

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 March 31, 2012

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) 265-5600**

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 April 30, 2012, was:

38,454,920 shares of Class A common stock; and
3,170,522 shares of Class B common stock.

GENERAL COMMUNICATION, INC.
FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2012

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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, 2011 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 I. FINANCIAL STATEMENTS

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

(Amounts in thousands)

| ASSETS | March 31, 2012 | December 31, 2011 |
|--|-------------------|----------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 30,018 | 29,387 |
| Receivables | 150,934 | 141,827 |
| Less allowance for doubtful receivables | 5,011 | 5,796 |
| Net receivables | 145,923 | 136,031 |
| Deferred income taxes | 15,555 | 15,555 |
| Prepaid expenses | 9,419 | 7,899 |
| Inventories | 9,507 | 7,522 |
| Other current assets | 3,527 | 3,631 |
| Total current assets | 213,949 | 200,025 |
| Property and equipment in service, net of depreciation | 835,832 | 849,121 |
| Construction in progress | 51,736 | 42,918 |
| Net property and equipment | 887,568 | 892,039 |
| Cable certificates | 191,635 | 191,635 |
| Goodwill | 74,883 | 74,883 |
| Wireless licenses | 25,967 | 25,967 |
| Restricted cash | 14,804 | 15,910 |
| Other intangible assets, net of amortization | 15,612 | 15,835 |
| Deferred loan and senior notes costs, net of amortization of \$3,353 and \$2,880 at March 31, 2012 and December 31, 2011, respectively | 12,262 | 12,812 |
| Other assets | 16,104 | 17,214 |
| Total other assets | 351,267 | 354,256 |
| Total assets | \$ 1,452,784 | 1,446,320 |

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 | March 31, 2012 | December 31, 2011 |
|---|---------------------|----------------------|
| Current liabilities: | | |
| Current maturities of obligations under long-term debt and capital leases | \$ 9,507 | 8,797 |
| Accounts payable | 37,067 | 41,353 |
| Deferred revenue | 23,181 | 22,003 |
| Accrued payroll and payroll related obligations | 20,285 | 22,126 |
| Accrued interest | 21,366 | 6,680 |
| Accrued liabilities | 14,032 | 11,423 |
| Subscriber deposits | 1,206 | 1,250 |
| Total current liabilities | 126,644 | 113,632 |
| Long-term debt, net | 859,617 | 858,031 |
| Obligations under capital leases, excluding current maturities | 77,286 | 78,605 |
| Obligation under capital lease due to related party, excluding current maturity | 1,893 | 1,893 |
| Deferred income taxes | 115,383 | 114,234 |
| Long-term deferred revenue | 81,541 | 81,822 |
| Other liabilities | 23,800 | 24,456 |
| Total liabilities | 1,286,164 | 1,272,673 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Common stock (no par): | | |
| Class A. Authorized 100,000 shares; issued 38,648 and 39,296 shares at March 31, 2012 and December 31, 2011, respectively; outstanding 38,455 and 39,043 shares at March 31, 2012 and December 31, 2011, respectively | 25,680 | 26,179 |
| Class B. Authorized 10,000 shares; issued and outstanding 3,171 shares each at March 31, 2012 and December 31, 2011; convertible on a share-per-share basis into Class A common stock | 2,678 | 2,679 |
| Less cost of 193 and 253 Class A common shares held in treasury at March 31, 2012 and December 31, 2011, respectively | (1,706) | (2,225) |
| Paid-in capital | 24,497 | 32,795 |
| Retained earnings | 99,340 | 97,911 |
| Total General Communication, Inc. stockholders' equity | 150,489 | 157,339 |
| Non-controlling interest | 16,131 | 16,308 |
| Total stockholders' equity | 166,620 | 173,647 |
| Total liabilities and stockholders' equity | \$ 1,452,784 | 1,446,320 |

See accompanying condensed notes to interim consolidated financial statements.

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS

(Unaudited)

| | Three Months Ended March 31, | |
|--|---------------------------------|---------------|
| | 2012 | 2011 |
| (Amounts in thousands, except per share amounts) | | |
| Revenues | \$ 171,907 | 164,777 |
| Cost of goods sold (exclusive of depreciation and amortization shown separately below) | 56,860 | 53,756 |
| Selling, general and administrative expenses | 62,982 | 58,893 |
| Depreciation and amortization expense | 32,380 | 31,866 |
| Operating income | 19,685 | 20,262 |
| Other income (expense): | | |
| Interest expense (including amortization of deferred loan fees) | (17,155) | (17,452) |
| Interest income | 2 | 4 |
| Other | (131) | (24) |
| Other expense, net | (17,284) | (17,472) |
| Income before income tax expense | 2,401 | 2,790 |
| Income tax expense | 1,149 | 1,391 |
| Net income | 1,252 | 1,399 |

| | | | |
|---|----|--------------|--------------|
| Net loss attributable to non-controlling interest | | 177 | - |
| Net income attributable to General Communication, Inc. | \$ | <u>1,429</u> | <u>1,399</u> |
| Basic net income attributable to General Communication, Inc. common stockholders per Class A common share | \$ | <u>0.03</u> | <u>0.03</u> |
| Basic net income attributable to General Communication, Inc. common stockholders per Class B common share | \$ | <u>0.03</u> | <u>0.03</u> |
| Diluted net income attributable to General Communication, Inc. common stockholders per Class A common share | \$ | <u>0.03</u> | <u>0.02</u> |
| Diluted net income attributable to General Communication, Inc. common stockholders per Class B common share | \$ | <u>0.03</u> | <u>0.02</u> |

See accompanying condensed notes to interim consolidated financial statements.

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
THREE MONTHS ENDED MARCH 31, 2012 AND 2011

| (Amounts in thousands) | | Class A Common Stock | Class B Common Stock | Class A and B Shares Held in Treasury | Paid-in Capital | Retained Earnings | Non- controlling Interest | Total Stockholders' Equity |
|---|----|----------------------------|----------------------------|---|--------------------|----------------------|---------------------------------|----------------------------------|
| Balances at January 1, 2011 | \$ | 69,396 | 2,677 | (2,249) | 37,075 | 92,200 | - | 199,099 |
| Net income | | - | - | - | - | 1,399 | - | 1,399 |
| Common stock repurchases and retirements | | (7,259) | - | - | - | - | - | (7,259) |
| Shares issued under stock option plan | | 163 | - | - | - | - | - | 163 |
| Share-based compensation expense | | - | - | - | 1,544 | - | - | 1,544 |
| Other | | (7) | 7 | - | - | - | - | - |
| Balances at March 31, 2011 | \$ | <u>62,293</u> | <u>2,684</u> | <u>(2,249)</u> | <u>38,619</u> | <u>93,599</u> | <u>-</u> | <u>194,946</u> |
| Balances at January 1, 2012 | \$ | 26,179 | 2,679 | (2,225) | 32,795 | 97,911 | 16,308 | 173,647 |
| Net income | | - | - | - | - | 1,429 | (177) | 1,252 |
| Common stock repurchases and retirements | | (12,118) | - | - | - | - | - | (12,118) |
| Shares issued under stock option plan | | 1,352 | - | - | - | - | - | 1,352 |
| Issuance of restricted stock awards | | 10,266 | - | - | (10,266) | - | - | - |
| Share-based compensation expense | | - | - | - | 1,899 | - | - | 1,899 |
| Issuance of treasury shares related to deferred compensation payout | | - | - | 511 | 69 | - | - | 580 |
| Other | | 1 | (1) | 8 | - | - | - | 8 |
| Balances at March 31, 2012 | \$ | <u>25,680</u> | <u>2,678</u> | <u>(1,706)</u> | <u>24,497</u> | <u>99,340</u> | <u>16,131</u> | <u>166,620</u> |

See accompanying condensed notes to interim consolidated financial statements.

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2012 AND 2011
(Unaudited)

(Amounts in thousands)

| | 2012 | 2011 |
|---|-----------|----------|
| Cash flows from operating activities: | | |
| Net income | \$ 1,252 | 1,399 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization expense | 32,380 | 31,866 |
| Deferred income tax expense | 1,149 | 1,391 |
| Share-based compensation expense | 1,730 | 1,170 |
| Other noncash income and expense items | 1,534 | 2,151 |
| Change in operating assets and liabilities | (3,902) | (9,980) |
| Net cash provided by operating activities | 34,143 | 27,997 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (23,591) | (28,824) |
| Restricted cash | 1,106 | - |
| Purchases of other assets and intangible assets | (1,125) | (1,923) |
| Net cash used in investing activities | (23,610) | (30,747) |
| Cash flows from financing activities: | | |
| Purchase of treasury stock to be retired | (12,118) | (7,259) |
| Borrowing of other long-term debt | 2,729 | - |
| Repayment of debt and capital lease obligations | (1,942) | (6,971) |
| Borrowing on Senior Credit Facility | - | 13,000 |
| Proceeds from stock options | 1,352 | - |
| Other | 77 | 163 |
| Net cash used in financing activities | (9,902) | (1,067) |
| Net increase (decrease) in cash and cash equivalents | 631 | (3,817) |
| Cash and cash equivalents at beginning of period | 29,387 | 33,070 |
| Cash and cash equivalents at end of period | \$ 30,018 | 29,253 |

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, 2011, filed with the SEC on March 9, 2012, 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 primarily in Alaska:

- Postpaid and prepaid wireless telephone services and sale of wireless telephone handsets and accessories,
- Video services throughout Alaska,
- Internet access services,
- Wireless roaming for certain wireless carriers and origination and termination of wireline traffic in Alaska for certain common carriers,
- Competitive and incumbent local access services throughout Alaska,
- Long-distance telephone service,
- Data network services,
- 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, as well as a variable interest entity ("VIE") in which we were the primary beneficiary, when on August 30, 2011, we provided certain loans and guarantees to Terra GCI Investment Fund, LLC ("TIF"). We also include in our consolidated financial statements non-controlling interests in consolidated subsidiaries for which our ownership is less than 100 percent. All significant intercompany transactions between non-regulated affiliates of our company are eliminated. Intercompany transactions generated between regulated and non-regulated affiliates of our company are not eliminated in consolidation.

(c) Non-controlling Interest

Non-controlling interests represent the equity ownership interests in consolidated subsidiaries not owned by us. Non-controlling interest is adjusted for contributions, distributions, and earnings (loss) attributable to the non-controlling interest partners of the consolidated entities. Income and loss is allocated to the non-controlling interest based on the respective partnership agreements.

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

(d) Recently Adopted Accounting Pronouncements

Accounting Standards Update (“ASU”) 2011-08, “Intangibles – Goodwill and Other (Topic 350)” allows an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. Under these amendments, an entity would not be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The amendments include a number of events and circumstances for an entity to consider in conducting the qualitative assessment. The adoption of ASU 2011-08 on January 1, 2012 did not have a material impact on our income statements, financial position or cash flows.

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”)” amended 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. The adoption of ASU 2011-04 on January 1, 2012 did not have a material impact on our income statements, financial position or cash flows.

(e) Regulatory Accounting

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

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

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

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

| | Three Months Ended March 31, | | | |
|---|------------------------------|--------------|----------------|--------------|
| | 2012 | | 2011 | |
| | Class A | Class B | Class A | Class B |
| Basic net income per share: | | | | |
| Numerator: | | | | |
| Allocation of undistributed earnings | \$ 1,321 | 108 | \$ 1,305 | 94 |
| Denominator: | | | | |
| Weighted average common shares outstanding | 38,741 | 3,171 | 43,979 | 3,178 |
| Basic net income attributable to GCI common stockholders per common share | <u>\$ 0.03</u> | <u>0.03</u> | <u>\$ 0.03</u> | <u>0.03</u> |
| Diluted net income per share: | | | | |
| Numerator: | | | | |
| Allocation of undistributed earnings for basic computation | \$ 1,321 | 108 | \$ 1,305 | 94 |
| Reallocation of undistributed earnings as a result of conversion of Class B to Class A shares | 108 | - | 94 | - |
| Effect of share based compensation that may be settled in cash or shares | (100) | - | (220) | - |
| Reallocation of undistributed earnings as a result of conversion of Class B to Class A shares outstanding | - | (9) | - | (16) |
| Net income adjusted for allocation of undistributed earnings and effect of share based compensation that may be settled in cash or shares | \$ 1,329 | 99 | \$ 1,179 | 78 |
| Denominator: | | | | |
| Number of shares used in basic computation | 38,741 | 3,171 | 43,979 | 3,178 |
| Conversion of Class B to Class A common shares outstanding | 3,171 | - | 3,178 | - |
| Unexercised stock options | 272 | - | 373 | - |
| Effect of share based compensation that may be settled in cash or shares | 158 | - | 217 | - |
| Number of shares used in per share computations | <u>42,342</u> | <u>3,171</u> | <u>47,747</u> | <u>3,178</u> |
| Diluted net income attributable to GCI common stockholders per common share | <u>\$ 0.03</u> | <u>0.03</u> | <u>\$ 0.02</u> | <u>0.02</u> |

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

Weighted average shares associated with outstanding share awards for the three months ended March 31, 2012 and 2011, 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):

| | 2012 | 2011 |
|--|------|------|
| Shares associated with anti-dilutive unexercised stock options | 36 | 14 |

Additionally, 8,000 and 50,000 weighted average shares associated with contingent awards for the three months ended March 31, 2012 and 2011, respectively, were excluded from the computation of diluted EPS because the contingencies of these awards have not been met at March 31, 2012 and 2011, respectively.

(g) Common Stock

Following are the changes in issued common stock for the three months ended March 31, 2012 and 2011 (shares, in thousands):

| | Class A | Class B |
|--|---------|---------|
| Balances at December 31, 2010 | 44,213 | 3,178 |
| Class B shares converted to Class A | 1 | (1) |
| Shares issued upon stock option exercises | 18 | - |
| Share awards issued | 348 | - |
| Shares retired | (647) | - |
| Other | (23) | - |
| Balances at March 31, 2011 | 43,910 | 3,177 |
| Balances at December 31, 2011 | 39,296 | 3,171 |
| Shares issued upon stock option exercises | 187 | - |
| Share awards issued | 316 | - |
| Shares retired | (862) | - |
| Shares acquired to settle minimum statutory tax withholding requirements | (289) | - |
| Balances at March 31, 2012 | 38,648 | 3,171 |

We retired 289,000 shares of our Class A common stock during the three months ended March 31, 2012, which were acquired to settle the minimum statutory tax withholding requirements pursuant to restricted stock award vesting and the settlement of deferred compensation.

GCI's Board of Directors has authorized a common stock buyback program for the repurchase of GCI's Class A and Class B common stock in order to reduce the outstanding shares of Class A and Class B common stock. 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. The cost of the repurchased common stock reduced Common Stock on our Consolidated Balance Sheets.

During the three months ended March 31, 2012 and 2011, we repurchased 862,000 and 621,000 shares, respectively, of our Class A common stock under the stock buyback program at a cost of \$9.0 million and \$7.0 million, respectively. The amount available under the stock buyback program is \$88.9 million at March 31, 2012. The repurchased stock was constructively retired as of March 31, 2012.

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

We expect to continue the repurchases for an indefinite period dependent on leverage, liquidity, company performance, market conditions and subject to continued oversight by GCI's Board of Directors. The open market repurchases have complied and will continue to comply with the restrictions of Rule 10b-18 under the Securities Exchange Act of 1934, as amended.

(h) Revenue Recognition

As an Eligible Telecommunications Carrier ("ETC"), we receive support from the Universal Service Fund ("USF") to support the provision of wireline local access and wireline service in high cost areas. On November 29, 2011, the FCC published a final rule to reform the methodology for distributing USF high cost support for voice and broadband services, as well as to the access charge regime for terminating traffic between carriers ("High Cost Order"). The High Cost Order defined the division of support to Alaska between Urban and Remote areas. The High Cost Order was a significant program change that required a reassessment of our high cost support revenue recognition.

Prior to the High Cost Order program changes we accrued Remote and Urban estimated program revenue quarterly based on current line counts, the most current rates paid to our assessment of the impact of current FCC regulations, and our assessment of the potential outcome of FCC proceedings. Our estimated accrued revenue is subject to our judgment regarding the outcome of many variables and is subject to upward or downward adjustments in subsequent periods. Our ability to collect our accrued USF support is contingent upon continuation of the USF program and upon our eligibility to participate in that program, which is subject to change by future regulatory, legislative or judicial actions. We adjust revenue and the account receivable in the period the FCC makes a program change or we assess the likelihood that such a change has increased or decreased revenue.

Remote High Cost Support

The High Cost Order mandated that as of January 1, 2012, Remote high cost support is based upon the total 2011 support disbursed to all subject Competitive Eligible Telecommunications Carrier ("CETCs") ("Statewide Support Cap"). On January 1, 2012, the rates paid in the Remote areas were mandated and frozen by the USF and cannot exceed \$250 per line per month on a study area basis. Line count growth that causes the Statewide Support Cap to be exceeded triggers a pro rata support payment reduction on all subject Alaska CETCs until the support is reduced down to the Statewide Support Cap amount.

The High Cost Order further mandated that on January 1, 2014, a freeze of Remote support will begin and subject CETC's support payments will be frozen at the monthly average of 2013 annual support. If a successor funding mechanism is operational on July 1, 2014, a 20% annual phase down will commence decreasing support 20% each annual period until no support is paid starting July 1, 2018. If a successor funding mechanism is not operational on July 1, 2014, the phase down will not begin and the subject CETCs will continue to receive the monthly average of 2013 annual support until a successor funding mechanism is operational. A subject CETC may not receive phase down support and support from a successor funding mechanism; one program or the other must be selected. At this time we cannot predict the likelihood of a successor funding mechanism being operational on July 1, 2014 nor can we predict whether we can or will participate in a successor funding mechanism.

As a result of the High Cost Order program changes for the areas designated Remote by the USF, beginning in the fourth quarter of 2011 we accrue estimated program revenue based on current line counts and the rates mandated and frozen by the USF, reduced as needed by our estimate of the impact of the Statewide Support Cap. The Statewide Support Cap is the amount of total high cost support all CETCs in the Remote areas of Alaska may receive. When determining the estimated program revenue accrual we also consider our assessment of the impact of current FCC regulations and of the potential outcome of FCC proceedings. Our estimated accrued revenue is subject to our judgment regarding the outcome of many variables and is subject to upward or downward adjustment in subsequent periods.

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Urban High Cost Support

The High Cost Order mandated that as of January 1, 2012, Urban high cost support payments are frozen at the monthly average of the subject CETC's 2011 annual support. A 20% annual phase down will commence July 1, 2012, decreasing support 20% each annual period until no support is paid starting July 1, 2016. If a successor funding mechanism is not operational on July 1, 2014, the phase down will stop at 60% and the subject CETCs will continue to receive annual support payments at the 60% level until a successor funding mechanism is operational. Urban high cost support is no longer dependent upon line counts and line count filings are no longer required.

As a result of the High Cost Order program changes for the areas considered to be Urban by the USF we apply the proportional performance revenue recognition method to account for the impact of the declining payments while our level of service provided and associated costs remain constant. Included in the calculation are the scheduled Urban high cost support payments from October 2011 through June 2014 net of our Urban accounts receivable balance at September 30, 2011. An equal amount of this result is recognized as Urban support revenue each period. At this time we cannot predict the likelihood of a successor funding mechanism being operational on July 1, 2014; therefore we have not included projected support payments beyond June 2014.

For both Remote and Urban high cost support revenue our ability to collect our accrued USF support is contingent upon continuation of the USF program and upon our eligibility to participate in that program, which is subject to change by future regulatory, legislative or judicial actions. We adjust revenue and the account receivable in the period the FCC makes a program change or we assess the likelihood that such a change has increased or decreased revenue. We do not recognize revenue until our ETC status has been approved by the Regulatory Commission of Alaska.

We recorded high cost support revenue under the USF program of \$11.5 million and \$12.8 million for the three months ended March 31, 2012 and 2011, respectively. At March 31, 2012, we have \$31.8 million and \$7.0 million in Remote and Urban high cost accounts receivable, respectively.

(i) 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 USF high cost Remote area program support, share-based compensation, inventory at lower of cost or market, 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, deferred lease expense, asset retirement obligations, the accrual of Cost of Goods Sold, depreciation and the accrual of contingencies and litigation. Actual results could differ from those estimates.

The accounting estimates related to revenues from the USF high cost Remote area program are dependent on various inputs including our estimate of the Statewide Support Cap, our assessment of the impact of new FCC regulations, and the potential outcome of FCC proceedings. These 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 fourth quarter of 2011, we changed our high cost support revenue recognition methodology due to the High Cost Order. See Note 1(t) "Revenue Recognition," included in Item 8 "Consolidated Financial Statements and Supplementary Data" in our December 31, 2011 annual report Form 10-K for information.

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(j) 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 Statements. We report a certain surcharge on a gross basis in our Consolidated Income Statements of \$1.5 million and \$1.4 million for the three months ended March 31, 2012 and 2011, respectively.

(k) Immaterial Error Correction

During the three months ended March 31, 2012, we identified an error in the depreciable life of one fixed asset. The error resulted in a \$146,000 quarterly or \$585,000 annual understatement of depreciation expense in 2007 through 2010 and a corresponding overstatement of net property and equipment in service for the same periods. In the first and second quarters of 2011 the error resulted in a \$146,000 quarterly understatement of depreciation expense and a corresponding overstatement of net property and equipment in service for the same periods. In the third and fourth quarters of 2011 the error resulted in a \$49,000 quarterly overstatement of depreciation expense and a corresponding understatement of net property and equipment in service for the same periods. The net annual misstatement to 2011 was a \$195,000 understatement to depreciation expense and a corresponding overstatement of net property and equipment in service for the same period. In order to assess materiality of this error we considered Staff Accounting Bulletin ("SAB") 99, "Materiality" and SAB 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements," and determined that the impact of this error on prior period consolidated financial statements was immaterial. Although the error was and continues to be immaterial to prior periods, because of the significance of the out-of-period correction in the first quarter of 2012, we revised our prior period financial statements. The impact of the immaterial error correction adjustment for the period presented are as follows (amounts in thousands, except per share amounts):

| Consolidated Balance Sheet as of | As Previously Reported | Adjustment | As Revised |
|--|---------------------------|------------|------------|
| December 31, 2011: | | | |
| Property and equipment in service, net of depreciation | \$ 851,705 | (2,584) | 849,121 |
| Net property and equipment | 894,623 | (2,584) | 892,039 |
| Total assets | 1,448,904 | (2,584) | 1,446,320 |
| Deferred income taxes | 115,296 | (1,062) | 114,234 |
| Total liabilities | 1,273,735 | (1,062) | 1,272,673 |
| Retained earnings | 99,433 | (1,522) | 97,911 |
| Total GCI stockholders' equity | 158,861 | (1,522) | 157,339 |
| Total stockholders' equity | 175,169 | (1,522) | 173,647 |
| Total liabilities and stockholders' equity | 1,448,904 | (2,584) | 1,446,320 |
| Consolidated Income Statement for the Three Months Ended March 31, 2011: | | | |
| Depreciation and amortization expense | 31,720 | 146 | 31,866 |
| Operating income | 20,408 | (146) | 20,262 |
| Income before income tax expense or benefit | 2,936 | (146) | 2,790 |
| Income tax expense | 1,451 | (60) | 1,391 |
| Net income | 1,485 | (86) | 1,399 |
| Diluted net income attributable to General Communication, Inc. common stockholders per Class A common share | 0.03 | (0.01) | 0.02 |
| Diluted net income attributable to General Communication, Inc. common stockholders per Class B common share | 0.03 | (0.01) | 0.02 |
| Consolidated Statement of Stockholders' Equity for the Three Months Ended March 31, 2011: | | | |
| Retained earnings, balance at January 1, 2011 | \$ 93,607 | (1,407) | 92,200 |
| Net income | 1,485 | (86) | 1,399 |
| Retained earnings, balance at March 31, 2011 | 95,092 | (1,493) | 93,599 |
| Total stockholders' equity, balance at January 1, 2011 | 200,506 | (1,407) | 199,099 |
| Total stockholders' equity, balance at March 31, 2011 | 196,439 | (1,493) | 194,946 |
| Consolidated Statement of Cash Flows for the Three Months Ended March 31, 2011: | | | |
| Net income | 1,485 | (86) | 1,399 |
| Depreciation and amortization expense | 31,720 | 146 | 31,866 |
| Deferred income tax expense (benefit) | 1,451 | (60) | 1,391 |

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(2) Consolidated Statements of Cash Flows Supplemental Disclosures

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

| Three Months Ended March 31, | 2012 | 2011 |
|---|-------------------|----------------|
| Increase in accounts receivable, net | \$ (10,619) | (7,388) |
| Increase in prepaid expenses | (1,520) | (1,911) |
| Increase in inventories | (1,985) | (992) |
| Decrease in other current assets | 104 | 59 |
| Decrease in other assets | 1,152 | 582 |
| Increase (decrease) in accounts payable | (6,813) | 772 |
| Increase in deferred revenues | 1,178 | 244 |
| Decrease in accrued payroll and payroll related obligations | (2,048) | (2,353) |
| Increase (decrease) in accrued liabilities | 3,120 | (99) |
| Increase in accrued interest | 14,686 | 3,551 |
| Decrease in subscriber deposits | (44) | (53) |
| Decrease in long-term deferred revenue | (281) | (359) |
| Decrease in components of other long-term liabilities | (832) | (2,033) |
| | <u>\$ (3,902)</u> | <u>(9,980)</u> |

The following items are for the three months ended March 31, 2012 and 2011 (amounts in thousands):

| Net cash paid or received: | 2012 | 2011 |
|---|----------|--------|
| Interest paid, net of amounts capitalized | \$ 2,086 | 13,664 |

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The following items are non-cash investing and financing activities for the three months ended March 31, 2012 and 2011 (amounts in thousands):

| | 2012 | 2011 |
|--|----------|-------|
| Non-cash additions for purchases of property and equipment | \$ 2,868 | 6,872 |
| Asset retirement obligation additions to property and equipment | \$ 92 | 116 |
| Asset retirement obligation reductions to property and equipment for revisions to previous estimates | \$ - | 294 |
| Deferred compensation distribution denominated in shares | \$ 511 | - |

(3) Intangible Assets

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

| | Three Months Ended March 31, | |
|----------------------|------------------------------|-------|
| | 2012 | 2011 |
| Amortization expense | \$ 1,300 | 1,572 |

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, | |
|---------------------------|----------|
| 2012 | \$ 4,777 |
| 2013 | 3,806 |
| 2014 | 2,948 |
| 2015 | 2,101 |
| 2016 | 769 |

(4) 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 March 31, 2012 and 2011, 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 approximate fair values of our financial instruments at March 31, 2012 and December 31, 2011 follow (amounts in thousands):

| | March 31, 2012 | | December 31, 2011 | |
|--|-------------------|------------|----------------------|------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Current and long-term debt and capital lease obligations | \$ 948,303 | 982,805 | 947,326 | 942,895 |
| Other liabilities | 104,985 | 104,167 | 106,002 | 105,173 |

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

Current and long-term debt and capital lease obligations: The fair values of the \$325.0 million in aggregate principal amount of 6.75% Senior Notes due 2021 ("2021 Notes") issued by GCI, Inc., our wholly owned subsidiary, the \$425.0 million in aggregate principal amount of 8.63% Senior Notes due 2019 ("2019 Notes") issued by GCI, Inc., Rural Utilities Service 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 \$50.0 million term loan and \$75.0 million revolving 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 March 31, 2012 and December 31, 2011 are as follows (amounts in thousands):

| | Fair Value Measurement at Reporting Date Using | | |
|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| March 31, 2012 Assets | | | |
| Deferred compensation plan assets (mutual funds) | 1,708 | - | - |
| Total assets at fair value | \$ 1,708 | - | - |
| December 31, 2011 Assets | | | |
| Deferred compensation plan assets (mutual funds) | 1,600 | - | - |
| Total assets at fair value | \$ 1,600 | - | - |

The valuation of our mutual funds is determined using quoted market prices in active markets utilizing market observable inputs.

(5) Stockholders' Equity

Shared-Based Compensation

Our Amended and Restated 1986 Stock Option Plan ("Stock Option Plan"), provides for the grant of options and restricted stock awards (collectively "award") for a maximum of 15.7 million shares of GCI Class A common stock, subject to adjustment upon the occurrence of stock dividends, stock splits, mergers, consolidations or certain other changes in corporate structure or capitalization. If an award expires or terminates, the shares subject to the award will be available for further grants of awards under the Stock Option Plan. The Compensation Committee of GCI's Board of Directors administers the Stock Option Plan. Substantially all restricted stock awards granted vest over periods of up to three years. Substantially all options vest in equal installments over a period of five years and expire ten years from the date of grant. The requisite service period of our awards is generally the same as the vesting period. Options granted pursuant to the Stock Option Plan are only exercisable if at the time of exercise the option holder is our employee, non-employee director, or a consultant or advisor working on our behalf. New shares are issued when stock option agreements are exercised or restricted stock awards are granted. We have 4.0 million shares available for grant under the Stock Option Plan at March 31, 2012.

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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.

We estimated the expected term of options granted by evaluating the vesting period of stock options, employee's past exercise and post-vesting employment departure behavior, and expected volatility of the price of the underlying shares.

We estimated the expected volatility of our common stock at the grant date using the historical volatility of our common stock over the most recent period equal to the expected stock option term and evaluated the extent to which available information indicated that future volatility may differ from historical volatility.

The risk-free interest rate assumption was determined using the Federal Reserve nominal rates for U.S. Treasury zero-coupon bonds with maturities similar to those of the expected term of the award being valued. We have never paid any cash dividends on our common stock and we do not anticipate paying any cash dividends in the foreseeable future. Therefore, we assumed an expected dividend yield of zero.

We estimate pre-vesting option forfeitures at the time of grant and periodically revise those estimates in subsequent periods if actual forfeitures differ from those estimates. We record share-based compensation expense only for those awards expected to vest using an estimated forfeiture rate based on our historical pre-vesting forfeiture data. We review our forfeiture estimates annually and adjust our share-based compensation expense in the period our estimate changes.

A summary of option activity under the Stock Option Plan as of March 31, 2012 is presented below (share amounts in thousands):

| | Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term | Aggregate Intrinsic Value (in thousands) |
|--------------------------------|------------|--|---|---|
| Outstanding at January 1, 2012 | 1,087 | \$ 7.29 | | |
| Exercised | (187) | \$ 7.29 | | |
| Expired | (1) | \$ 7.52 | | |
| Outstanding at March 31, 2012 | <u>899</u> | <u>\$ 7.27</u> | <u>3.98 years</u> | <u>\$ 1,473</u> |
| Exercisable at March 31, 2012 | <u>820</u> | <u>\$ 7.31</u> | <u>3.67 years</u> | <u>\$ 1,312</u> |

There were no options granted during the three months ended March 31, 2012 and 2011. The total fair value of options vested during the three months ended March 31, 2012 and 2011, was \$474,000 and \$40,000, respectively. The total intrinsic values, determined as of the date of exercise, of options exercised in the three months ended March 31, 2012 and 2011, were \$768,000 and \$52,000, respectively. We received \$1.4 million and \$163,000 in cash from stock option exercises in the three months ended March 31, 2012 and 2011, respectively.

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A summary of nonvested restricted stock award activity under the Stock Option Plan for the three months ended March 31, 2012, follows (share amounts in thousands):

| | Shares | Weighted Average Grant Date Fair Value |
|------------------------------|------------|---|
| Nonvested at January 1, 2012 | 1,556 | \$ 6.89 |
| Granted | 316 | \$ 11.20 |
| Vested | (937) | \$ 4.79 |
| Forfeited | (1) | \$ 7.41 |
| Nonvested at March 31, 2012 | <u>934</u> | <u>\$ 10.45</u> |

The following is a summary of our share-based compensation expense for the three months ended March 31, 2012 and 2011 (amounts in thousands):

| | 2012 | 2011 |
|---|-----------------|--------------|
| Employee share-based compensation expense | \$ 1,900 | 1,544 |
| Adjustment to fair value of liability classified awards | (170) | (374) |
| Total share-based compensation expense | <u>\$ 1,730</u> | <u>1,170</u> |

Share-based compensation expense is classified as Selling, General and Administrative Expense in our Consolidated Income Statement. Unrecognized share-based compensation expense was \$6.8 million relating to 934,000 restricted stock awards and \$209,000 relating to 78,000 unvested stock options as of March 31, 2012. We expect to recognize share-based compensation expense over a weighted average period of 2.0 years for stock options and 2.2 years for restricted stock awards.

On August 6, 2009, we filed a Tender Offer Statement on Schedule TO ("Exchange Offer") with the SEC. The Exchange Offer was an offer by us to eligible officers, employees and stakeholders, other than officers of GCI who also serve on GCI's Board of Directors ("Participants") to exchange, on a grant-by-grant basis, their outstanding eligible stock options that were granted under our Stock Option Plan, whether vested or unvested, for shares of restricted stock of GCI Class A common stock that we granted under the Stock Option Plan ("Restricted Stock"). Generally, eligible options included all options issued pursuant to the Stock Option Plan between January 1, 1999, and February 15, 2009, excluding any options that vest based on earnings before depreciation and amortization, net interest expense, income taxes, share-based compensation expense, accretion expense, loss attributable to non-controlling interest, and non-cash contribution adjustment ("Adjusted EBITDA") performance ("Eligible Options"). We accepted for cancellation, Eligible Options to purchase 5,241,700 shares of GCI Class A common stock from 166 Participants, representing approximately 86% of the options eligible for exchange in the offer with a fair value of \$6.2 million as of the date of the exchange. We issued 1,908,890 shares of Restricted Stock to Participants, with a fair value of \$7.1 million as of the date of the exchange, in each case, in accordance with the terms of the Exchange Offer.

In accordance with the terms of the Restricted Stock agreement, one-half of the Restricted Stock received in exchange for eligible options vested on December 20, 2011, and the remainder vested on February 28, 2012. The number of shares of Restricted Stock that were offered in exchange for each eligible option was equal to the lesser of (i) a number of shares of Restricted Stock having a fair value equal to 100% of the fair value of the eligible options exchanged for shares of Restricted Stock, or (ii) a number of shares of Restricted Stock equal to 40% of the number of shares issuable pursuant to the eligible options surrendered.

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The exchange of stock options for Restricted Stock was treated as a modification of the stock options. The remaining unamortized stock compensation expense related to the original options was amortized over the vesting period of the Restricted Stock. The compensation expense for the incremental difference between the fair value of the Restricted Stock and the fair value of the original options on the date of modification, reflecting the current facts and circumstances on the modification date, was amortized over the vesting period of the Restricted Stock. The incremental share-based compensation expense related to the modification, net of estimated forfeitures, was \$940,000, of which \$62,000, \$378,000, \$378,000 and \$122,000 was expensed in the three months ended March 31, 2012, and in the years ended December 31, 2011, 2010 and 2009, respectively. We used a lattice model to value the options exchanged for Restricted Stock for purposes of determining our incremental share-based compensation expense.

(6) 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 months ended March 31, 2012 and 2011 are allocated to our segments using segment margin for the years ended December 31, 2011 and 2010, respectively. Bad debt expense for the three months ended March 31, 2012 and 2011 is allocated to our segments using a combination of specific identification and allocations based upon segment revenue for the three months ended March 31, 2012 and 2011, 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 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 earnings before depreciation and amortization, net interest expense, and income taxes ("EBITDA") are used to estimate current or prospective enterprise value. The accounting policies of the reportable segments are the same as those described in Note 1, "Business and Summary of Significant Accounting Policies" of this Form 10-Q. Intersegment sales are recorded at cost plus an agreed upon intercompany profit.

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

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Summarized financial information for our reportable segments for the three months ended March 31, 2012 and 2011 follows (amounts in thousands):

| | Consumer | Network Access | Commercial | Managed Broadband | Regulated Operations | Total Reportable Segments |
|-----------------|-----------|----------------|------------|----------------------|----------------------|------------------------------|
| 2012 | | | | | | |
| Revenues: | | | | | | |
| Intersegment | \$ 524 | 83 | 1,385 | - | 39 | 2,031 |
| External | 87,812 | 25,188 | 34,341 | 19,029 | 5,537 | 171,907 |
| Total revenues | 88,336 | 25,271 | 35,726 | 19,029 | 5,576 | 173,938 |
| Adjusted EBITDA | \$ 24,794 | 12,410 | 8,441 | 8,249 | 935 | 54,829 |
| 2011 | | | | | | |
| Revenues: | | | | | | |
| Intersegment | \$ - | - | 1,409 | - | 69 | 1,478 |
| External | 88,417 | 25,097 | 31,829 | 13,995 | 5,439 | 164,777 |
| Total revenues | 88,417 | 25,097 | 33,238 | 13,995 | 5,508 | 166,255 |
| Adjusted EBITDA | \$ 28,393 | 11,880 | 6,662 | 5,711 | 700 | 53,346 |

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

| Three Months Ended March 31, | 2012 | 2011 |
|--|------------|---------|
| Reportable segment revenues | \$ 173,938 | 166,255 |
| Less intersegment revenues eliminated in consolidation | 2,031 | 1,478 |
| Consolidated revenues | \$ 171,907 | 164,777 |

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

| Three Months Ended March 31, | 2012 | 2011 |
|--|-----------|----------|
| Reportable segment Adjusted EBITDA | \$ 54,829 | 53,346 |
| Less depreciation and amortization expense | (32,380) | (31,866) |
| Less share-based compensation expense | (1,730) | (1,170) |
| Less non-cash contribution expense | (800) | - |
| Less net loss attributable to non-controlling interest | (177) | - |
| Plus net loss attributable to equity investment | 131 | - |
| Less accretion expense | (188) | (72) |
| Plus other expense | - | 24 |
| Consolidated operating income | 19,685 | 20,262 |
| Less other expense, net | (17,284) | (17,472) |
| Consolidated income before income tax expense | \$ 2,401 | 2,790 |

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(7) Non-controlling Interest

On August 30, 2011, we entered into an arrangement under the New Markets Tax Credit (“NMTC”) program with US Bancorp to help fund a \$35.2 million project to extend terrestrial broadband service for the first time to rural Northwestern Alaska communities via a high capacity hybrid fiber optic and microwave network. When completed, the project, called TERRA-Northwest (“TERRA-NW”), will connect to our TERRA-SW network and provide a high capacity backbone connection from the served communities to the Internet. Please see Note 13, “Commitments and Contingencies” in Item 8 “Consolidated Financial Statements and Supplementary Data” in our December 31, 2011 annual report on Form 10-K for more information about TERRA-SW. The NMTC program was provided for in the Community Renewal Tax Relief Act of 2000 (the “Act”) to induce capital investment in qualified lower income communities. The Act permits taxpayers to claim credits against their federal income taxes for up to 39% of qualified investments in the equity of community development entities (“CDEs”). CDEs are privately managed investment institutions that are certified to make qualified low-income community investments.

In connection with the NMTC transaction we loaned \$58.3 million to TIF, a special purpose entity created to effect the financing arrangement, at 1% interest due August 30, 2041. Simultaneously, US Bancorp invested \$22.4 million in TIF, and as such, is entitled to substantially all of the benefits derived from the NMTCs. TIF then contributed US Bancorp’s contribution and the loan proceeds to certain CDEs. The CDEs, in turn, loaned the \$76.8 million in funds less payment of placement fees, at interest rates varying from 1% to 3.96%, to Unicom, our wholly owned subsidiary, as partial financing for TERRA-NW. The loan proceeds to Unicom, net of syndication and arrangement fees, are restricted for use on TERRA-NW. Restricted cash of \$14.8 million held by Unicom as March 31, 2012, is included in our Consolidated Balance Sheet. We began construction on TERRA-NW in 2012 and expect to complete the project in 2014 or earlier if possible.

This transaction includes a put/call provision whereby we may be obligated or entitled to repurchase US Bancorp’s interest in TIF. We believe that US Bancorp will exercise the put option in August 2018 at the end of the compliance period. The NMTC is subject to 100% recapture for a period of seven years as provided in the Internal Revenue Code. We are required to be in compliance with various regulations and contractual provisions that apply to the NMTC arrangement. Non-compliance with applicable requirements could result in projected tax benefits not being realized by US Bancorp. We have indemnified US Bancorp for any loss or recapture of NMTCs until such time as our obligation to deliver tax benefits is relieved. There have been no credit recaptures as of March 31, 2012. The value attributed to the put/call is nominal.

We have determined that TIF is a VIE. The consolidated financial statements of TIF include the CDEs discussed above. The ongoing activities of the VIE – collecting and remitting interest and fees and NMTC compliance – were all considered in the initial design and are not expected to significantly affect economic performance throughout the life of the VIE. Management considered the contractual arrangements that obligate us to deliver tax benefits and provide various other guarantees to US Bancorp, US Bancorp’s lack of a material interest in the underlying economics of the project, and the fact that we are obligated to absorb losses of the VIE. We concluded that we are the primary beneficiary and consolidated the VIE in accordance with the accounting standard for consolidation.

US Bancorp’s contribution, net of syndication fees and other direct costs incurred in structuring the arrangement, is included in Non-controlling Interest on the Consolidated Balance Sheet. Incremental costs to maintain the structure during the compliance period are recognized as incurred to selling, general and administrative expense.

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

The following table summarizes the impact of the VIE consolidated as of March 31, 2012 (amounts in thousands):

| Assets Carrying Value | Assets Classification | Equity Carrying Value | Equity Classification |
|-----------------------|--------------------------|-----------------------|---|
| \$ 14,804 | Restricted cash | \$ 16,131 | Non-controlling interest |
| 1,742 | Construction in progress | 415 | Retained earnings attributable to General Communication, Inc. common stockholders |
| <u>\$ 16,546</u> | | <u>\$ 16,546</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, that the resolution of them will 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 was recognized in our 2008 through 2010 income statements and 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. As of March 31, 2012, all claims paid out have been covered by insurance and were recorded net of these recoveries in our Consolidated Income Statements. While some of the claims have been resolved, we cannot predict the likelihood or nature of the total remaining claims, including environmental remediation, related to the accident.

Universal Service

As an ETC, we receive support from the USF to provide wireline local access and wireless service in high cost areas. On November 29, 2011, the FCC published the High Cost Order which divided support to Alaska between Urban and Remote areas. Support for CETCs serving Urban areas that generally include Anchorage, Fairbanks, and Juneau will follow national reforms, had support per provider per service area capped as of January 1, 2012, and will commence a five-step phase-down on July 1, 2012. In addition to broader reforms, the FCC tailored revisions specifically for CETCs serving Remote Alaska, intended to address the unique challenges for serving these areas. Support to these locations will be capped and distributed on a per-line basis until the later of July 1, 2014, or the implementation of a successor funding mechanism. A further rulemaking to consider successor funding mechanisms is underway. We cannot predict at this time the outcome of this proceeding or its effect on Remote high cost support available to us, but our revenue for providing local services in these areas would be materially adversely affected by a substantial reduction of USF support.

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

Lifeline Support

On February 6, 2012, the Federal Communications Commission (“FCC”) released its Report and Order and Further Notice of Proposed Rulemaking to comprehensively reform and modernize the USF’s Lifeline program. The Lifeline program is administered by the Universal Service Administrative Company (“USAC”) and is designed to ensure that quality telecommunications services are available to low-income customers at just, reasonable, and affordable rates. We participate in the Lifeline program and recognized \$4.1 million in Lifeline program support revenue during the three months ended March 31, 2012. Following are the significant reforms included in the order:

- The order adopted on an interim basis a flat rate of \$9.25 to replace the support previously available under Tier I through Tier III support mechanisms as defined by USAC. The replacement support reduces the wireless subscriber per line support \$0.75 and will take effect 90 days after Office of Management and Budget (“OMB”) approval. We do not expect this change to have a material impact on our income statement, financial position or cash flows. The FCC intends to further investigate whether this support amount is reasonable over the long term in the further rulemaking.
- The order adopted a requirement for annual recertification of all Lifeline subscribers enrolled as of June 1, 2012 to be completed by the end of 2012. We are evaluating this requirement and possible processes and cannot predict whether this new rule will have a material impact on our income statement, financial position or cash flows.
- The order adopted a “one per household” rule with “household” defined as an “economic unit.” We do not expect this new rule to have a material impact on our income statement, financial position or cash flows.

The order adopted several other reforms but they are expected to have an insignificant or no impact on our income statement, financial position or cash flows.

In April 2012 the OMB rejected a requirement for biennial audits for all ETCs receiving more than \$5.0 million annually from Lifeline.

As a related matter, in April 2012 the RCA issued a notice of inquiry to consider whether to modify the state-funded component of Lifeline support, which is currently \$3.50 per month. We cannot predict the outcome of the support review proceedings or the impact on our income statement, financial position or cash flows.

PART I
ITEM 2.

**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 accounting principles generally accepted in the United States of America ("GAAP"). The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, we evaluate our estimates and judgments, including those related to the allowance for doubtful receivables, unbilled revenues, accrual of the USF high cost Remote area program support, share-based compensation, inventory at lower of cost or market, 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.

As part of an agreement signed in December 2007 with AT&T Mobility, AT&T Mobility provided to us a large block of wireless network usage at no charge that we used for roaming. This block of minutes was depleted in January 2012 and we expect our wireless Cost of Goods Sold for the year ending December 31, 2012, to increase in the range of \$4.8 million to \$5.3 million as compared to the year ended December 31, 2011, before factoring in the impact of 2012 subscriber growth. Our future wireless Cost of Goods Sold will depend on several factors including the impact and timing of our wireless network build-out, the pattern of usage by our wireless subscribers, and negotiated rates with our roaming partners.

As an eligible telecommunications carrier ("ETC"), we receive support from the Universal Service Fund ("USF") to support the provision of wireline local access and wireless service in high cost areas. On November 29, 2011, the Federal Communications Commission ("FCC") published a final rule to reform the methodology for distributing USF high cost support for voice and broadband services, as well as to the access charge regime for terminating traffic between carriers ("High Cost Order"). The High Cost Order divided support to Alaska between Urban and Remote areas. Support for competitive eligible telecommunications carriers ("CETCs") serving Urban areas that generally include Anchorage, Fairbanks, and Juneau will follow national reforms, with capped support per provider per service area as of January 1, 2012, and commencing a five-step phase-down on July 1, 2012. In addition to broader reforms, the FCC tailored revisions specifically for CETCs serving Remote Alaska, intended to address the unique challenges for serving these areas. Support to these locations has been capped and will be distributed on a per-line basis until the later of July 1, 2014, or the implementation of a successor funding mechanism. A further rulemaking to consider successor funding mechanisms is underway. We cannot predict at this time the outcome of this proceeding or its effect on Remote high cost support available to us, but our revenue for providing local services in these areas would be materially adversely affected by a substantial reduction of USF support.

The High Cost Order Remote and Urban program changes primarily impacted our Consumer segment. The High Cost Order Remote and Urban program changes will decrease our year ending December 31, 2012 revenue approximately \$4.0 million as compared to the year ended December 31, 2011. At March 31, 2012, we have \$31.8 million and \$7.0 million in Remote and Urban high cost accounts receivable, respectively.

In November 2010, Verizon acquired a license for 700 MHz wireless spectrum covering Alaska. We expect Verizon will build an LTE network in 2012 and subsequently they will be an additional competitor where our markets overlap. We cannot predict the potential impact this new competition may have on us in the future.

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

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

Results of Operations

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

| (Unaudited) | Three Months Ended | | Percentage Change ¹ 2012 vs. 2011 |
|--|--------------------|-------------------|--|
| | 2012 | March 31, 2011 | |
| Selected Financial Data: | | | |
| Revenues: | | | |
| Consumer segment | 51% | 54% | (1%) |
| Network Access segment | 15% | 15% | 0% |
| Commercial segment | 20% | 19% | 8% |
| Managed Broadband segment | 11% | 9% | 36% |
| Regulated Operations segment | 3% | 3% | 2% |
| Total revenues | 100% | 100% | 4% |
| Selling, general and administrative expenses | 37% | 36% | 7% |
| Depreciation and amortization expense | 19% | 19% | 2% |
| Operating income | 12% | 12% | (3%) |
| Other expense, net | 10% | 11% | (1%) |
| Income before income tax expense | 1% | 2% | (17%) |
| Net income | 1% | 1% | (14%) |
| Net income attributable to GCI | 1% | 1% | (2%) |

¹ Percentage change in underlying data

Three Months Ended March 31, 2012 (“2012”) Compared to Three Months Ended March 31, 2011 (“2011”)

Overview of Revenues and Cost of Goods Sold

Total revenues increased 4% from \$164.8 million in 2011 to \$171.9 million in 2012. Revenue increases in our Network Access, Commercial, Managed Broadband and Regulated segments were partially off-set by decreased revenue in our Consumer segment. See the discussion below for more information by segment.

Total Cost of Goods Sold increased 6% from \$53.8 million in 2011 to \$56.9 million in 2012. Cost of Goods Sold increases in our Consumer, Commercial, Managed Broadband and Regulated segments were partially off-set by decreased Cost of Goods Sold in our Network Access segment. See the discussion below for more information by segment.

Consumer Segment Overview

Consumer segment revenue represented 51% of 2012 consolidated revenues. The components of Consumer segment revenue are as follows (amounts in thousands):

| | 2012 | 2011 | Percentage Change |
|--------------------------------|------------------|---------------|-------------------|
| Voice | \$ 11,280 | 13,752 | (18%) |
| Video | 29,022 | 30,339 | (4%) |
| Data | 20,449 | 16,701 | 22% |
| Wireless | 27,061 | 27,625 | (2%) |
| Total Consumer segment revenue | <u>\$ 87,812</u> | <u>88,417</u> | <u>(1%)</u> |

Consumer segment Cost of Goods Sold represented 50% of 2012 consolidated Cost of Goods Sold. The components of Consumer segment Cost of Goods Sold are as follows (amounts in thousands):

| | 2012 | 2011 | Percentage Change |
|---|------------------|---------------|-------------------|
| Voice | \$ 2,348 | 2,928 | (20%) |
| Video | 12,789 | 13,535 | (6%) |
| Data | 1,547 | 1,426 | 8% |
| Wireless | 11,934 | 9,419 | 27% |
| Total Consumer segment Cost of Goods Sold | <u>\$ 28,618</u> | <u>27,308</u> | <u>5%</u> |

Consumer segment Adjusted EBITDA, representing 45% of 2012 consolidated Adjusted EBITDA, is as follows (amounts in thousands):

| | 2012 | 2011 | Percentage Change |
|----------------------------------|-----------|--------|-------------------|
| Consumer segment Adjusted EBITDA | \$ 24,794 | 28,394 | (13%) |

See note 6 in the "Condensed Notes to Interim Consolidated Financial Statements" included in Part I of this quarterly report on Form 10-Q for a reconciliation of consolidated Adjusted EBITDA, a non-GAAP financial measure, to consolidated income before income taxes.

Selected key performance indicators for our Consumer segment follow:

| | March 31, | | Percentage |
|--|-----------|----------|------------|
| | 2012 | 2011 | Change |
| Voice: | | | |
| Total local access lines in service ¹ | 76,100 | 85,100 | (11%) |
| Local access lines in service on GCI facilities ¹ | 70,700 | 78,000 | (9%) |
| Video: | | | |
| Basic subscribers ² | 124,200 | 130,200 | (5%) |
| Digital programming tier subscribers ³ | 74,600 | 81,600 | (9%) |
| HD/DVR converter boxes ⁴ | 90,300 | 89,300 | 1% |
| Homes passed | 242,200 | 239,000 | 1% |
| Average monthly gross revenue per subscriber ⁵ | \$ 77.72 | \$ 77.60 | 0% |
| Data: | | | |
| Cable modem subscribers ⁶ | 110,700 | 107,200 | 3% |
| Wireless: | | | |
| Wireless lines in service ⁷ | 124,500 | 126,500 | (2%) |
| Average monthly gross revenue per subscriber ⁸ | \$ 68.65 | \$ 69.46 | (1%) |

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.

² A basic subscriber is defined as one basic tier of service delivered to an address or separate subunits thereof regardless of the number of outlets purchased.

³ 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.

⁴ 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.

⁵ Average monthly consumer video revenues divided by the average of consumer basic subscribers at the beginning and end of each month in the period.

⁶ 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 video service is not required to receive cable modem service.

⁷ A wireless line in service is defined as a revenue generating wireless device.

⁸ 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

As discussed in the General Overview section of this Item 2 the FCC published the High Cost Order in November 2011. The High Cost Order Remote and Urban program changes will result in decreased Consumer Segment Voice revenue of approximately \$1.6 million and decreased Consumer Segment Wireless revenue of approximately \$1.7 million for the year ending December 31, 2012, as compared to the year ended December 31, 2011.

On February 6, 2012, the FCC released its Report and Order and Further Notice of Proposed Rulemaking to comprehensively reform and modernize the USF's Lifeline program. The Lifeline program is administered by the Universal Service Administrative Company ("USAC") and is designed to ensure that quality telecommunications services are available to low-income customers at just, reasonable, and affordable rates. We participate in the Lifeline program and recognized \$4.1 million in Consumer Wireless Lifeline program support revenue during the three months ended March 31, 2012. Following are the reforms included in the order that we expect to impact Consumer Segment Wireless revenue in the year ending December 31, 2012:

- The order adopted on an interim basis a flat rate of \$9.25 to replace the support previously available under Tier I through Tier III support mechanisms as defined by USAC. The replacement support reduces the wireless subscriber per line support \$0.75 and will take effect 90 days after Office of Management and Budget approval. We do not expect this change to have a material impact on our income statement. The FCC intends to further investigate whether this support amount is reasonable over the long term in further rulemaking.
- The order adopted a requirement for annual recertification of all Lifeline subscribers enrolled as of June 1, 2012 to be completed by the end of 2012. We are evaluating this requirement and possible processes and cannot predict whether this new rule will have a material impact on our income statement, financial position or cash flows.

As a related matter, in April 2012 the RCA issued a notice of inquiry to consider whether to modify the state-funded component of Lifeline support, which is currently \$3.50 per month. We cannot predict the outcome of the support review proceedings or the impact on our income statement, financial position or cash flows.

The decrease in voice revenue is primarily due to:

- A 20% decrease in local service high cost support to \$2.2 million due to the changes in the high cost support program as discussed above,
- A 17% decrease in local service plan fee revenue to \$4.4 million due to decreased subscribers; and
- A 40% decrease in long distance usage revenue to \$687,000 due to the lower rates mandated by the Intrastate Access Reform Act ("Intrastate Access Reform") which went into effect in the third quarter of 2011 along with our introduction of a popular new plan offering unlimited interstate and intrastate calling.

The increase in data revenue is primarily due to:

- A 19% increase in cable modem revenue to \$17.7 million due to increased subscribers, rate increases in May 2011 and our subscribers' selection of plans that offer higher speeds; and
- A 96% increase in excess usage revenue to \$2.5 million due to moving customers from plans with unlimited usage to plans with limited usage.

Consumer Segment Cost of Goods Sold

The decrease in voice Cost of goods Sold is primarily due to Intrastate Access Reform. Intrastate Access Reform eliminated the incumbent local exchange carriers' ("ILEC") ability to bill long distance carriers for certain intrastate line charges.

The decrease in video Cost of Goods Sold is primarily due to decreased costs resulting from programming changes and a decrease in subscribers.

The wireless Cost of Goods Sold increase is primarily due to increased costs for wireless handset equipment sales, increased costs for roaming and a change in the allocation of network maintenance costs. The increased wireless handset equipment sale costs are associated with an increased number of premium wireless handsets which have higher costs and an increased number of handsets issued to new customers and those extending their service. The increase in roaming costs is due to the end of free network service as discussed above in the General Overview section. The change in allocation of network maintenance costs resulted in an increase to our Consumer segment and a decrease to our Network Access, Commercial and Managed Broadband segments.

Consumer Segment Adjusted EBITDA

The decrease in Adjusted EBITDA is primarily due to decreased revenue as described above in "Consumer Segment Revenues," 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 consolidated selling, general and administrative expense.

Network Access Segment Overview

Network access segment revenue represented 15% of 2012 consolidated revenues. The components of Network Access segment revenue are as follows (amounts in thousands):

| | 2012 | 2011 | Percentage Change |
|--------------------------------------|------------------|---------------|----------------------|
| Voice | \$ 5,564 | 6,470 | (14%) |
| Data | 14,353 | 14,972 | (4%) |
| Wireless | 5,271 | 3,655 | 44% |
| Total Network Access segment revenue | <u>\$ 25,188</u> | <u>25,097</u> | <u>0%</u> |

Network Access segment Cost of Goods Sold represented 11% of 2012 consolidated Cost of Goods Sold. The components of Network Access segment Cost of Goods Sold are as follows (amounts in thousands):

| | 2012 | 2011 | Percentage Change |
|---|-----------------|--------------|----------------------|
| Voice | \$ 2,273 | 3,250 | (30%) |
| Data | 3,496 | 3,194 | 9% |
| Wireless | 254 | 221 | 15% |
| Total Network Access segment Cost of Goods Sold | <u>\$ 6,023</u> | <u>6,665</u> | <u>(10%)</u> |

Network Access segment Adjusted EBITDA, representing 23% of 2012 consolidated Adjusted EBITDA, is as follows (amounts in thousands):

| | 2012 | 2011 | Percentage Change |
|--|-----------|--------|----------------------|
| Network Access segment Adjusted EBITDA | \$ 12,410 | 11,879 | 4% |

See note 6 in the "Condensed Notes to Interim Consolidated Financial Statements" included in Part I of this quarterly report on Form 10-Q for a reconciliation of consolidated Adjusted EBITDA, a non-GAAP financial measure, to consolidated income before income taxes.

Network Access Segment Cost of Goods Sold

The decrease in voice Cost of goods Sold is primarily due to Intrastate Access Reform which eliminated the ILECs' ability to bill long distance carriers for certain intrastate line charges.

Network Access Segment Adjusted EBITDA

The Adjusted EBITDA increase is primarily due to decreased Cost of Goods Sold as described above in "Network Access Segment Cost of Goods Sold." This decrease was partially offset by an increase in the selling, general and administrative expense that was allocated to our Network Access segment primarily due to an increase in the consolidated selling, general and administrative expense.

Commercial Segment Overview

Commercial segment revenue represented 20% of 2012 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):

| | 2012 | 2011 | Percentage Change |
|----------------------------------|-----------|--------|-------------------|
| Voice | \$ 7,086 | 7,573 | (6%) |
| Video | 3,120 | 2,840 | 10% |
| Data | 21,837 | 19,095 | 14% |
| Wireless | 2,298 | 2,321 | (1%) |
| Total Commercial segment revenue | \$ 34,341 | 31,829 | 8% |

Commercial segment Cost of Goods Sold represented 28% of 2012 consolidated Cost of Goods Sold. The components of Commercial segment Cost of Goods Sold are as follows (amounts in thousands):

| | 2012 | 2011 | Percentage Change |
|---|-----------|--------|-------------------|
| Voice | \$ 2,629 | 3,891 | (32%) |
| Video | 498 | 490 | 2% |
| Data | 11,361 | 9,457 | 20% |
| Wireless | 1,212 | 1,028 | 18% |
| Total Commercial segment Cost of Goods Sold | \$ 15,700 | 14,866 | 6% |

Commercial segment Adjusted EBITDA, representing 15% of 2012 consolidated Adjusted EBITDA, is as follows (amounts in thousands):

| | 2012 | 2011 | Percentage Change |
|------------------------------------|----------|-------|-------------------|
| Commercial segment Adjusted EBITDA | \$ 8,441 | 6,662 | 27% |

See note 6 in the "Condensed Notes to Interim Consolidated Financial Statements" included in Part I of this quarterly report on Form 10-Q for a reconciliation of consolidated Adjusted EBITDA, a non-GAAP financial measure, to consolidated income before income taxes.

Selected key performance indicators for our Commercial segment follow:

| | 2012 | March 31, 2011 | Percentage Change |
|--|--------|----------------|-------------------|
| Voice: | | | |
| Total local access lines in service ¹ | 51,900 | 50,400 | 3% |
| Local access lines in service on GCI facilities ¹ | 29,900 | 26,500 | 13% |
| Data: | | | |
| Cable modem subscribers ² | 11,300 | 10,800 | 5% |
| Wireless: | | | |
| Wireless lines in service ³ | 15,500 | 13,700 | 13% |

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.

² 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.

³ 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 \$1.7 million or 18% increase in managed services project revenue due to special project work.

Commercial Segment Cost of Goods Sold

The decrease in voice Cost of Goods Sold is primarily due to Intrastate Access Reform which eliminated the ILECs' ability to bill long distance carriers for certain intrastate line charges.

The increase in data Cost of Goods Sold is primarily due to a \$1.7 million or 25% increase in managed services project Cost of Goods Sold related to the increased revenue described above in "Commercial Segment Revenues."

Commercial Segment Adjusted EBITDA

The Adjusted EBITDA increase is primarily due to increased revenue as described above in "Commercial Segment Revenues." This increase was partially offset by increased Cost of Goods Sold as described above in "Commercial Segment Cost of Goods Sold."

Managed Broadband Segment Overview

Managed Broadband segment revenue, Cost of Goods sold and Adjusted EBITDA represented 11%, 9% and 15% of 2012 consolidated revenues, Cost of Goods Sold and Adjusted EBITDA, respectively.

Managed Broadband Segment Revenues

Managed Broadband segment revenue, which includes data products only, increased 36% to \$19.0 million in 2012 as compared to 2011. The increase is primarily due to increased monthly contract revenue due to increased data network capacity purchased by our ConnectMD® and SchoolAccess® customers.

Managed Broadband Segment Cost of Goods Sold

Managed Broadband segment Cost of Goods Sold increased 25% to \$4.9 million in 2012 as compared to 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 44% to \$8.2 million in 2012 primarily due to an increase in revenue as described above in "Managed Broadband Segment Revenues," partially offset 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 6 in the "Condensed Notes to Interim Consolidated Financial Statements" included in Part I of this quarterly report on Form 10-Q for a reconciliation of consolidated Adjusted EBITDA, a non-GAAP financial measure, to consolidated income before income taxes.

Regulated Operations Segment Overview

Regulated Operations segment revenue, Cost of Goods Sold and Adjusted EBITDA represented 3%, 3% and 2% of 2012 consolidated revenues, Cost of Goods Sold and Adjusted EBITDA, respectively.

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

| | March 31, | | Percentage |
|--|-----------|-------|------------|
| | 2012 | 2011 | Change |
| Voice: | | | |
| Total local access lines in service on GCI facilities ¹ | 8,900 | 9,800 | (9%) |

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

Regulated Operations Segment Revenues

Regulated Operations segment revenues increased from \$5.4 million in 2011 to \$5.5 million in 2012

Regulated Operations Segment Cost of Goods Sold

Regulated Operations segment Cost of Goods Sold increased from \$1.0 million in 2011 to \$1.6 million in 2012. Beginning July 1, 2011, our Regulated Segment began purchasing access to carry its traffic in certain regions from our Network Access Segment. Prior to this the traffic in these regions was carried on its own network plant. Under regulatory accounting these intercompany transactions are not eliminated from the consolidated financial statements.

Regulated Operations Segment Adjusted EBITDA

Regulated Operations segment Adjusted EBITDA increased 34% to \$935,000 in 2012 primarily due to a decrease in the selling, general and administrative expense that was recorded in our Regulated Operations segment partially offset by an increase in Cost of Goods Sold as described above in "Regulated Operations Segment Cost of Goods Sold."

See note 6 in the "Condensed Notes to Interim Consolidated Financial Statements" included in Part I of this quarterly report on Form 10-Q for a reconciliation of consolidated Adjusted EBITDA, a non-GAAP financial measure, to consolidated income before income tax expense.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$4.1 million to \$63.0 million in 2012. Individually significant items contributing to the increase include:

- A \$1.3 million increase in labor costs,
- A \$981,000 increase in health benefit costs,
- A \$800,000 increase in contribution expense related to donated services to the University of Alaska,
- A \$632,000 increase in employer-paid payroll taxes due to a large number of restricted stock awards that vested in 2012 and increased labor costs, and
- A \$591,000 increase in share-based compensation expense.

These increases were partially offset by a \$540,000 decrease in our company-wide success sharing bonus accrual. The remainder of the increase is comprised of individually insignificant items.

As a percentage of total revenues, selling, general and administrative expense was 37% in 2012 and 36% in 2011.

Depreciation and Amortization Expense

Depreciation and amortization expense increased \$514,000 to \$32.4 million in 2012.

Other Expense, Net

Other expense, net of other income, decreased 1% to \$17.3 million in 2012 primarily due to less interest expense on our \$325.0 million in aggregate principal amount of 6.75% Senior Notes due 2021 ("2021 Notes"), issued by GCI, Inc., our wholly owned subsidiary, which have a lower interest rate than the interest rate paid on our \$320.0 million in aggregate principal amount of 7.25% Senior Notes due 2014 ("2014 Notes"), issued by GCI, Inc. In May 2011, GCI, Inc. completed an offering for the 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 totaled \$1.1 million and \$1.4 million in 2012 and 2011, respectively. Our effective income tax rate decreased from 50% in 2011 to 48% in 2012.

At March 31, 2012, we have income tax net operating loss carryforwards of \$314.4 million that will begin expiring in 2019 if not utilized, and alternative minimum tax credit carryforwards of \$1.9 million available to offset regular income taxes payable in future years.

We have recorded deferred tax assets of \$129.2 million associated with income tax net operating losses that were generated from 1999 to 2012 and that expire from 2019 to 2032, and with charitable contributions that were converted to net operating losses in 2004 through 2007, and that expire in 2024 through 2027, 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 exclusive of reversing temporary differences and carryforwards. 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 46% to 51% in the year ending December 31, 2012, primarily due to the large amount of permanent differences expected in 2012 as compared to our net income before income tax expense.

Liquidity and Capital Resources

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

As discussed in the General Overview section of this Item 2 the FCC published the High Cost Order in November 2011. The program changes will impact our liquidity minimally in 2012 and we are evaluating the impact the program changes will have on our liquidity in later years as the FCC considers successor funding mechanisms. Additionally, in February 2012 the FCC released reforms to the USF's Lifeline program. The reforms include a requirement for annual recertification of all Lifeline subscribers enrolled as of June 1, 2012 to be completed by the end of 2012. We are evaluating this requirement and possible processes and cannot predict whether this new rule will have a material impact on our cash flows.

On August 30, 2011, we entered into a financing arrangement under the NMTC program that provided \$16.5 million in net cash to help fund the extension of terrestrial broadband service for the first time to rural Northwestern Alaska communities via a high capacity hybrid fiber optic and microwave network. When completed, the project, called TERRA-NW, will connect to our TERRA-SW network and provide a high capacity backbone connection from the served communities to the Internet.

In September 2011, the Regulatory Commission of Alaska approved our application for a \$5.3 million grant to help fund TERRA-NW. The grant was increased to \$6.3 million in January 2012. The NMTC arrangement discussed above and this grant award partially fund backbone network facilities that we would not otherwise be able to construct within our return-on-investment requirements. We plan to fund an additional \$12.7 million for TERRA-NW and began construction in 2012 and expect to complete the project in 2014 or earlier if possible.

We have a non-cancelable agreement to purchase wireless equipment of \$8.6 million, \$7.0 million and \$8.1 million during the years ending December 31, 2012, 2013 and 2014, respectively.

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 2012 and 2011, are summarized as follows (amounts in thousands):

| | 2012 | 2011 |
|--|---------------|----------------|
| Operating activities | \$ 34,143 | 27,997 |
| Investing activities | (23,610) | (30,747) |
| Financing activities | (9,902) | (1,067) |
| Net increase (decrease) in cash and cash equivalents | <u>\$ 631</u> | <u>(3,817)</u> |

Operating Activities

The increase in cash flows provided by operating activities is due primarily to an increase in accrued interest payable in 2012 as compared to 2011 due to timing of payments

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.

Our cash expenditures for property and equipment, including construction in progress, totaled \$23.6 million and \$28.8 million during 2012 and 2011, respectively. Our capital expenditures decreased in 2012 primarily due to completion of our TERRA-SW project which was placed in service December 2011. We expect our 2012 expenditures for property and equipment for our core operations, including construction in progress, to total approximately \$135.0 million, depending on available opportunities and the amount of cash flow we generate during 2012.

Under our TERRA-SW Rural Utilities Service ("RUS") award, we had total available grant funds of \$44.0 million. We have received \$2.6 million in grant funds in 2012 for a total receipt of \$37.7 million in grant funds under this award through March 31, 2012, leaving \$6.3 million remaining grant funds available as of March 31, 2012. We have a \$1.5 million grant fund receivable recorded as of March 31, 2012.

Financing Activities

Net cash used by financing activities in 2012 consists primarily of repurchases of our common stock.

Available Borrowings Under Senior Credit Facility

We have a facility which includes a \$50.0 million term loan and a \$75.0 million revolving credit facility with a \$25.0 million sublimit for letters of credit ("Senior Credit Facility"). The term loan is fully drawn and a total of \$60.0 million is outstanding as of March 31, 2012. Under the revolving portion of the Senior Credit Facility, we have borrowed \$10.0 million and have \$349,000 of letters of credit outstanding, which leaves \$64.7 million available for borrowing as of March 31, 2012.

Available TERRA-SW Borrowings Under RUS

Under our TERRA-SW RUS award, we had total available loan funds of \$44.2 million. We have borrowed \$2.7 million in loan funds in 2012 for a total borrowing of \$37.9 million in loan funds under this award through March 31, 2012, leaving \$6.3 million remaining loan funds available as of March 31, 2012.

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. Our 2019 Notes are \$425.0 million in aggregate principal amount of 8.63% Senior Notes due 2019.

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 \$88.9 million of repurchases as of March 31, 2012. 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 2012 we repurchased 862,000 shares of GCI common stock under the stock buyback program at a cost of \$9.0 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 and Estimates

Our accounting and reporting policies comply with GAAP. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. 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 2012 are revenue recognition related to revenues from the Remote high cost, rural health and schools 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, 2011 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, 2011 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 in the Senior Credit Facility) 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 March 31, 2012, we have borrowed \$60.0 million subject to interest rate risk. On this amount, each 1% increase in the LIBOR interest rate would result in \$600,000 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 effective as of March 31, 2012.

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

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 March 31, 2012 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

Item 1. Legal Proceedings

We are involved in various lawsuits, billing disputes, legal proceedings, and regulatory matters that have arisen from time to time in the normal course of business. 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 matter:

- In August 2010, a company-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. As of March 31, 2012, all claims paid out have been covered by insurance and were recorded net of these recoveries in our Consolidated Income Statements. While some of the claims have been resolved, we cannot predict the likelihood or nature of the total remaining claims, including environmental remediation, 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 common stock during the quarter ended March 31, 2012:

| | (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 |
|--|---|-------------------------------------|--|--|
| January 1, 2012 to January 31, 2012 | 404,285 | \$ 10.07 | 389,108 | \$ 93,959,367 |
| February 1, 2012 to February 29, 2012 | 510,970 | \$ 10.94 | 237,442 | \$ 91,370,419 |
| March 1, 2012 to March 31, 2012 | 235,700 | \$ 10.42 | 235,700 | \$ 88,913,421 |
| Total | <u>1,150,955</u> | | | |

¹Consists of 862,250 shares from open market purchases made under our publicly announced repurchase plan and 288,705 shares from private purchases made to settle the minimum statutory tax-withholding requirements pursuant to restricted stock award vesting.

²The 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.

³The total amount approved by our Board of Directors for repurchase under our publicly announced repurchase plan was \$300.2 million through March 31, 2012, consisting of \$295.2 million through December 31,

2011, and an additional \$5.0 million during the three months ended March 31, 2012. We have made total repurchases under the program of \$211.4 million through March 31, 2012. 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

Listed below are the exhibits that are filed as a part of this Report (according to the number assigned to them in Item 601 of Regulation S-K):

| Exhibit No. | Description |
|--------------------|--|
| 3.2 | Amended and Restated Bylaws of the Company dated April 19, 2012 * |
| 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 * |
| 101 | The following materials from General Communication, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Income Statements; (iii) Consolidated Statements of Stockholders' Equity; (iv) Consolidated Statements of Cash Flows; and (v) Condensed Notes to Interim Consolidated Financial Statements. * |

* Filed herewith.

SIGNATURES

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

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>May 3, 2012</u> |
| <u>/s/ John M. Lowber</u> John M. Lowber | Senior Vice President, Chief Financial Officer, Secretary and Treasurer (Principal Financial Officer) | <u>May 3, 2012</u> |
| <u>/s/ Lynda L. Tarbath</u> Lynda L. Tarbath | Vice President, Chief Accounting Officer (Principal Accounting Officer) | <u>May 3, 2012</u> |

**BYLAWS OF
GENERAL COMMUNICATION, INC.**

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 holders of a majority of the votes associated with shares entitled to vote on the matter, 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, the Articles of Incorporation or these Bylaws, a different vote is required, in which case such express provision shall govern and control the decision of such question. For the avoidance of doubt, broker nonvotes will not be counted as shares entitled to vote on a matter. For purposes of these Bylaws, a "broker nonvote" occurs when a broker has not received voting instructions from its client who is the beneficial owner of the shares and the broker is barred from exercising its discretionary authority to vote the shares under the applicable rules and regulations of the Nasdaq Stock Market or other securities exchange governing the voting authority of brokers.

(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 or Section 3(b) 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. Each director to be elected by the Shareholders at such a meeting shall be elected by a vote of a majority of the votes cast for the election of directors. For the avoidance of doubt, broker nonvotes will not be counted as votes cast for or against a director, but abstentions will be counted as votes against a director.

(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 provision 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 19th day of April 2012.

/s/ John M. Lowber

John M. Lowber, Secretary

¹ As last amended and restated on April 19, 2012.

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 March 31, 2012;
 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: May 3, 2012

/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 March 31, 2012;
 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: May 3, 2012

/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 March 31, 2012 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: May 3, 2012

/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 March 31, 2012 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: May 3, 2012

/s/ John M. Lowber

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