated in the notice of meeting;

(9) Address other business;

(10) Adjourn.

(d) At any special meeting of Shareholders, the business transacted shall be confined to the purpose described in the notice of the meeting and subject to the provisions of Section 14 of this Article III.

Section 9. **Proxies.** A Shareholder may vote the Shareholder's shares through a proxy or attorney-in-fact appointed by a written instrument signed by the Shareholder and delivered to the secretary of the meeting. No proxy shall be valid after six months from the date of its execution, unless a longer period is expressly provided in the proxy, but in no case may the proxy be valid for a period in excess of 11 months from the date of execution. No proxy shall be valid and voted on after the meeting of the Shareholders, or any adjournment of such meeting, to which it applies. Every proxy shall be revocable at the pleasure of the Shareholders executing it, except in those cases where an irrevocable proxy is duly executed and permitted by law.

Section 10. **Voting List.** (a) At least 20 days before each meeting of Shareholders, a complete list of the Shareholders entitled to vote at that meeting, arranged in alphabetical order and showing the address of and number and class of shares entitled to vote at such meeting owned by each Shareholder, shall be prepared by the Secretary or an officer of the transfer agent, transfer clerk or registrar of the Corporation having charge of the stock transfer books and at the direction of the Secretary. That list of Shareholders will, for a period of 30 days prior to such meeting, be kept on file at the registered office of the Corporation and will be subject to inspection by any Shareholder at any time during normal business hours. Such list will also be produced and kept open at the time and place of the meeting and will be subject to the inspection of any Shareholder during the entire time of the meeting.

(b) The original stock transfer books shall be prima facie evidence as to who are the Shareholders entitled to examine such list or transfer books, or to vote at

any meeting of the Shareholders.

(c) Failure to comply with the requirements of this Section 10 shall not affect the validity of any action taken at such meeting of the Shareholders.

Section 11. **Action Without a Meeting.** Any action, except the election of directors, which may be taken by the vote of Shareholders at a meeting of Shareholders may be taken without a meeting if authorized by the written consents of Shareholders, identical in content setting out the action to be taken, signed by the holders of all outstanding shares entitled to vote on the action.

Section 12. **Non-Cumulative Voting.** In the election of directors, Shareholders will not cumulate their votes but must vote shares held by them for as many persons as there are directors to be elected.

Section 13. **Voting of Shares by Certain Shareholders.** (a) Shares of the Corporation standing in the name of another corporation may be voted by such officer, agent or proxy as the bylaws of that corporation may prescribe or, in the absence of such provision, as the board of directors of that corporation may determine.

(b) Shares of the Corporation held by an administrator, executor, guardian or conservator may be voted by that person, either in person or by proxy, without a transfer of such shares into that person's name. Shares standing in the name of a trustee may be voted by that person, either in person or by proxy, but no trustee will be entitled to vote shares held by that person without a transfer of such shares into that person's name.

(c) Shares of the Corporation standing in the name of a receiver or bankruptcy trustee may be voted by that person, and shares held by or under the control of a receiver or bankruptcy trustee may be voted by that person without the transfer thereof into that person's name if authority to do so is contained in an appropriate order of the court by which that person was appointed or otherwise provided or permitted under applicable federal bankruptcy law.

(d) A Shareholder whose shares are pledged will be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee will be entitled to vote the shares so transferred.

(e) Shares of its own stock held by the Corporation in a fiduciary capacity, will not be voted at any meeting or counted in determining the total number of outstanding shares at any given time.

Section 14. **Advance Notice of Nominations and Shareholder Proposals.** (a) All nominations of individuals for election to the Board at a meeting of the Shareholders and proposals of business to be considered at a meeting of the Shareholders shall be made as set forth in this Section 14.

(b) The procedures to be followed for an annual meeting of Shareholders are as follows:

(1) Nomination of individuals for election to the Board and proposal of business to be considered by the Shareholders may be made at an annual meeting of Shareholders,

(A) pursuant to the Corporation's notice of meeting;

(B) by or at the direction of the Board; or

(C) by a Shareholder,

(i) who was a Shareholder of record both at the time of giving of notice provided for in (b) of this Section 14 and at the time of the meeting and, in the case of proposals, who had continuously held at least \$2,000 in market value or at least 1% of the Company's securities entitled to be voted on the matter at the meeting for at least one year by the date of submission of the proposal to the Company for inclusion on the agenda of the meeting;

(ii) who is entitled to vote at the meeting; and

(iii) who complied with the notice and other requirements set forth in this Section 14.

(2) For nominations or other business to be brought properly before an annual meeting by a Shareholder under (b)(1)(C) of this Section 14, the Shareholder must have given timely notice of it in writing to the Secretary as provided in this Section 14 and, in the case of a proposal of business, that business must be a proper subject for action by the Shareholder.

(3) As used in (b)(2) of this Section 14, to be timely, a Shareholder's notice must be delivered to the Secretary at the principal executive offices of the Corporation and received not less than 120 days nor more than 150 days prior to the first anniversary of the release of the Corporation's proxy statement to Shareholders for the preceding year's annual meeting. However, in the event that the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from such anniversary date, notice by the Shareholder, to be timely, must be so delivered and received not earlier than the 150th day prior to that annual meeting and not later than the close of business on the later of the 120th day prior to that annual meeting or the 10th day following the day on which public announcement of the date of that meeting is first made.

(4) The Shareholder's notice shall set forth the following:

(A) as to each person whom the Shareholder proposes to nominate for election or reelection as a director,

(i) the name, age, business and residential addresses, and principal occupation or employment of each proposed nominee;

(ii) the class and number of shares of capital stock of the Corporation which are beneficially owned by that nominee on the date of that notice;

(iii) a description of all arrangements or understandings between the Shareholder and each nominee and the name of any other person or persons pursuant to which the nomination or nominations are to be made by the Shareholder;

(iv) all other information relating to that nominee that is required to be disclosed in solicitation of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A adopted pursuant to the Securities Exchange Act of 1934 or any successor provision; and

(v) the written consent of each proposed nominee to being named as a nominee in the proxy statement and to serve as a director of the Corporation if so elected;

(B) as to any other business that the Shareholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting that business at the meeting and any material interest in that business of the Shareholder and of the beneficial owner, if any, on whose behalf the proposal is made; and

(C) as to the Shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made,

(i) the name and address of that Shareholder, as they appear on the Corporation's books, and of that beneficial owner, if any;

(ii) the class and number of shares of stock of the Corporation which are owned beneficially and of record by the Shareholder and that beneficial owner, if any; and

(iii) a representation that the Shareholder intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice or to propose such other business.

(5) The Corporation may require any proposed nominee to furnish any information, in addition to that furnished pursuant to (b)(4)(A) of this Section 14, that the Corporation may reasonably require to determine the eligibility of the proposed nominee to serve as a director of the Corporation.

(6) Notwithstanding the provisions of (b)(3) of this Section 14 to the contrary, in the event that the number of directors to be elected to the Board is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board made by the Corporation at least 130 days prior to the first anniversary of the preceding year's annual meeting, a Shareholder's notice required by (b) of this Section 14 shall also be considered timely, but only with respect to nominees for any new positions created by that increase, if the notice shall be delivered to and received by the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which that public announcement is first made by the Corporation.

(c) The procedures to be followed for a special meeting of Shareholders are as follows:

(1) Only such business shall be conducted and only such proposals shall be acted upon at a special meeting of Shareholders as shall have been brought before that meeting pursuant to the Corporation's notice of meeting.

(2) Nominations of persons for election to the Board may be made at a special meeting of Shareholders at which directors are to be elected,

(A) by or at the direction of the Board; or

(B) provided that the notice of the special meeting states that the purpose, or one of the purposes, of that meeting is to elect directors at the meeting, by any Shareholder who is a Shareholder of record both at the time of giving of notice provided for in this Section 14 and at the time of the meeting, who is entitled to vote at the meeting and who complied with the notice and other requirements set forth in this Section 14.

(3) In the event the Corporation calls a special meeting of Shareholders for the purpose of electing one or more directors to the Board, any such Shareholder may nominate a person or persons, as the case may be, for election to that position as specified in the Corporation's notice of meeting, if the notice containing the same information as would be required under (b)(2)-(6) of this Section 14 for an annual meeting is delivered to and received by the Secretary at the principal executive offices of the Corporation not earlier than the 150th day prior to that special meeting and not later than the close of business on the later of the 120th day prior to that special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting or of the nominees proposed by the Board to be elected at that meeting.

(4) Proposals of business other than the nomination of persons for election to the Board may be considered at a special meeting requested by Shareholders in accordance with Section 3 of this Article III only if the Shareholders give a notice containing the same information as would be required under (b)(2)-(6) of this Section 14 for an annual meeting at the time those Shareholders requested the meeting.

(d) The following provisions apply to Shareholder meetings generally:

(1) Only persons who are nominated in accordance with the procedure set forth in this Section 14 shall be eligible to serve as directors, and only such business shall be conducted at a meeting of Shareholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 14.

(2) The Board may reject any nomination or Shareholder proposal submitted for consideration at any meeting of Shareholders which is not made in accordance with the provisions of this Section 14 or which is not a proper subject for Shareholder action in accordance with provisions of applicable law.

(3) Should the Board fail to consider the validity of a nomination or Shareholder proposal, the presiding officer of the meeting shall have the power and duty,

(A) to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the provisions of this Section 14 and is a proper subject for Shareholder action in accordance with provisions of applicable law; and

(B) if any proposed nomination or business is not in compliance with this Section 14 or is not a proper subject for Shareholder action, to declare that the defective nomination or proposal is disregarded.

(4) The provisions of (d) of this Section 14 shall not prevent the consideration and approval or disapproval at the meeting of reports of officers, directors and committees of the Board. However, in connection with such reports, no new business shall be acted upon at the meeting unless stated, submitted and received in accordance with the provisions of this Section 14.

(5) For purposes of this Section 14,

(A) "public announcement" means disclosure in a press release reported by the Dow Jones News Service, Associated Press, Reuters or comparable news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14, or 15(d) of the Securities Exchange Act of 1934 or any successor provision; and

(B) in no event shall the public announcement of a postponement or adjournment of a meeting commence a new time period for giving of a Shareholder's notice pursuant to this Section 14.

(6) A Shareholder may submit no more than one proposal to the Corporation for a particular meeting of Shareholders. The proposal, including any accompanying supporting statement, may not exceed 500 words.

(7) The Corporation may exclude a Shareholder proposal for any of the following substantive reasons:

(A) would be improper under state law;

(B) would be a violation of law;

(C) would be a violation of proxy rules;

(D) is a personal grievance or special interest;

(E) is not relevant;

(F) Corporation lacks power or authority to implement;

(G) relates to management functions;

(H) relates to election;

(I) conflicts with the Corporation's proposal;

(J) was substantially implemented;

(K) substantially duplicates another proposal to be addressed at the meeting;

(L) is a resubmission of another proposal; or

(M) relates to a specific amount of dividend.

(8) Notwithstanding the other provisions of this Section 14, a Shareholder shall also comply with all applicable requirements of state law and the Securities Exchange Act of 1934 and the rules and regulations adopted under that act with respect to the matters set forth in this Section 14. Nothing in this Section 14 shall be deemed to affect any rights of Shareholders to request inclusion of proposals in, or the Corporation's right to omit proposals from, the Corporation's proxy statement pursuant to Rule 14a-8 under that act or any successor provision.

Section 15. Shareholder Recommendations. A Shareholder may make a recommendation of a candidate for nomination and election to the Board subject to specific procedures and limitations as set forth in the Company's Nominating and Corporate Governance Committee Charter approved by the Board.

ARTICLE IV

BOARD OF DIRECTORS

Section 1. General Authority. The property, business and affairs of the Corporation shall be managed and controlled by its Board, which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by applicable law or the Articles of Incorporation or these Bylaws directed or required to be exercised or done by the Shareholders.

Section 2. Number, Qualifications and Term of Office. (a) The governing body of this Corporation shall be the Board, subject to the following:

(1) The number of directors shall not be less than three nor more than twelve; provided that (A) the number of directors shall be fixed by the Board from time to time by a vote of at least a simple majority of the whole Board at a regular or special meeting called by written notice, which notice shall include notice to change the number of directors and (B) no decrease in the number of directors shall have the effect of shortening the term of an incumbent director;

- (2) Until changed as provided in this Section 2, the number of directors on the Board shall be seven;
- (3) Each director shall be of a legal age, which shall be defined for purposes of this Section 2 as an age between and including 21 and 75 years, and in the event a person shall reach the upper limit of that age while a director, that person's term as director shall immediately terminate and that director shall resign from the Board;
- (4) Each nominee as, and each person appointed or otherwise elected as, a director of the Board shall at all times satisfy other qualifications as set forth in the Company's Nominating and Corporate Governance Committee Charter approved by the Board; and
- (5) Directors on the Board shall not need to be Shareholders and shall not need to be residents of the State of Alaska.
- (b) Upon the establishment of the Board as having three or more members ("Class Date"), the Board will be divided into three classes: Class I, Class II and Class III. Each such class will consist, as nearly as possible, of one-third of the whole number of the Board. Directors in office on the Class Date will be divided among such classes and in such manner, consistent with the provisions of this Article IV, as the Board may determine by resolution. The initial Class I directors so determined shall serve until the next Annual Meeting following such date. The initial Class II directors so determined shall serve until the second Annual Meeting following such date. The initial Class III directors so determined shall serve until the third Annual Meeting following such date. In the case of each such class, such directors shall serve, subject to their earlier death, resignation or removal in accordance with the Articles of Incorporation, these Bylaws and the laws of the State of Alaska, until their respective successors shall be elected and shall qualify. At each Annual Meeting after the date of such filing, the directors chosen to succeed those whose terms shall have expired shall be elected to hold office for a term to expire at the third succeeding Annual Meeting after their election and, subject to their earlier death, resignation or removal in accordance with the Articles of Incorporation, these Bylaws and the laws of the State of Alaska, until their respective successors shall be elected and shall qualify. If the number of directors is changed, any increase or decrease shall be apportioned among such classes so as to maintain all classes as equal in number as possible, and any additional director elected to any class shall hold office for a term which shall coincide with the terms of the other directors in such class.
- (c) As used in these Bylaws, the terms "whole Board" or "entire Board" shall mean the number of directors the Corporation would have under these Bylaws at the time of determination if there were no vacancies.

Section 3. Elections. (a) Other than as provided in Section 2 of this Article IV, the directors of the Corporation shall be elected at the Annual Meeting or at a special meeting of Shareholders called for that purpose, by at least a simple majority of the quorum for that meeting.

- (b) Any vacancy occurring in the Board caused by death, resignation, removal and any newly created directorship resulting from an increase in the number of directors on the Board, may be filled by the directors then in office, although such directors are less than a quorum, or by the sole remaining director. Each director chosen to fill a vacancy or a newly created directorship shall hold office until the next election of the Class for which such director shall have been chosen or, if no class is established, then until the next election of directors and, subject to that director's earlier death, resignation or removal in accordance with the Articles of Incorporation, these Bylaws and the laws of the State of Alaska, until that director's successor shall be duly elected and shall qualify.
- (c) Any director may resign at any time by giving written notice to the Board of Directors, the President, Chairman of the Board, or the Secretary of the Corporation. Any such resignation will take effect upon receipt of such notice or at any later time specified in the notice. Unless otherwise specified in the notice, the acceptance of such resignation will not be necessary to make any postdated resignation by notice in writing to the resigning director. In the event the resignation of a director is tendered to take effect at a future time, a successor may be elected to take office when the resignation becomes effective.
- (d) The Shareholders may elect a director to fill any vacancy not filled by the Board.
- (e) The term of a director terminates upon the election and qualification of a successor.

Section 4. Removal of Directors. (a) The entire Board or any individual director may be removed from office, at an Annual Meeting or a special meeting of Shareholders called for that purpose, by at least, a majority vote of a quorum of Shareholders for that meeting.

- (b) If, after the filling of a vacancy by the Board, the directors who have been elected by the Shareholders constitute less than a majority of the directors, a holder or holders of an aggregate of 10 percent or more of the shares outstanding at the time may call a special meeting of Shareholders to elect the entire Board.
- (c) The Board may declare vacant the office of a director who has been declared of unsound mind by a court order.
- (d) The superior court may, at the suit of the Board or of Shareholders holding at least 10 percent of the number of outstanding shares of any class, remove from office a director for fraudulent or dishonest acts, gross neglect of duty, or gross abuse of authority or discretion with reference to the Corporation and may bar from reelection a director removed in that manner for a period prescribed by the court. In this instance, the Corporation will be made a party to the suit.
- (e) Except as set forth in (a)-(d) of this Section 4, a director may not be removed from office before the expiration of the term of office of that director.

Section 5. Executive Committee. (a) By the affirmative vote of at least 75 percent of the directors, the Board may designate an Executive Committee, all of whose members shall be directors, to manage and operate the affairs of the Corporation or particular properties or enterprises of the Corporation, except to the extent Shareholder authorization is required by law, the Articles of Incorporation or these Bylaws. The Executive Committee will have the power, as set forth by resolution of the Board or these Bylaws to perform or authorize any act that could be done or accomplished by the majority action of all the directors of the Corporation, except as provided in (b) of this Section 5. The Executive Committee shall keep minutes of its meetings and report to the Board not less often than quarterly on its activities and shall be responsible to the Board for the conduct of the enterprises and affairs entrusted to it.

- (b) The following areas of responsibility are expressly reserved to the Board and will not be delegated to any committees of the Board:
- (1) Declaring dividends or distributions;
- (2) Approving or recommending to Shareholders actions or proposals required by the Alaska Corporations Code to be approved by Shareholders;

- (3) Designating candidates for the office of director, for purposes of proxy solicitation or otherwise, or fill vacancies on the board or any committee of the board;
- (4) Amending the Bylaws;
- (5) Approving a plan or merger not requiring Shareholder approval;
- (6) Capitalizing retained earnings;
- (7) Authorizing or approving the reacquisition of shares unless under a general formula or method specified by the board;
- (8) Authorizing or approving the issuance or sale of, or a contract to issue or sell, shares or designating the terms of a series of a class of shares, unless the Board, having acted regarding general authorization for the issuance or sale of shares, a contract to issue or sell, or the designation of a series, authorizes a committee, under a general formula or method specified by the Board by resolution or by adoption of a stock option or other plan, to fix the terms of a contract for the sale of the shares and to fix the terms upon which the shares may be issued or sold, including, without limitation, the price, the dividend rate, provisions for redemption, sinking fund, conversion, voting or preferential rights, and provisions for other features of a class of shares, or a series of a class of shares, with full power in the committee to adopt a final resolution setting out all the terms of a series for filing with the commissioner of the Department of Community & Economic Development under the Alaska Corporations Code; or
- (9) Authorizing, approving, or ratifying contracts or other transactions between the Corporation and one or more of its directors, or between the Corporation and a corporation, firm, or association in which one or more of its directors has a material financial interest as defined under AS 10.06.478 of the Alaska Corporations Code.

(c) The designation of a committee, the delegation to the committee of authority, or action by the committee under that authority does not alone constitute compliance by a member of the Board or that committee with the responsibility to act in good faith, in a manner the member reasonably believes to be in the best interests of the Corporation, and with the care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

Section 6. Other Committees. The Board may, by resolution, establish committees other than an Executive Committee and shall specify with particularity the powers and duties of any such committee. All committees of the Board including the Executive Committee shall serve at the pleasure of the Board, keep minutes of their meetings; have such names as the Board, by resolution, may determine; and be responsible to the Board for the conduct of the enterprises and affairs entrusted to them. All such committees will each have at least two or more members, all of whom will serve at the pleasure of the Board.

Section 7. Place of Meetings. The directors may hold their meetings in such place or places as the Board may from time to time by resolution determine.

Section 8. Meetings. Regular or special meetings of the Board or of a committee of the Board will be held at such place as may be designated from time to time by the Board or any other person calling the meeting, and such meetings may be called by the Chairman of the Board, the President, a Vice President, the Secretary, or a director.

Section 9. Quorum. (a) The presence of a majority of the number of directors fixed by the Articles of Incorporation at a meeting of the Board duly assembled will constitute a quorum for the transaction of business, and the act of a majority of the directors present at any meeting at which a quorum is present will be the act of the Board, except as may be otherwise specifically provided by the Articles of Incorporation or by these Bylaws. If a quorum initially is not present at any meeting of directors, the directors present at that meeting may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

(b) The presence of a majority of the number of directors at a meeting of a committee of the Board duly assembled will constitute a quorum for the transaction of business, and the act of majority of the directors present at any meeting at which a quorum is present will be the act of that committee, except as may be otherwise specifically provided by the Articles of Incorporation or these Bylaws. If a quorum initially is not present at any meeting of a committee of the Board, the members present at that meeting may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

Section 10. Action Without a Meeting. Any action that may be taken at a meeting of the Board or a committee of the Board may be taken without a meeting if identical consents in writing describing the action so taken are signed by all of the directors or members of such committee entitled to vote with respect to the subject matter thereof. Each such consent in writing shall be filed with the minutes of the proceedings of the Board.

Section 11. Order of Business. At meetings of the Board, business shall be transacted in such order as the Board may by resolution determine. At all meetings of the Board, the Chairman of the Board, or in that person's absence, the President, or in that person's absence the director designated as the chairman of the meeting by the majority of the directors present, shall preside.

Section 12. Director's Compensation. Directors shall receive such compensation and reimbursement of any expenses incidental to the performance of their duties as the Board shall determine by resolution. Such compensation may be in addition to any compensation received by the members of the Board in any other capacity.

Section 13. Minutes. The Board shall keep written minutes of its meetings. In the event the Secretary of the Corporation is not a member of the Board, the Board shall prescribe by a resolution the officer or other person who shall be charged with the responsibility of keeping and maintaining such minutes.

Section 14. Notice and Waiver of Notice. (a) The first meeting of each newly elected Board will be held, without notice, immediately following the adjournment of the corresponding Annual Meeting, or as soon thereafter as is practicable.

(b) Regular meetings of the Board or a committee of the Board may be held, without notice, at such time and place, as will from time to time be fixed by the

Board or these Bylaws.

(c) Special meetings of the Board or a committee of the Board will be held upon either notice in writing sent 10 days before the meeting or notice by electronic means, personal messenger, or comparable person-to-person communication given at least 72 hours before the meeting. The notice must include disclosure of the business to be transacted and the purpose of the meeting.

(d) Whenever under the provisions of statutes, of the Articles of Incorporation, or of these Bylaws, notice is required to be given to any director or Shareholder, it will be given in writing, by mail or telegram, addressed to such director or Shareholder at such address as appears on the records of the Corporation with postage thereon prepaid, and such notice by mail will be deemed to be given at the time when deposited in the United States mail.

(e) Attendance of a Shareholder, either in person or by proxy, or of a director at a meeting will constitute a waiver or notice of such meeting, except where an appearance is made for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

(f) Whenever any notice is required to be given under the provisions of statutes, the Articles of Incorporation or these Bylaws, a waiver of the notice in writing, signed by the person entitled to the notice either before or after the time stated in the notice will be deemed equivalent to the giving of that notice.

Section 15. **Dividends.** Subject always to the provisions of the laws of the State of Alaska and the Articles of Incorporation, the Board shall have full power to determine whether any, and if so what part, of the funds legally available for the payment of dividends shall be declared in dividends and paid to the Shareholders. The Board may fix a sum which may be set aside or reserved over and above the paid-in capital of the Corporation for working capital or as a reserve for any proper purpose, and from time to time may increase, diminish and vary such funds in the Board's absolute judgment and discretion. Dividends upon the shares of stock of the Corporation, subject always to the mentioned provisions, may be declared by the Board at any regular or special meeting of the Board, payable in cash, property or shares of the Corporation's stock.

Section 16. **Meetings Held Other Than in Person.** Members of the Board or any committee thereof may participate in a meeting of the Board or such committee, as the case may be, by means of a conference telephone network or similar communications method by which all persons participating in the meeting can hear each other, and such participation shall constitute presence in person at the meeting.

ARTICLE V

OFFICERS

Section 1. **Number and Tenure.** The Board shall elect from its members a Chairman of the Board and a President. The Board shall also elect a Secretary, a Treasurer and a Registered Agent. The Board may also elect, from time to time, such Vice Presidents and other or additional officers as in its opinion are desirable or required for the conduct of the business of the Corporation. Any of the officers of the Corporation may or may not be directors, except that the Chairman of the Board and the President shall be directors. The officers of the Corporation shall hold office until the first meeting of the Board following the Annual Meeting next following their respective election and, subject to their earlier death, resignation or removal in accordance with the Articles of Incorporation, these Bylaws and the laws of the State of Alaska, until their successors are chosen and qualify.

Section 2. **Discretion.** In its discretion, the Board, by the vote of a majority of the whole Board, may leave any office, except that of President, Treasurer, Secretary or Registered Agent, unfilled for any such period as it may fix by resolution. Subject to the laws of the State of Alaska, any officer or agent of the corporation may be removed at any time by the affirmative vote of at least 75 percent of the whole Board.

Section 3. **Chairman of the Board.** The Chairman of the Board shall be a director and, when present, shall preside at all meetings of the Board. Except as may be required otherwise to maintain the Company's capital stock registered under the Securities Exchange Act of 1934 and to maintain the Company's access to the status of one or more of its classes of common stock each as a national market system stock on the Nasdaq Stock Market, the Chairman of the Board shall – (i) by resolution of the Board be a member of one or more of the standing committees of the Board; (ii) be a member of, and the Chairman of, the Executive Committee; (iii) perform such other duties as may be prescribed from time to time by the Board or by these Bylaws; (iv) have the powers of the President; and (v) have the power to delegate any of the Chairman's powers, on a temporary or permanent basis, to the President.

Section 4. **President.** The President shall be the chief executive officer of the Corporation. The President shall be a member of the Board. The President shall exercise such duties as customarily pertain to the office of President and shall have general and active supervision over the property, business and affairs of the Corporation and over its several officers. The President may appoint and terminate the appointment or election of officers, agents, or employees other than those appointed or elected by the Board. The President may sign, execute and deliver, in the name of the Corporation, powers of attorney, contracts, bonds and other obligations which implement policies established by the Board, and shall perform such other duties as may be prescribed from time to time by the Board or by these Bylaws.

Section 5. **Vice Presidents.** Vice Presidents shall have such distinguishing titles, powers and perform such duties as may be assigned to them by the Chairman of the Board, the President, the Executive Committee or the Board. In the absence or disability of the Chairman of the Board and the President, any Vice President designated by the Board may perform the duties and exercise the powers of the President. A Vice President may sign and execute contracts and other obligations pertaining to the regular course of duties of that office which implement policies established by the Board and shall perform such other duties as may be prescribed from time to time by the Board or these Bylaws.

Section 6. **Treasurer.** The Treasurer shall be the chief financial officer and, unless the Board otherwise declares by resolution, the chief accounting officer of the Corporation. Unless the Board otherwise declares by resolution, the Treasurer shall have general custody of all the funds and securities of the Corporation and have general supervision of the collection and disbursement of funds of the Corporation. The Treasurer shall endorse for collection on behalf of the Corporation checks, notes and other obligations, and shall deposit the same to the credit of the Corporation in such bank or banks or depository as the Board may designate. The Treasurer may sign, with the Chairman of the Board, President, or such other person or persons as may be designated for the purpose by the Board, all bills of exchange or promissory notes of the Corporation. The Treasurer shall enter or cause to be entered regularly in the books of the Corporation a full and accurate account of all moneys received and paid by the Treasurer on account of the Corporation; shall at all reasonable times exhibit books and accounts of the Treasurer to any director of the Corporation upon application at the office of the Corporation during business hours; and, whenever required by the Board or

the President, shall render a statement of accounts for the Corporation. The Treasurer shall perform such other duties as may be prescribed from time to time by the Board or by the Bylaws. The Treasurer may be required to give bond for the faithful performance of duties of that office in such sum and with such surety as shall be approved by the Board. The Board may authorize one or more accounting firms to perform any act or discharge any responsibility of the Treasurer. Any individual appointed by the Board as Assistant Treasurer shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer and shall perform such other duties and have such other powers as the Board may from time to time prescribe.

Section 7. Secretary. Subject to Section 8 of Article III and Section 13 of Article IV of these Bylaws, the Secretary shall keep the minutes of all meetings of the Shareholders and of the Board, and to the extent ordered by the Board, the Chairman of the Board or the President, will keep the minutes of meetings of all committees. The Secretary shall cause notice to be given of meetings of Shareholders, of the Board and of any committee appointed by the Board. The Secretary shall have custody of the corporate seal and minutes and records relating to the conduct and acts of the Shareholders and the Board, which shall, at all reasonable times, be open to the examination of any director. The Secretary or any Assistant Secretary appointed by the Board may certify the record of proceedings of the meetings of the Shareholders or of the Board and of resolutions adopted at such meetings; may sign or attest certificates, statements or reports required to be filed with governmental bodies or officials; may sign acknowledgments of instruments; may give notices of meetings; and shall perform such other duties and have such other powers as the Board may from time to time prescribe.

Section 8. Registered Agent. The Registered Agent for the Corporation may be an individual or corporation, resident or located in Alaska. The Registered Agent shall have such duties and responsibilities as are prescribed by the laws of the State of Alaska.

Section 9. Bank Accounts. In addition to such bank accounts as may be authorized in the usual manner by resolution of the Board, the Treasurer, with approval of the Chairman of the Board or the President, may authorize such bank accounts to be opened or maintained in the name and on behalf of the Corporation as may be deemed necessary or appropriate by the Treasurer, provided payments from such bank accounts are to be made upon and according to the check of the Corporation, which may be signed jointly or singularly by either manual or facsimile signature or signatures of such officers or bonded employees of the Corporation as shall be specified in the written instructions of the Treasurer or Assistant Treasurer with the approval of the Chairman of the Board or the President.

Section 10. Vacancies. In case any office shall become vacant, the Board shall have power to fill such vacancy. In case of the absence or disability of any officer, the Board may delegate the powers or duties of such officer to another officer in the Corporation, or to a director.

Section 11. Proxies. Unless otherwise directed by the Board, the Chairman of the Board or the President, or the designees of either of these two officers shall have full power and authority on behalf of the Corporation to attend and to vote upon all matters and resolutions at any meeting of Shareholders of any corporation in which this Corporation may hold stock, and may exercise on behalf of this Corporation any and all of the rights and powers incident to the ownership of such stock at any such meeting, whether regular or special, and at all adjournments thereof, and shall have power and authority to execute and deliver proxies and consents on behalf of this Corporation in connection with the exercise by this Corporation of the rights and powers incident to the ownership of such stock, with full power of substitution or revocation.

Section 12. Dual Offices. A person may hold more than one corporate office, except that a person must not simultaneously hold the offices of President and Secretary.

Section 13. Salaries. The salaries of all executive officers of the Corporation shall be fixed by the Board from time to time. No officer shall be ineligible to receive such salary by reason of the fact that that officer is also a director of the Corporation and receiving compensation therefor or that that officer devotes less than full time during normal business hours to the performance of that officer's duties as an officer of the Corporation.

ARTICLE VI

INDEMNIFICATION

Section 1. Non-Derivative Actions. The Corporation will indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of or arising from the fact that that person is or was a director, officer, employee, or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise. Amounts paid in settlement actually and reasonably incurred by that person in connection with such action, suit or proceeding may include reimbursement of expenses, attorney fees, judgments, fines, and amounts paid in settlement actually and reasonably incurred by that person in connection with the action or proceedings if that person acted in good faith and in a manner that that person reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe the conduct was unlawful. The termination of any action, suit and proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, will not of itself create a presumption that the person did not act in good faith and in a manner which that person reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal action or proceeding, the person had reasonable cause to believe that the conduct was unlawful.

Section 2. Derivative Actions. The Corporation will indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason for arising from the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise. This indemnification will cover reimbursement for expenses (including attorney fees) actually and reasonably incurred by that person in connection with the defense or settlement of such action if that person acted in good faith and in a manner that person reasonably believed to be in or not opposed to the best interests of the Corporation.

Section 3. Reimbursement Conditions. (a) Indemnification will not be made in respect of any claim, issue, or matter as to which the person has been adjudged to be liable for negligence or misconduct in the performance of the person's duty to the Corporation, except to the extent that the court in which the action was brought determines upon application that, despite the adjudication of liability, in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for expenses that the court considers proper.

(b) To the extent that a director, officer, employee, or agent of the Corporation has been successful on the merits or otherwise in defense of an action or

proceeding as described in Sections 1 and 2 of this Article VI or in defense of a claim, issue, or matter in the action or proceeding, the director, officer, employee, or agent will be indemnified against expenses and attorney fees actually and reasonably incurred in connection with the defense.

(c) Unless otherwise ordered by a court, indemnification under Sections 1 or 2 of this Article VI may only be made by the Corporation upon a determination that indemnification of the director, officer, employee, or agent is proper in the circumstances because the director, officer, employee, or agent has met the applicable standard of conduct set out in those sections. The determination will be made by:

(1) The Board by at least a majority vote of a quorum consisting of directors who were not parties to the action or proceeding; or

(2) Independent legal counsel in a written opinion if a quorum under (c)(1) of this Section 3 is

(A) not obtainable;

(B) obtainable but a majority of disinterested directors so directs; or

(C) Approval of the outstanding shares of the Corporation.

(d) The Corporation may pay or reimburse the reasonable expenses incurred in defending a civil or criminal action or proceeding in advance of the final disposition in the manner provided in (c) of this Section 3 if:

(1) In the case of a director or officer, the director or officer furnishes the Corporation with a written affirmation of a good faith belief that the standard of conduct described in AS 10.06.450(b) or 10.06.483(e) of the Alaska Corporations Code has been met;

(2) The director, officer, employee, or agent furnishes the Corporation a written unlimited general undertaking, executed personally or on behalf of the individual, to repay the advance if it is ultimately determined that an applicable standard of conduct was not met; and

(3) A determination is made that the facts then known to those making the determination would not preclude indemnification under the Alaska Corporations Code.

(e) The indemnification provided under Sections 1 and 2 of this Article VI is not exclusive of any other rights to which a person seeking indemnification may be entitled under a bylaw, agreement, vote of Shareholders or disinterested directors, or otherwise, both as to action in the official capacity of the person and as to action in another capacity while holding the office. The right to indemnification continues as to a person who has ceased to be a director, officer, employee, or agent, and inures to the benefit of the heirs, executors, and administrators of the person.

Section 4. Insurance. At the discretion of the Board, the Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against that person and incurred by that person in any such capacity, or arising out of that status, whether or not the Corporation would have the power to indemnify that person against such liability under the provisions of this Article VI.

ARTICLE VII

FORM OF STOCK

Section 1. Certificated and Uncertificated. (a) The shares of the Corporation shall be represented by certificated or uncertificated form.

(b) Certificates for shares shall be as follows: (1) numbered; (2) entered on the books of the Corporation as they shall be issued; (3) certify the class and number of shares represented by the certificate; and (4) be in such form, not inconsistent with the Articles of Incorporation, as the Board shall from time to time prescribe.

(c) The certificates of stock shall be signed by the President or a Vice President and by the Secretary or an Assistant Secretary and sealed with the seal of the Corporation. Such seal may be a facsimile, engraved or printed. Where any certificate is countersigned or otherwise authenticated by a transfer agent or by a transfer clerk, and by a registrar, the signatures of any such officers upon such certificate may be facsimile, engraved or printed.

(d) Uncertificated shares of common stock shall be identified, held and transferred, if at all, in a manner compatible with the requirements of the Direct Registration System adopted by the Nasdaq Stock Market ("Direct Registration System").

(e) In the event the Board shall mandate by resolution participation by the Company in the Direct Registration System, holders of shares subject to that system shall have the opportunity to participate in that system but shall not be required to convert their shares held in certificated form and participate in that system until the certificate for those shares shall be surrendered to the Corporation.

(f) Uncertificated shares of preferred stock shall be identified, issued, held and transferred, if at all, in a manner as shall be established by the Board by resolution.

(g) Notwithstanding other provisions of this Article VII which in the event they shall be construed to the contrary, the determination whether to issue, reissue or terminate issuance of shares in uncertificated or certificated form shall remain in the sole discretion of the Board, and such determination shall be by resolution of the Board or otherwise as provided in these Bylaws.

Section 2. Transfers. (a) In the event of surrender to the Corporation or the transfer agent of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled to it, cancel the old certificate and record the transaction upon its books.

(b) In the event of receipt of proper transfer instructions from the registered holder of uncertificated shares, such uncertificated shares shall be cancelled and issuance of new equivalent uncertificated shares shall be made to the person entitled to them, and the transaction shall be recorded upon the books of the Corporation or otherwise accounted for as the Board shall direct.

(c) Within a reasonable time after the issuance or transfer of shares in uncertificated form, the Corporation shall send, or cause to be sent, without charge to the registered owner of the shares a written statement giving the following information required by AS 10.06.350 to be on certificates: (1) confirmation that the Corporation is organized under the laws of the State of Alaska; (2) the name of the person to whom the shares are issued; (3) the number and class of shares, and the designation of the series, if any, that the shares represent; and (4) a full or summary statement of the designations, preferences, limitations, and relative rights of the shares of each class authorized to be issued and, if the Corporation is authorized to issue preferred or special class in series, the variations in the relative rights and preferences between the shares of each series so far as they have been fixed and determined and the authority of the Board to fix and determine the relative rights and preferences of subsequent series.

(d) The person in whose name shares of stock stand on the books of the Corporation shall be deemed by the Corporation to be the owner thereof for all purposes, and the Corporation shall not be bound to recognize any equitable or other claim to, or interest in, such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as shall otherwise be provided by the laws of the State of Alaska.

Section 3. Lost or Destroyed Certificates. The Board shall have the power to direct new stock certificates to be issued to any Shareholder in place of any certificates theretofore issued by the Corporation when such Shareholder proves to the satisfaction of the Board that a stock certificate is lost or destroyed, or upon the posting of an indemnity bond by the owner of such lost or destroyed certificates, or that Shareholder's legal representatives, in such amount as the Board shall deem appropriate, to hold the Corporation harmless from any loss or claim arising out of or in connection with the issuance of a duplicate certificate, unless such requirement be dispensed with by the Board, in its discretion, in any instance or instances.

Section 4. Transfer Agent and Registrar. The Board may appoint one or more transfer agents or transfer clerks and one or more registrars, and may require all certificates for shares to bear the manual or facsimile signature or signatures of any of them. The Corporation's transfer agent and registrar may be the identical if the person or entity acting in such dual capacities countersigns certificates for shares required to bear that person's signatures in both capacities.

Section 5. Restrictions on Transfer. No securities of the Corporation or certificates representing such securities will be transferred in violation of any law or of any restriction on such transfer set forth in the Articles of Incorporation or amendments to them, these Bylaws or other agreement restricting such transfer which has been filed with the Corporation if reference to any such restrictions is made on the certificates representing such securities. The Corporation will not be bound by any restriction not so filed and noted. The Corporation may rely in good faith upon the opinion of its counsel as to any legal or contractual violation with respect to any such restrictions unless the issue has been finally determined by a court of competent jurisdiction. The Corporation and any party to such agreement will have the right to have a restrictive legend imprinted upon any certificate covered by the agreement and any certificates issued in replacement or exchange therefor or with respect to such certificates.

Section 6. Closing Transfer Books and Filing Record Date. The Board may prescribe a period not exceeding 70 days nor less than 20 days prior to the record date appointed for the payment of dividends to Shareholders during which no transfer of stock may be made on the books of the Corporation, or the Board may fix a date not more than 60 days nor less than 20 days prior to the date for the payment of any such dividends as the record date as of which Shareholders entitled to receive payment of such dividends will be determined. Only Shareholders of record on that record date will be entitled to receive payment of such dividends.

Section 7. Conversion of Class B Common Stock. (a) In the event a holder of certificated shares of Class B common stock shall give written notice to the Corporation requesting conversion of those shares, or a portion of them, into certificated shares of Class A common stock, the Corporation shall respond and otherwise take action as provided in, and the transaction shall otherwise be subject to the provisions of, Article IV, Sections (g) and (j) of the Corporation's Restated Articles of Incorporation, and subject to other provisions of this Article VII, including but not limited to Section 1(e) in the context of this surrender of certificated shares of Class B common stock.

(b) In the event a holder of uncertificated shares of Class B common stock shall give written notice to the Corporation requesting conversion of those shares, or a portion of them, into shares of Class A common stock, the Corporation shall respond and otherwise take action as provided in, and the transaction shall otherwise be subject to the provisions of, Article IV, Sections (g) and (j) of the Corporation's Restated Articles of Incorporation, with the following clarifications:

(1) delivery of the shares of Class B common stock by the holder shall be in uncertificated form and consist of instructions and the information required in accordance with the provisions of the Direct Registration System; and

(2) upon receipt by the Secretary of the instructions and required information as addressed in Section 7(b)(1) of this Article VII, the Corporation shall cause to be issued to the holder one share of Class A common stock for each share of Class B common stock requested to be converted, issuing the shares in uncertificated form and delivering to the holder the converted shares in that form along with a separate identification of remaining shares, if any, of Class B common stock in uncertificated form; provided that, in the event the Corporation at the time of the conversion no longer shall be participating in the Direct Registration System, the converted shares of Class A common stock and the remaining shares of Class B common stock not converted shall be issued in certificated form.

ARTICLE VIII

REPORTS TO SHAREHOLDERS

Section 1. Annual Report. (a) The Board will authorize the preparation of and arrangement for the distribution of an annual report to Shareholders of the Corporation as required by as 10.06.433(a) Alaska Corporations Code.

(b) The annual report to Shareholders will contain, at minimum, a balance sheet as of the end of the fiscal year and an income statement and statement of changes in financial position for the fiscal year accompanied by the following: (1) a report on the fiscal year by independent accountants; or (2) if there is no such report from accountants, a certificate of an authorized officer of the Corporation that the financial statements were prepared without audit from the books and

records of the Corporation; provided that, so long as the Corporation's stock is registered pursuant to the federal Securities Exchange Act of 1934, the Annual Report to Shareholders required under that act will be provided to all Shareholders.

Section 2. Other Reports. A Shareholder holding at least five percent of the outstanding shares of a class of the Corporation may make a written request to the Corporation in accordance with AS 10.06.433(c) of the Alaska Corporations Code, for a quarterly income statement of the Corporation and a balance sheet of the Corporation and, in addition, if an annual report for the last fiscal year has not been sent to Shareholders, the statements required by (a) of Section 1 of Article VIII of these Bylaws for the last fiscal year. These statements will be delivered or mailed by the Corporation to the person making the request within 30 days of the request. A copy of these statements will be kept on file in the principal office of the Corporation for 12 months, and they will be exhibited at all reasonable times to a Shareholder demanding an examination of the statements, or a copy of the statements will be mailed to that Shareholder.

Section 3. Delivery. (a) The Corporation will, in accordance with AS 10.06.433(d) of the Alaska Corporations Code, upon the written request of a Shareholder, mail to the Shareholder a copy of the reports described in this Article VIII.

(b) The income statements and balance sheets referred to in this Article VIII must be accompanied by any report on those statements prepared by independent accountants engaged by the Corporation or the certificate of an authorized officer of the Corporation that the financial statements were prepared without audit from the books and records of the Corporation.

ARTICLE IX

TRANSACTIONS WITH OFFICERS, DIRECTORS AND SHAREHOLDERS

Section 1. Director Material Interest. A contract or other transaction between the Corporation and one or more of the directors of the Corporation, or between the Corporation and a corporation, firm, or association in which one or more of the directors of the Corporation has a material financial interest, is neither void nor voidable because the director or directors or other corporation, firm, or association is a party or because the director or directors is present at the meeting of the Board that authorizes, approves, or ratifies the contract or transaction, if the material facts as to the transaction and as to the director's interest are fully disclosed or known to the (1) Shareholders and the contract or transaction is approved by the Shareholders in good faith, with the shares owned by the interested director or directors not being entitled to vote; or (2) Board, and the Board authorizes, approves, or ratifies the contract or transaction in good faith by a sufficient vote without counting the vote of the interested director or directors, and the person asserting the validity of the contract or transaction sustains the burden of proving that the contract or transaction was just and reasonable as to the Corporation at the time it was authorized, approved, or ratified.

Section 2. Common Directorships, Votes on Compensation. (a) A common directorship does not alone constitute a material financial interest within the meaning of this Article IX. A director is not interested, within the meaning of this Article IX, in a resolution fixing the compensation of another director as a director, officer, or employee of the Corporation, notwithstanding the fact that the first director is also receiving compensation from the Corporation.

(b) Interested or common directors may be counted in determining the presence of a quorum at a meeting of the Board that authorizes, approves, or ratifies a contract or transaction under this Article IX.

Section 3. Transactions Involving Cross Directorships. A contract or other transaction between the Corporation and a corporation or association of which one or more directors of the Corporation are directors is neither void nor voidable because the director or directors are present at the meeting of the Board that authorizes, approves, or ratifies the contract or transaction, if the material facts of the transaction and the director's other directorship are fully disclosed or known to the Board and the Board authorizes, approves, or ratifies the contract or transaction in good faith by a sufficient vote without counting the vote of the common director or directors or the contract or transaction is approved by the Shareholders in good faith. This Section 3 does not apply to contracts or transactions covered by Section 1 of this Article IX.

ARTICLE X

GENERAL PROVISIONS

Section 1. Fiscal Year. The fiscal year of the Corporation shall convene on the first day of January of each year, unless otherwise determined by the Board.

Section 2. Books and Records. A certified copy of the Articles of Incorporation and the Bylaws shall be deposited in the name of the Corporation in such bank or banks, trust company or trust companies or other institutions as the Board shall designate by resolution. All checks or demands for the payment of money and all notes and other instruments of a negotiable nature shall be signed by the person designated by appropriate resolution of the Board or these Bylaws.

Section 3. Contracts. The Board may authorize any officer or officers or agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation, and such authority may be general or confined to specific instances.

Section 4. Loans. No loans shall be contracted on behalf of the Corporation and no evidence of indebtedness shall be issued in its name unless authorized by a resolution of the Board, and such authorization may be general or confined to specific instances.

Section 5. Saving Clause. In the event any provision of these Bylaws is inconsistent with the Articles of Incorporation or the corporate laws of the State of Alaska, such provision shall be invalid to the extent of such conflict; and such conflict shall not affect the validity of all other provisions of these Bylaws.

ARTICLE XI

AMENDMENTS

Section 1. Amendment and Repeal. Except as otherwise provided by law, the power to alter, amend or repeal these Bylaws and adopt new Bylaws

will be vested exclusively in the Board, provided that such action must be taken by a vote of at least a simple majority of the whole Board.

Section 2. **Recordation.** Whenever an amendment or new bylaw is adopted and thereby made a part of the Bylaws, a copy of that bylaw will be kept in the minute book with these Bylaws. If any position of the Bylaws is repealed, the fact of such repeal and the date on which it occurred will be recorded in the minute book, and a copy of it will be placed next to and include in these Bylaws.

I, the undersigned being the Secretary of GENERAL COMMUNICATION, INC., hereby certify the foregoing to be the amended and revised Bylaws of the Corporation, as adopted by the Board, on the 9th day of February 2009.

/s/ John M. Lowber

John M. Lowber, Secretary

¹ As last amended and restated on February 9, 2009.

**SECOND AMENDED AND RESTATED
AIRCRAFT LEASE AGREEMENT**

This Second Amended and Restated Aircraft Lease Agreement ("Agreement") is made effective as of May 9, 2011 ("Effective Date"), between GCI Communication Corp., an Alaska corporation ("GCI" or "Lessee") and 560 Company, Inc., an Alaska corporation ("Lessor").

WHEREAS, effective as of January 1, 2001, GCI and Lessor entered into an Aircraft Lease Agreement ("Lease") regarding the following-described aircraft ("Citation"), which aircraft has subsequently been sold and is no longer subject to this Lease:

Make/model: Cessna Citation V (C560)
Registration: N560ER
Serial no.: 560-0003
Engines: Pratt & Whitney JT 15D-5A
Serial no.: Left 108003 Right 108535

WHEREAS, the Lease was superseded by that Amended and Restated Aircraft Lease Agreement effective as of February 25, 2005 and that Amendment No. 1 to the Amended and Restated Lease Agreement dated as of December 27, 2010 (collectively, "First Restatement") to add a new aircraft, together with all equipment and accessories attached thereto or used in connection therewith (collectively, "Astra"):

Make/model: 1997 Israel Aircraft Industries Astra SPX
Registration: N89HS
Serial no.: 89
Engines: Garrett Ai Research Jet Engine, Model No. TFE-731-40R-200G
Serial no.: P113126 + P113125

WHEREAS, the parties wish to supersede the First Restatement with this Second Amended and Restated Aircraft Lease Agreement, to add the following-described new aircraft, together with all equipment and accessories attached thereto or used in connection therewith (collectively, "Challenger"):

Make/model: CL 600-2B16 (Challenger 604)
Registration: N134WN
Serial no.: 560-0003
Engines: General Electric CF 34-3B
Serial no.: 872151 and 872150

WHEREAS, Lessor is the owner of the Astra and the Challenger (collectively, "Aircraft"), Lessee desires to dry lease the Aircraft from Lessor, and Lessor is willing to dry lease the Aircraft to Lessee, on a non-exclusive basis, on the terms and conditions set forth in this Agreement;

Now, therefore, Lessor and Lessee agree as follows:

1. **[Intentionally Omitted]**

2. Term.

A. The initial term of this Agreement shall be for thirty (30) days and shall commence on the Effective Date. This Agreement shall continue unless terminated pursuant to any provision of this Agreement. Either Lessee or Lessor may terminate this Agreement upon twelve (12) months' written notice as set forth in Section 17, and as follows: If GCI elects to terminate this Agreement, Lessor may within five (5) business days of the date of such notice provide GCI with written notice of Lessor's intent to put the Challenger up for sale. Then, this Agreement shall terminate upon the earlier of (i) the later sale date of both Aircraft, or (ii) twelve (12) months from the date of GCI's termination notice. If Lessor fails to give notice of its intent to sell the Aircraft within such five (5) business days, then this Agreement shall terminate twelve (12) months from the date of GCI's written notice of its intent to terminate.

B. Notwithstanding the provisions of Section 2(A), GCI may elect to terminate its use of the Astra upon ninety (90) days' written notice as set forth in Section 17, and as follows: If GCI elects to terminate this Agreement as to the Astra only, Lessor may within five (5) business days of the date of such notice provide GCI with written notice of Lessor's intent to put the Astra up for sale. Then, GCI obligations hereunder relating to the Astra (other than the indemnity provisions of Section 13) shall terminate upon the earlier of (i) the sale date of the Astra, or (ii) ninety (90) days from the date of GCI's termination notice as to the Astra.

3. **Payments to Lessor.**

A. GCI shall pay rent to Lessor at the dry lease rate of (a) forty-five thousand dollars (US \$45,000.00) per month on the Astra and (b) one hundred thirty-two thousand dollars (US \$132,000.00) per month on the Challenger, plus sales/use tax if applicable, without demand, offset, deduction or counterclaim. Payments of each month's rental shall be made on or before the first (1st) day of each month, in advance. The monthly rental payment for the first and last month shall be prorated on an actual day's basis, and any unused funds after a proper termination shall be refunded to Lessee in full except as otherwise provided herein.

B. In addition to the above payments, GCI previously provided Lessor with a one million five hundred thousand dollar (\$1,500,000.00) damage deposit for the Aircraft's usage hereunder ("Deposit"). Not later than six (6) months after the Agreement terminates, Lessor shall repay the Deposit to GCI.

4. **Use.**

- A. Lessor hereby grants to Lessee the nonexclusive right to use the Aircraft on the terms and conditions set forth in this Agreement.
- B. Lessee shall, at its sole expense, provide all crewmembers required for operation of the Aircraft during the term of this Agreement. All crewmembers must be qualified to Lessee's insurance company's standards to fly the Aircraft.
- C. Lessee shall pay all expenses in preparation for any GCI-usage flight and in connection with GCI flights, including but not limited to expenses for fuel, crew quarters, landing fees, imposts, duties, fines, meals, all other out-of-pocket crew expenses, and the cost of any special equipment required for Lessee's business.
- D. Lessee shall, at its sole expense, provide hangar storage and line service for the Aircraft in Anchorage, Alaska. Lessee shall also pay all maintenance costs for the Aircraft during the term hereof.
- E. The Aircraft base when not in use shall be Anchorage, Alaska.
- F. Lessee has first priority use of the Aircraft. Lessor retains the right to use the Aircraft when not scheduled for use by Lessee. Lessor is responsible for all incremental costs incurred during Lessor's use of the Aircraft.
- G. Lessee may not use the Aircraft for the purpose of providing transportation of passengers or cargo in air commerce for compensation or hire, or permit any other person or entity to use the Aircraft.
- H. GCI will operate the Aircraft in compliance with Part 91 and any other applicable provision of the FARs, and all other Applicable Standards. ("Applicable Standards" shall mean (i) Applicable Law (as defined below), (ii) the requirements of the Required Coverages (as defined below), and (iii), with respect to the Aircraft, all compliance requirements set forth in or under (A) all maintenance manuals initially furnished with respect thereto, including any subsequent amendments or supplements to such manuals issued by the manufacturer or supplier thereof from time to time, (B) all mandatory service bulletins issued, supplied, or available by or through the applicable manufacturer with respect thereto, (C) all applicable airworthiness directives issued by the FAA or similar regulatory agency having jurisdictional authority, (D) all conditions to the enforcement of any warranties pertaining thereto, and (E) GCI's FAA approved maintenance program with respect to the Aircraft.) GCI shall not operate or permit the Aircraft to be operated for air taxi operations or otherwise under Part 135 of the FARs; and it shall at all times have, and maintain, "operational control" of the Aircraft (as such term is then interpreted by the FAA or such other applicable governmental authority), and no other person or entity shall operate the Aircraft except when the Aircraft are operated pursuant to Section 4(F). The Aircraft at all times will be operated by duly qualified pilots having satisfied all requirements established and specified by the FAA, the TSA, any other applicable governmental authority and the required insurance under Section 8, Insurance, below ("Required Coverages").
- I. GCI may fly the Aircraft temporarily to any country in the world, provided that the Aircraft (i) shall at all times be based and predominantly used, operated and located in the continental United States; and (ii) shall not be flown, operated, used or located in, to or over any such country or area (temporarily or otherwise) (A) that is excluded from the Required Coverages (or specifically not covered by such insurance), (B) with which the United States does not maintain favorable diplomatic relations, (C) in any area of recognized or threatened hostilities, (D) to the extent that payment of any claim under the Required Coverages directly or indirectly arising or resulting from or connected with any such flight, operation, use or location would be prohibited under any trade or other economic sanction or embargo by the United States of America, or (E) in violation of any of the Required Coverages or any Applicable Standards. GCI shall adopt, implement and comply with all security measures required by any applicable law (as defined below), or by any Required Coverages, or that are necessary or appropriate for the proper protection of the Aircraft (whether on the ground or in flight) against theft, vandalism, hijacking, destruction, bombing, terrorism or similar acts. ("Applicable Law" shall mean all applicable laws, statutes, treaties, conventions, judgments, decrees, injunctions, writs and orders of any governmental authority and rules, regulations, orders, directives, licenses and permits of any governmental authority as amended and revised, and any judicial or administrative interpretation of any of the same, including the airworthiness certificate issued with respect to the Aircraft, the Cape Town Convention, the UCC, the Transportation Code, all TSA regulations, all FARs, airworthiness directives, and/or any of the same relating to the Aircraft generally or to noise, the environment, security, public safety, insurance, taxes and other Impositions, exports or imports or contraband.)

5. **Major Damage.** If the Aircraft suffer any major damage or loss of a type required to be reported to the FAA or recorded in the Aircraft logbooks under FAA regulations governing the Aircraft use, and subsequently shall have been returned to service, Lessor and Lessee shall upon delivery of the Aircraft to Lessor under Section 9 below, determine the amount of loss in value, if any, suffered by the Aircraft due to such damage or loss. Lessor and Lessee shall determine such amount by requesting bids for the purchase of the Aircraft from three (3) dealers in such aircraft, qualified to render such and not affiliated with Lessor and Lessee. Lessor and Lessee shall each select one (1) dealer, and the two dealers shall select the third dealer. Each dealer shall render one (1) bid based upon a description of the Aircraft assuming no damage history, and a second (2nd) bid based on the Aircraft's actual condition. The difference between the average of all bids received for the Aircraft assuming no damage history, and the average of all bids received for the Aircraft including the actual damage history, together with interest thereon from the period between the end of the term of this Agreement until the date of payment, at a rate equal to one (1) percentage point in excess of the prime rate announced from time to time by the Royal Bank of Scotland, shall be paid by Lessee to Lessor in the form of a lump sum payment within ten (10) days after the last of the three (3) dealers renders its bid.
6. **Lessor's Inspection.** Lessor or its authorized representatives may at all reasonable times inspect the Aircraft and Lessee's books and records relating to the Aircraft, provided such Aircraft is not scheduled for use at the time requested for inspection. Lessor's inspection will not interfere with Lessee's normal business operation.
7. **Maintenance and Repairs; Modifications and Improvements .**

A. During the term of this Agreement, Lessee shall, at its sole expense, maintain the Aircraft in good operating and airworthy condition, perform any periodic inspections or service for the Aircraft recommended by the manufacturers' maintenance manual or service bulletins or required by law, repair any uninsured damage to the Aircraft as a result of Lessee's use thereof, and maintain both Aircraft on their associated engine programs of MSP Gold program for the Astra, JSSI for the Challenger C604 engines (all, collectively, the "Engines"), and Maintenance Service Program (MSP) for the Challenger 604 APU. Lessor shall be responsible for any uninsured damage to the Aircraft as a result of its use thereof. Prior to repairing any damage to the Aircraft, Lessee will notify Lessor of such damage and obtain written approval of the repairs. The performance of all maintenance and repair work shall be by or under the supervision of properly qualified and trained personnel and in compliance with FAA or other governmental requirements.

B. Should any engine of the Aircraft become due for a hot section inspection or major overhaul during the term of this Agreement, Lessee shall, at its sole expense, perform such inspection or overhaul in accordance with the manufacturer's recommended procedures.

C. GCI agrees that, with respect to the Aircraft, GCI will at its own expense, (i) maintain, inspect, service, repair, overhaul and test the same in accordance with Applicable Standards; (ii) make any alterations or modifications that may at any time be required to comply with Applicable Standards, and to cause the Aircraft to remain airworthy; (iii) furnish all required parts, replacements, mechanisms, devices and servicing so that the condition and operating efficiency thereof will at all times be no less than its condition and operating efficiency as and when delivered to GCI, ordinary wear and tear from proper use alone excepted; (iv) promptly replace all Aircraft parts (A) which become worn out, lost, stolen, taken, destroyed, damaged beyond repair or permanently rendered or declared unfit for use for any reason whatsoever, or (B) if not previously replaced pursuant to clause (A), as and when required by any Applicable Standards, including any applicable life limits; (v) maintain (in English) all Records in accordance with Applicable Standards and (vi) enroll and maintain the Aircraft in a Computerized Aircraft Maintenance Program, and the Engines in an Engine Maintenance Program ("Computerized Aircraft Maintenance Program" shall mean any automated on-line maintenance tracking program with respect to the airframe provided by the manufacturer of the airframe or by a third party that is approved by Lessor and which makes data with respect to the Aircraft available to Lessor. "Engine Maintenance Program" shall mean the Engines' and APU power by the hour engine maintenance program provided by the engines' manufacturer or by Jet Support Services, Inc.). All maintenance procedures shall be performed by properly trained, licensed, and certified maintenance sources and personnel utilizing replacement parts approved by the FAA and the manufacturer of (as applicable) the Aircraft or any part thereof. Without limiting the foregoing, GCI shall comply with all mandatory service bulletins and airworthiness directives by causing compliance to such bulletins and/or directives to be completed through corrective modification in lieu of operating manual restrictions.

D. On or before the tenth (10th) day after each annual anniversary of the Effective Date, GCI shall provide to Lessor a report specifying the number of flight hours on the Aircraft at the start of said year of operation and the number of flight hours on the Aircraft at the end of said year of operation, in each case as determined by the Aircrafts' Hobbs meter.

E. GCI will not make or authorize any improvement, change, addition or alteration to the Aircraft that will impair the originally intended function or use of the Aircraft, diminish the value of the Aircraft as it existed immediately prior thereto, or violate any Applicable Standard. All repairs, parts, replacements, mechanisms and devices added by GCI or on its behalf shall immediately, without further act, become part of the Challenger or the Astra, respectively and subject to the respective Lessor's liens granted to its lenders.

8. Insurance.

A. GCI agrees to maintain at all times, at its sole cost and expense, with insurers of recognized reputation and responsibility satisfactory to Lessor (but in no event having an A.M. Best or comparable agency rating of less than "A-"):

- i. (A) comprehensive aircraft liability insurance against bodily injury or property damage claims including, without limitation, contractual liability, premises liability, death and property damage liability, public and passenger legal liability coverage, and sudden accident pollution coverage, in an amount not less \$200,000,000.00, and (B) personal injury liability in an amount not less than \$25,000,000.00; but, in no event shall the amounts of coverage required by sub-clauses (A) and (B) be less than the coverage amounts as may then be required by Applicable Law;
- ii. "all-risk" ground, taxiing, and flight hull insurance in the amount of \$11,000,000.00 for the Challenger and \$4,000,000.00 for the Astra; and
- iii. war risk and allied perils (including confiscation, appropriation, expropriation, terrorism and hijacking insurance) in the amounts required in paragraphs (i) and (ii), as applicable.

B. Any policies of insurance carried in accordance with this Section 8 and any policies taken out in substitution or replacement of any such policies shall (i) include Lessor and Lessor's sole shareholder, Ronald A. Duncan, as additional insureds without right of subrogation, (ii) be endorsed to name Lessor, and Wells Fargo Bank for the Astra and RBS Asset Finance, Inc. ("RBS") for the Challenger, respectively, as an additional insured as its interests may appear (but without responsibility for premiums), (iii) provide, with respect to insurance carried in accordance with Section 8(a)(ii) or (a)(iii) above, that any amount payable thereunder shall be paid directly to Wells Fargo Bank for the Astra and RBS for the Challenger, respectively, and Lessor, as their interests may appear (but without responsibility for premiums), (iv) provide for ten (10) days' (seven (7) days' in the case of war, hijacking and allied perils) prior written notice by such insurer of cancellation for non-payment, material adverse change to the interests of Wells Fargo Bank or RBS, respectively, or non-renewal, (v) include a severability of interest clause providing that such policy shall operate in the same manner as if there were a separate policy covering each insured, (vi) waive any right of set-off against Wells Fargo Bank for the Astra and RBS for the Challenger, respectively, and any rights of subrogation against Wells Fargo Bank or RBS, respectively, (vii) provide that in respect of the interests of Wells Fargo Bank for the Astra and RBS for the Challenger, respectively, in such policies, that the insurance shall not be invalidated by any action or inaction of Lessor or GCI or any other person operating or in possession of the Aircraft, regardless of any breach or violation of any warranties, declarations or conditions contained in such policies by or binding upon Lessor or GCI or any other person operating or in possession of the Aircraft, and (viii) be primary, not subject to any co-insurance clause and shall be without right of contribution from any other insurance.

C. Neither Lessor nor GCI shall self-insure (by deductible, premium adjustment, or risk retention arrangement of any kind) with respect to any of the risks required to be insured pursuant to this Section 8. GCI agrees that it shall obtain and maintain such other insurance coverages, or cause adjustments to be made to the scope, amount or other aspects of the existing insurance coverages, promptly upon Lessor's request, as and when Lessor deems such additional insurance coverages or modifications to be appropriate in light of any changes in Applicable Law, prudent industry practices, the insurance market, GCI's anticipated use of the Aircraft or other pertinent circumstances. All of the coverages required herein shall be in full force and effect worldwide throughout any geographical areas to, in or over which the Aircraft is operated. All insurance proceeds payable under the requisite policies shall be payable in U.S. Dollars.

D. At least ten (10) days prior to the policy expiration date for any insurance coverage required by this Section 8, GCI shall furnish to Lessor evidence of the renewal or replacement of such coverage, complying with the terms hereof, for a twelve (12) month or greater period commencing from and after such expiration date.

9. **Return of Aircraft.**

A. Upon the termination of this Agreement, Lessee shall, at its sole expense, return the Aircraft forthwith to Lessor by delivering the Aircraft to Lessor at Anchorage, Alaska, or at another agreed location. The Aircraft shall be returned in the same condition as when delivered to Lessee hereunder, ordinary wear and tear on the airframe and the Engines excepted, with paint and interior in the same condition as when delivered to Lessor, no open or deferred maintenance items, in airworthy condition, and free and clear of all liens, encumbrances or rights of others whatsoever caused by Lessee.

B. Not less than ten (10) days prior to the expiration or earlier termination of the Agreement, Lessee shall make the Aircraft available to Lessor at Anchorage, Alaska, or such other location as agreed to pursuant to Section 9(A), for the purpose of permitting Lessor, at Lessor's sole cost, to make an inspection of the Aircraft. In connection with such inspection, Lessor shall, at Lessee's expense, be entitled to an acceptance flight check of not more than three (3) hours' duration. Lessor shall at Lessor's expense be entitled to correct and repair any condition of the Aircraft discovered on such inspection or flight check which causes the Aircraft not to be in the condition prescribed above or not airworthy; and Lessee shall reimburse Lessor upon demand for the cost of any such repairs. If any corrections or repairs are necessary, the terms of the Agreement shall be extended for the period required to enable Lessee to make such corrections or repairs and to return the Aircraft in accordance with the terms of this Section 9.

C. During any extended term referred to in this Section 9, rent shall be paid by Lessee to Lessor until the date of actual return at the rate specified in Section 3(A) above.

D. In consideration of \$350,000 paid by Lessee to Lessor on or before December 31, 2010, the parties agree that the Astra may be returned to Lessor at any time with the paint and interior in the same condition as it was in on December 27, 2010, ordinary wear and tear excepted.

10. **Taxes.** Lessee shall pay, and indemnify and hold Lessor harmless from, all license and registration fees and all sales, use, operational, personal property, and other taxes, levies, duties, charges or withholdings of any nature (together with any penalties, fines or interest thereon and reasonable attorneys' fees) imposed upon Lessor by any federal, state or local government or taxing authority upon or with respect to the use or operation of the Aircraft hereunder, upon the rentals, receipts, or earnings arising there from, or with respect to this Agreement (other than taxes on, or measured by, the net income of Lessor). The obligations of Lessee under this Section shall survive the termination of this Agreement. Lessee shall only be liable for the prorated portion of any taxes or fees not collected during the term of this Agreement.

11. **Liens, Encumbrances and Rights of Others.** Lessee will not directly or indirectly create, incur, or permit any mortgage, pledge, lien attachment, charge, encumbrance or right of others whatsoever on or with respect to the Aircraft, title thereto or any interest therein, other than that arising because of a debt or other obligation of the Lessor. Lessee will promptly, at Lessee's sole expense, cause any such mortgage, pledge, lien, attachment, charge, encumbrance or right of another which may arise at any time to be duly discharged, dismissed and removed as soon as possible, but in any event within ten (10) days after the existence of the same shall have first become known to Lessee.

12. **DISCLAIMER OF WARRANTIES. LESSEE ACKNOWLEDGE THAT LESSOR HAS NOT MADE ANY REPRESENTATIONS OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE CONDITION, AIRWORTHINESS, MERCHANTABILITY, DESIGN, OPERATION, OR FITNESS FOR USE OR A PARTICULAR PURPOSE OF THE AIRCRAFT, AGAINST INTERFERENCE BY OTHERS (OTHER THAN THAT ARISING BECAUSE OF A DEBT OR OTHER OBLIGATION OF THE LESSOR), OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE AIRCRAFT. LESSOR WARRANTS THAT IT HAS GOOD TITLE TO THE AIRCRAFT AND THAT IT IS FREE AND CLEAR OF LIENS AND ENCUMBRANCES EXCEPT THOSE CREATED BY LESSOR.**

13. **Indemnity.** Lessee hereby assumes liability for, and shall indemnify, protect, save and keep harmless Lessor, its shareholders, officers, directors, and employees, from and against, and to pay Lessor promptly upon demand the amount of, any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements, including reasonable legal expense, of whatsoever kind and nature, imposed on, incurred by or asserted against Lessor in any way relating to or arising out of this Agreement or the possession, use or operation of the Aircraft by Lessee. Lessor hereby assumes liability for, and shall indemnify, protect, save and keep harmless GCI, its shareholders, officers, directors, and employees, from and against, and to pay GCI promptly upon demand the amount of, any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements, including reasonable legal expense, of whatsoever kind and nature, imposed on, incurred by or asserted against GCI in any way relating to or arising out of this Agreement or the possession, use or operation of the Aircraft by Lessor. The indemnities contained in this Section 13 shall continue in full force and effect, notwithstanding the expiration or other termination of this Agreement.

14. **Default.** The following shall constitute Events of Default hereunder: a) Lessee or Lessor shall fail to make any payment due to the other party within five (5) days after the same shall become due; b) Lessor or Lessee shall fail to perform or observe any other material covenant, condition or agreement to be performed or observed by it hereunder, and such failure shall continue unremedied for a period of twenty (20) days after written notice thereof by Lessor or Lessee; c) Lessee or Lessor shall become insolvent or bankrupt, or make an assignment for the benefit for creditors or consent to the appointment of a trustee or receiver; or a trustee or receiver shall be appointed for such party; or bankruptcy, reorganization or insolvency proceedings shall be instituted by or against Lessee or Lessor, and, if instituted against a party hereto, shall not be dismissed for a period of thirty (30) days. Interest shall accrue for any payment not made when due hereunder at ten and one-half (10.5%) percent per annum, beginning on the first day such payment is late.

15. **Remedies.** Upon the occurrence of any Event of Default, Lessor or Lessee may, at its option, and at any time thereafter, do one or more of the following:

A. Require the defaulting party, upon the written demand of the non-defaulting party and at non-defaulting party's expense, to terminate this Agreement, if such default shall continue unremedied for a period of ten (10) days after written notice thereof by Lessor or Lessee. If this Agreement is terminated because of a default, Lessee will promptly return the Aircraft to Lessor at the location, in the condition, and otherwise in accordance with all of the terms, specified in Section 9 of this Agreement.

B. Exercise any other right or remedy which may be available to it at law or in equity. In addition, the defaulting party shall reimburse the non-defaulting party upon demand for all legal fees, other costs and expenses incurred by reason of the occurrence of any Event of Default, or the exercise of the non-defaulting party's remedies with respect thereto, including all costs and expenses incurred in connection with the return of the Aircraft in accordance with the terms of Section 9 hereof or in placing such Aircraft in the condition required by Section 9. No remedy referred to in this Section 15 is intended to be exclusive, but each shall be cumulative in addition to any remedy referred to above or available to the non-defaulting party at law or in equity; and the exercise or beginning of exercise by the non-defaulting party of any one or more of such remedies shall not preclude the simultaneous or later exercise by the non-defaulting party of any or all such other remedies.

16. **Assignment.** Lessee shall not, without the prior written consent of Lessor (which may be withheld by Lessor in its absolute discretion) assign any of its rights hereunder or permit the Aircraft to be operated or used by, or in the possession of, any party other than Lessee, except that GCI may assign its contract rights hereunder for security purposes only to its lenders.
17. **Notices.** All notices, demands and requests contemplated by this Agreement shall be deemed to have been delivered and received if served personally, or sent by United States registered or certified mail, postage prepaid, return receipt requested, or by courier service, addressed to the addresses set forth below or such other addresses as either party may designate by notice to the other:

If to Lessor: 560 Company, Inc.
 Attention: Ronald Duncan, President
 2550 Denali Street, Suite 1000
 Anchorage, Alaska 99503

If to Lessee: GCI Communication Corp.
 Attention: Chief Financial Officer
 2550 Denali Street, Suite 1000
 Anchorage, Alaska 99503

Any such notice shall be deemed delivered and received upon such specified delivery at the time of attempted delivery shown on such return or courier receipt. Any notice hereunder shall also be sent to both of the following:

Wells Fargo Bank, N.A.

Commercial Banking Group
C/o Chris Clifford, Vice President
MAC K3212-023
301 West Northern Lights Boulevard
Anchorage, AK 99503

RBS Asset Finance, Inc.
71 South Wacker Drive
Chicago, Illinois 60606
Attn.: Portfolio Manager

18. **Attorneys' Fees.** In the event of any litigation or arbitration between the parties with respect to this Agreement, the prevailing party shall recover from the other party all costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party, all of which shall be included in and as a part of the judgment or award rendered in such litigation or arbitration. The term "prevailing party" shall mean the party which achieves substantially the relief sought, whether by judgment, order, settlement, or otherwise.
19. **Further Instruments.** Each party shall from time to time execute and deliver such further instruments as the other party may reasonably request to effectuate the intent of this Agreement.
20. **Execution and Counterparts.** This Agreement may be executed and delivered in counterparts and by each party hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original and all of which taken together shall constitute one and the same instrument.
21. **Non-Waiver of Rights and Breaches.** No failure or delay of either party in the exercise of any right given to such party by this Agreement shall constitute a waiver thereof, unless the time specified herein for the exercise of such right has expired, nor shall any single or partial exercise of any right preclude other or further exercise of that, or any other, right. The waiver by a party hereto of any default of the other party shall not be deemed to be a waiver of any subsequent default or other default of that party.
22. **Entire Agreement; Modification.** This Agreement, as amended and restated, constitutes the entire agreement between the parties pertaining to the subject matter hereof, and supersedes all prior agreements, understandings and representations of the parties with respect to the subject matter hereof. This Agreement may not be modified, amended or supplemented or otherwise changed except in writing, executed by each party. No such proposed amendment to this Agreement shall be executed prior to giving seven (7) days' written notice to all entities listed in Section 17 hereof.
23. **No Agency or Partnership.** Nothing in this Agreement shall be deemed to make either Lessor or Lessee an agent, partner or joint venturer of the other.
24. **Lessee Citizenship.** Lessee hereby represents and warrants to Lessor that Lessee is a citizen or permanent resident of the United States within the meaning of Title 14, Section 375.36 of the Code of Federal Regulations.
25. **Governing Law.** This Agreement shall be governed by and construed in accordance with the substantive law, but not the law regarding conflicts or choice of law, of the State of Alaska, with venue at Anchorage, Alaska.

26. **Counterpart Signatures.** This Agreement can be signed in multiple counterparts, the compilation of which shall be considered as one document.

27. **TRUTH IN LEASING** (See Federal Aviation Regulation (FAR) 91.23).

A. UPON INFORMATION AND BELIEF, FOR THE TWELVE (12) MONTHS PRECEDING THE DATE OF THIS AGREEMENT, THE AIRCRAFT LEASED HEREUNDER HAVE BEEN MAINTAINED AND INSPECTED IN ACCORDANCE WITH FEDERAL AVIATION REGULATION PART 91.1.

B. THE AIRCRAFT WILL BE MAINTAINED AND INSPECTED UNDER PART 91 FOR OPERATIONS UNDER THIS AGREEMENT, AND LESSEE CERTIFIES THAT IT IS RESPONSIBLE FOR THE AIRCRAFTS' STATUS OF COMPLIANCE WITH APPLICABLE MAINTENANCE AND INSPECTION REQUIREMENTS AS SET FORTH UNDER THE REQUIRED FAA REGULATIONS APPLICABLE TO OPERATOR'S USE AND OPERATION OF THE AIRCRAFT. IN ADDITION, LESSEE AGREES TO PROVIDE LESSOR WITH WRITTEN INSPECTION REPORTS FOR INSPECTIONS ACCOMPLISHED UNDER SAID PROGRAM.

C. EXCEPT AS PROVIDED IN SECTION 4(F), LESSEE IS SOLELY RESPONSIBLE FOR OPERATIONAL CONTROL OF THE AIRCRAFT, AND CERTIFIES THAT IT WILL COMPLY WITH ALL REGULATIONS ISSUED DURING THE TERM OF THIS AGREEMENT. LESSEE IS HEREBY ADVISED THAT AN EXPLANATION OF FACTORS BEARING ON OPERATIONAL CONTROL AND PERTINENT FAA REGULATIONS CAN BE OBTAINED FROM THE NEAREST FAA FLIGHT STANDARDS DISTRICT OFFICE, GENERAL AVIATION DISTRICT OFFICE, OR AIR CARRIER DISTRICT OFFICE.

D. LESSEE AGREES TO KEEP A COPY OF THIS AGREEMENT IN EACH AIRCRAFT AT ALL TIMES DURING THE TERM OF THIS AGREEMENT.

E. The Instructions For Compliance with Truth-In-Leasing Requirements are attached as Schedule 1 hereto and incorporated herein by reference.

In witness whereof, Lessor and Lessee have caused this Agreement to be duly executed by their respective officers as of the Effective Date.

560 Company, Inc.

By: /s/ Ronald A. Duncan
Ronald A. Duncan, President

GCI Communication Corp.

By: /s/ John M. Lowber
John M. Lowber
Chief Financial Officer,
Senior Vice President,
Secretary & Treasurer

SCHEDULE 1

**INSTRUCTIONS FOR COMPLIANCE WITH
"TRUTH IN LEASING" REQUIREMENTS**

1. Mail a copy of the Agreement to the following address via certified mail, return receipt requested immediately upon the execution of the Agreement: (14 C.F.R. 91.23 requires that the copy be sent within twenty-four hours after it is signed.)

Federal Aviation Administration
Aircraft Registration Branch
ATTN: Technical Section
P.O. Box 25724
Oklahoma City, Oklahoma 73125

2. Telephone or fax the nearest Flight Standards District Office at least forty-eight hours prior to the first flight under this Agreement.
 3. Carry a copy of the Agreement in the aircraft at all times.
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SECTION 302 CERTIFICATION

I, Ronald A. Duncan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of General Communication, Inc. for the period ended June 30, 2011;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
 5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
-

SECTION 302 CERTIFICATION

- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2011

/s/ Ronald A. Duncan
Ronald A. Duncan
President and Director

SECTION 302 CERTIFICATION

I, John M. Lowber, certify that:

1. I have reviewed this quarterly report on Form 10-Q of General Communication, Inc. for the period ended June 30, 2011;
 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: August 8, 2011

/s/ John M. Lowber

John M. Lowber

Senior Vice President, Chief Financial Officer, Secretary and Treasurer

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

In connection with the Quarterly Report of General Communication, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ronald A. Duncan, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: August 8, 2011

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

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

In connection with the Quarterly Report of General Communication, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John M. Lowber, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: August 8, 2011

/s/ John M. Lowber

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