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

**FORM 8-K**

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The  
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): June 5, 2012

**GENERAL COMMUNICATION, INC.**

(Exact name of registrant as specified in its charter)

**State of Alaska**

(State or other Jurisdiction of Incorporation or  
organization)

**0-15279**

Commission File Number

**92-0072737**

(I.R.S Employer  
Identification No.)

**2550 Denali Street  
Suite 1000  
Anchorage, Alaska**

(Address of principal executive offices)

**99503**

(Zip Code)

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

**NONE**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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## Section 1 – Registrant’s Business and Operations

### Item 1.01 Entry into a Material Definitive Agreement

On June 4, 2012, General Communication, Inc. (“GCI”) entered into an Asset Purchase and Contribution Agreement by and among Alaska Communications Systems Group, Inc. (“ACS”), GCI, ACS Wireless, Inc., a wholly-owned subsidiary of ACS (“ACS Member”), GCI Wireless Holdings, LLC, a wholly-owned subsidiary of GCI, (“GCI Member”), and The Alaska Wireless Network, LLC, a wholly-owned subsidiary of GCI (the “Company”), pursuant to which the parties have agreed to contribute the respective wireless networks assets of GCI, ACS and their affiliates to the Company.

Under the terms of the Asset Purchase and Contribution Agreement, GCI Member agreed to purchase certain wireless network assets from ACS and its affiliates for \$100 million and GCI and certain of its affiliates will contribute the purchased assets and its wireless network assets to the Company. ACS also agreed to contribute its remaining wireless network assets to the Company. Upon the contribution of assets to the Company, ACS Member will own one-third of the Company and GCI Member will own two-thirds of the Company. ACS Member will be entitled to receive preferential cash distributions totaling \$190 million over the first four years of the Company’s operations and GCI Member will be entitled to all remaining cash distributions during that period. Following the initial four year period, GCI Member and ACS Member will receive distributions proportional to their ownership interests.

The closing of the transactions is subject to the satisfaction of customary closing conditions, including the receipt of required governmental and third party consents and approvals and the expiration of any applicable waiting periods under competition laws, including the Hart-Scott-Rodino Antitrust Improvements Act of 1976. The transactions are expected to close by the second quarter of 2013.

## Section 5 – Corporate Governance and Management

### Item 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers

#### 5.02(b)

On June 4, 2012, G. Wilson Hughes resigned as chief operating officer of GCI in connection with the expected formation of The Alaska Wireless Network, LLC (“AWN”) by GCI and ACS. Mr. Hughes will continue to serve as executive vice president of GCI pending the establishment of AWN.

#### 5.02(c)

On June 4, 2012, GCI appointed Gregory F. Chapados to succeed Mr. Hughes as executive vice president and chief operating officer.

Mr. Chapados is 54 years old and has served as one of our Senior Vice Presidents since June 2006. Prior to that, he was the Managing Director of Integrated Strategies Initiatives LLC from August 2004 to May 2006. Integrated Strategies was at the time a boutique investment bank serving middle-market companies in defense and other areas of federal contracting. Prior to that, Mr. Chapados was a Managing Director at the investment bank, Hoak Breedlove Wesneski & Co. from February 1995 to July 2004. Mr. Chapados is not related to any other director or officer of GCI.

In connection with the appointment of Mr. Chapados as executive vice president and chief operating officer, Mr. Chapados has been awarded 100,000 shares of restricted stock of GCI under the terms of GCI’s Stock Option Plan.

## Section 9 – Financial Statements and Exhibits

### Item 9.01 Financial Statements and Exhibits

#### (d) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press release issued by General Communication, Inc. on June 5, 2012, to announce its entry into a material definitive agreement.
99.2	Press release issued by General Communication, Inc. on June 5, 2012, to announce a change in its principal officers.
99.3	Questions and Answers document regarding the transaction
99.4	Investor slideshow

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**SIGNATURE**

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 hereunto duly authorized.

**GENERAL COMMUNICATION, INC.**

(Registrant)

Date: June 5, 2012

By: */s/* John M. Lowber

Name: John M. Lowber

Title: Senior Vice President,  
Chief Financial Officer,  
Secretary and Treasurer  
(Principal Financial Officer)





June 5, 2012

**JOINT MEDIA RELEASE**

**GCI AND ALASKA COMMUNICATIONS FORM  
THE ALASKA WIRELESS NETWORK, LLC**

- Wireless Facilities Company Formed To Operate Alaska's Largest Network, Covering More than 95 percent of the State's Population
- Network Will Provide Next Generation Wireless Services To Alaska Communications and GCI Subscribers
- The Alaska Wireless Network Is A Competitive Response To National Carriers

ANCHORAGE, AK – General Communication, Inc. ("GCI") (NASDAQ:GNCMA) and Alaska Communications Systems Group, Inc. ("Alaska Communications") (NASDAQ:ALSK) announced today that they have signed definitive agreements to form The Alaska Wireless Network, LLC (AWN), a Delaware limited liability company that will hold and operate both companies' wireless facilities. AWN will design and operate an Alaska statewide wireless network to provide next generation wireless service plans for GCI and Alaska Communications wireless customers. GCI and Alaska Communications will continue to market and sell these plans independently to their respective retail customers.

Under the terms of the definitive agreements, which have been approved by the boards of directors of each company, GCI and Alaska Communications each will contribute to AWN their respective wireless assets, including spectrum licenses, cell sites and backhaul facilities, switching systems, and certain other assets necessary to operate a statewide wireless network. As part of the transaction, GCI will purchase \$100 million of wireless assets from Alaska Communications and contribute them to AWN.

Alaska Communications will own one-third and GCI will own two-thirds of AWN. During the first four years of AWN's operations, Alaska Communications will be eligible to receive preferential cash distributions totaling \$190 million. GCI will receive all remaining available cash distributions over the same period. Following the initial four year period, GCI and Alaska Communications will receive distributions proportional to their ownership interests in AWN.

AWN will be managed by GCI. Wilson Hughes, GCI's current chief operating officer, has agreed to serve as AWN's first president and chief executive officer (CEO). In the interim before the closing, Hughes will serve as GCI's executive vice president – wireless and lead a GCI team planning the post-closing transition to AWN. The AWN transaction is subject to Hart-Scott-Rodino review, requires FCC approval for transfer of Alaska Communications, and GCI's wireless spectrum licenses to AWN and is subject to other customary conditions. The transaction is expected to close by the second quarter of 2013.

"GCI and Alaska Communications are pleased to reach these agreements," said Alaska Communications president and CEO Anand Vadapalli and GCI president and CEO Ron Duncan. "The wireless business is capital intensive, requires scale to compete successfully against national carriers, and demands more spectrum than either company individually owns. By combining our respective wireless assets, GCI and Alaska Communications can provide a state-of-the-art Alaska wireless network owned and operated by Alaskans for Alaskans. We believe that The Alaska Wireless Network will provide the fastest, most geographically extensive, and most reasonably priced wireless services for Alaska subscribers, allowing us each to compete more effectively in the retail market."

From the start, AWN will have the most extensive coverage in Alaska, covering more than 95 percent of Alaska's population. Initially, AWN will serve the more than 250,000 GCI and Alaska Communications urban and rural subscribers and lifeline subscribers. In its first year of operations, AWN is expected to have EBITDA of approximately \$120 million and capital expenditures of approximately \$40 million. Synergies from the transaction are expected to total \$30 million a year, starting in the second year of operations. The synergies are expected to be split equally between capital and operating expenses.

GCI expects to finance the \$100 million asset purchase by refinancing its senior credit facility. Exclusive of transaction fees, Alaska Communications intends to use all the upfront cash proceeds of \$100 million to strengthen its balance sheet by both paying down some of its term loan facility and increasing cash reserves. Evercore Partners served as advisor for Alaska Communications in this transaction.

**About Alaska Communications**

Headquartered in Anchorage, Alaska Communications (NASDAQ:ALSK) is a leading provider of high-speed wireless, mobile broadband, Internet, local, long-distance and advanced broadband solutions for businesses and consumers in Alaska. The Alaska Communications network includes advanced broadband and voice networks and the most diverse undersea fiber optic system connecting Alaska to the contiguous United States. For more information, visit [www.alaskacommunications.com](http://www.alaskacommunications.com) or [www.alsk.com](http://www.alsk.com).

Contact: Heather Cavanaugh, (907) 564-7722; [heather.cavanaugh@acsalaska.com](mailto:heather.cavanaugh@acsalaska.com)

**About GCI**

A pioneer in bundled services, GCI is a top provider of voice, data, and video services to Alaska consumers with a 70 percent share of the consumer broadband market. GCI is also the leading provider of communications services to enterprise customers, particularly large enterprise customers with complex data networking needs. More information about GCI can be found at [www.gci.com](http://www.gci.com).

Investor Relations-

Contact: Bruce Broquet, (907) 868-6660; [bbroquet@gci.com](mailto:bbroquet@gci.com)

Media Relations-

Contact: David Morris, (907) 265-5396; [dmorris@gci.com](mailto:dmorris@gci.com)

Non-GAAP Financial Measures

This joint release includes information related to management's estimate of EBITDA for AWN. EBITDA, in this context, may not be consistent with EBITDA measures used by other companies, are not measurements under generally accepted accounting principles (GAAP) and should not be considered a substitute for other measures of financial performance recorded in accordance with GAAP. Management of GCI and Alaska Communications believe that EBITDA provides useful information to investors.

Forward-Looking Statements

This joint release includes certain "forward-looking statements," as that term is defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on management's beliefs as well as on a number of assumptions concerning future events made using information currently available to management. Readers are cautioned not to put undue reliance on such forward-looking statements, which are not a guarantee of performance and are subject to a number of uncertainties and other factors, many of which are outside GCI or Alaska Communications control. For further information regarding risks and uncertainties associated with either company's business, please refer to either GCI's or Alaska Communications' SEC filings.









**FOR IMMEDIATE RELEASE**

**June 05, 2012**

**For Information Contact:**

**David Morris, (907) 265-5396 or [dmorris@gci.com](mailto:dmorris@gci.com)**

**GCI ANNOUNCES CHIEF OPERATING OFFICER TRANSITION PLAN**

**ANCHORAGE, AK** – General Communication, Inc. (“GCI”) (NASDAQ:GNCMA) announced today its chief operating officer transition plan. Effective immediately, Greg Chapados will succeed Wilson Hughes as executive vice president and chief operating officer of GCI.

Hughes has agreed to serve as CEO and president of The Alaska Wireless Network, LLC (“AWN”), a limited liability company to be formed by GCI and Alaska Communications (NASDAQ:ALSK). AWN’s purpose is to own, integrate and operate the two parent companies’ wireless assets. AWN’s formation is subject to necessary regulatory approvals, but is expected to close by the second quarter of 2013. In the interim, Hughes will serve as GCI executive vice president – wireless and lead a GCI team planning the post-closing transition to AWN.

Hughes has served as chief operating officer of GCI since 1991. Prior to GCI, Hughes served in executive and leadership roles in the communications, aviation, engineering and construction industries in Alaska.

Chapados joined GCI in 2006 as senior vice president and served as lead on several strategic initiatives for the company, including the acquisition and integration of the United Companies, which led to the deployment of the TERRA terrestrial broadband network. Before joining GCI, Chapados was a managing director at two boutique investment banks specializing in the telecommunications and defense industries. Prior to that, he served as senior vice president at Crown Media, Hallmark Cards’ cable MSO (multiple system operator) subsidiary. Chapados also served as chief-of-staff to Senator Ted Stevens from Alaska and as Assistant Secretary for Communications and Information in the U.S. Department of Commerce.

“I am pleased with our transition plan and am confident that this is the best step forward for GCI,” said GCI president and chief executive officer Ron Duncan. “These two men have proven leadership skills and I thank them both for accepting new challenges.”

“Over the past 21 years, Wilson has led GCI’s operations, delivering positive results time and time again as GCI has grown from \$75 million in annual revenues to an expected \$700 million in revenues this year. Wilson has directed the deployment of Alaska’s largest telecommunications networks, including TERRA and the state’s first statewide mobile wireless network. He had also led the integration of key GCI acquisitions, including the major cable system acquisitions we made in the 1990s. Just as importantly, Wilson has been chief architect and implementer of our successful corporate culture. I can’t think of a better person than Wilson to lead the establishment of our latest undertaking, The Alaska Wireless Network.”

“With Greg assuming the chief operating officer role, GCI is fortunate to have one strong leader follow another. I first met Greg in 1983 when we worked with him to secure action by the FCC to enable GCI to compete in the Alaska interstate market,” Duncan recalled. “Since joining GCI, Greg has worked closely with Wilson, me, and the rest of the senior management team on a wide range of operating, strategic, and administrative issues. He is well prepared for this new challenge.”

“This transition positions GCI and The Alaska Wireless Network for a successful future,” said Duncan.

**About GCI**

A pioneer in bundled services, GCI is a top provider of voice, data, and video services to Alaska consumers with a 70 percent share of the consumer broadband market. GCI is also the leading provider of communications services to enterprise customers, particularly large enterprise customers with complex data networking needs. More information about GCI can be found at [www.gci.com](http://www.gci.com).

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## **The Alaska Wireless Network Transaction – Questions and Answers**

### **Q: What Have GCI and Alaska Communications Agreed to Do?**

**A:** GCI and Alaska Communications have agreed to contribute their mobile assets to a new jointly-owned limited liability company, The Alaska Wireless Network, LLC (“AWN”). The contributed assets include:

- All cellular, PCS, and AWS radio spectrum licenses.
- GCI’s HSPA+/GSM/EDGE, CDMA/EVDO, and Wi-Fi networks and Alaska Communications’ CDMA/EVDO and LTE (currently in deployment) networks. All wireless towers, radios/antennas, backhaul/transport facilities, and voice/data cores are included.
- All fiber backhaul and transport facilities necessary to support expansion of the contributed networks and to provide wholesale roaming and backhaul/transport services to other wireless carriers.

### **Q: After the Transaction Closes, What Will AWN Do?**

**A:** After closing, AWN will:

- Integrate the combined GCI and Alaska Communications wireless assets.
- Design, engineer, deploy, operate, and maintain a statewide LTE/HSPA+/GSM/EDGE/Wi-Fi wireless network.

Today, GCI operates both an HSPA+/GSM/EDGE network and a CDMA/EVDO network and is in the process of deploying an extensive high-speed Wi-Fi network (called GCI TurboZone) throughout the state. Alaska Communications operates a CDMA/EVDO network and is currently deploying an LTE network.

AWN will integrate GCI’s HSPA+/GSM/EDGE/Wi-Fi networks and Alaska Communications’ LTE network into a single statewide LTE/HSPA+/GSM/EDGE/Wi-Fi platform. In terms of data speed and geographical coverage, this platform will be the best overall wireless network in Alaska, covering more than 95% of the state’s population.

AWN will also integrate GCI and Alaska Communications’ legacy CDMA/EVDO networks. Over time, GCI and Alaska Communications will transition their customers to AWN’s statewide wireless network.

- Assume Alaska Communications’ and GCI’s existing agreements for wholesale roaming and backhaul/transport services to other wireless carriers including AT&T, Verizon, and Sprint.
- Develop wholesale wireless service plans that it will sell to GCI and Alaska Communications at a discount from prevailing market rates. The approximately 30% discount is intended to cover Alaska Communications’ and GCI’s sales and marketing expenses. GCI and Alaska Communications will independently price and package AWN plans for sale to their more than 250,000 urban and rural subscribers and lifeline subscribers, but plan development will be the responsibility of AWN.
- AWN will not sell wireless services to retail customers. GCI and Alaska Communications will continue to compete vigorously against each other and other wireless providers in the retail market.

### **Q: How Will the AWN Transaction Benefit GCI, Alaska Communications, and Their Customers?**

**A:** After closing, AWN will:

- Accelerate GCI’s plan to provide the best overall wireless service in urban and rural Alaska. Adding Alaska Communications’ substantial mobile radio spectrum portfolio, LTE network, and wireless tower footprint to GCI’s wireless assets will result in a substantially more capable statewide 4G wireless platform.
- Enhance GCI’s and Alaska Communications’ competitiveness by reducing network operating expenses (“op-ex”) and capital expenditures (“cap-ex”). Integrating the existing GCI and Alaska Communications wireless networks and ultimately transitioning all GCI/Alaska Communications customers to a single statewide 4G network will substantially reduce op-ex and cap-ex on a per-customer basis. This efficiency will help offset the economy-of-scale advantages that AT&T and Verizon already enjoy as national carriers.

### **Q: Will the Wireless Services Offered to GCI Customers Be Affected before the Transaction Close?**

**A:** Separate from the announced transaction, Alaska Communications and GCI have entered into multi-year agreements, effective as of signing, under which:

- GCI will gain access to Alaska Communications’ wireless towers and have the ability to resell the LTE services that Alaska Communications is currently deploying.
- Alaska Communications will gain access to GCI’s wireless towers and have the ability to resell the HSPA+/GSM/EDGE services that GCI currently offers.

### **Q: Who Will Own AWN? How Will AWN Be Managed?**

**A:** GCI will own two-thirds (66 2/3%) and Alaska Communications will own one-third (33 1/3%) of AWN’s equity. AWN will be managed by a president and CEO appointed by GCI. The AWN board will have three members – the president and CEO of GCI, Ron Duncan; the president and CEO of Alaska Communications, Anand Vadapalli; and the president and CEO of AWN.

Wilson Hughes, GCI’s current executive vice president and chief operating officer, has agreed to serve as AWN’s president and CEO. In the interim before the transaction is closed, Hughes will serve as GCI’s executive vice president – wireless and will lead a GCI team planning the post-closing transition to AWN. Hughes will be succeeded at GCI by Greg Chapados, currently a GCI senior vice president.

AWN will rely on GCI senior executive officers to provide consulting services to the CEO and other senior officers of AWN with respect to high-level strategy decisions regarding legal, regulatory and finance matters. In exchange for such services, AWN will pay GCI an annual consulting fee based on a percentage of free cash flow (FCF) (defined as EBITDA minus capital expenditures) starting at 4% for the first two years, increasing to 6% for the third and fourth years, and thereafter increasing to 8%.

### **Q: How Will AWN Be Staffed?**

**A:** To maximize overall efficiency, Wilson Hughes will build only a small organization at AWN. That organization will focus on the integration of GCI/Alaska Communications

wireless assets, expansion of the statewide 4G wireless network, sale of wholesale roaming/backhaul/transport services to wireless carriers, and development of wireless plans/products for resale by GCI and Alaska Communications.

AWN will rely substantially on GCI and Alaska Communications for wireless network deployment and operations and maintenance. GCI will focus on the expansion of the LTE/HSPA+/GSM/EDGE/Wi-Fi statewide network, and Alaska Communications will focus on integration of the two legacy CDMA/EVDO networks.

**Q: How Do the Alaska Communications Labor Agreements Affect the AWN Transaction?**

**A:** The Alaska Communications labor agreements are not expected to affect AWN's operations. It is anticipated that represented employees will continue to work for Alaska Communications.

**Q: Will AWN Have Any Debt?**

**A:** Other than a \$50 million working capital line of credit provided initially by GCI, AWN will have no debt.

**Q: What Are the Financial Implications for GCI of the AWN Transaction?**

**A:** GCI will consolidate AWN as a GCI subsidiary and will separately reflect Alaska Communications' non-controlling interest on GCI's financial statements. AWN's cap-ex will be funded out of its EBITDA.

GCI and Alaska Communications will receive cash distributions based on the amount of FCF generated by AWN, net of the consulting fee paid to GCI. For the first four years after closing, Alaska Communications will receive a preference under which its total cash distribution will average \$47.5 million annually (\$190 million in aggregate) with GCI's receiving all remaining distributable cash. Under the preference arrangement, Alaska Communications is expected to receive a total of \$60 million more in cash than it would in the absence of the preference. After the preference period ends, GCI and Alaska Communications will receive cash distributions based on their ownership interests.

As part of the transaction, GCI will purchase \$100 million worth of Alaska Communications' wireless assets, which will be contributed to AWN. GCI expects to finance the \$100 million asset purchase and the \$50 million working capital line of credit for AWN by refinancing its senior credit facility.

In its first year of operation, AWN is expected to have EBITDA of approximately \$120 million and capital expenditures of approximately \$40 million.

**Q: What Synergies Will AWN Generate?**

**A:** AWN synergies are estimated to be \$30 million a year, starting in the second year of operations. The synergies are expected to be split equally between cap-ex and op-ex.

**Q: When Will the AWN Transaction Be Closed?**

**A:** The transaction is subject to Hart-Scott-Rodino review and regulatory approval from the Federal Communications Commission, which has to approve the transfer of radio spectrum licenses to AWN.

The transaction will be closed after the review process is completed. Closing is expected to take place by the second quarter of 2013.

**Q: What Are the Breakup Fees?**

**A:** Failure by Alaska Communications to secure lender and union approval within 120 days will result in automatic termination of the transaction at no cost to either party. If a party fails to maintain any non-regulatory material consent on or after the 121st day which results in termination, it will be required to pay the other party \$5 million. If Alaska Communications accepts a topping offer, it will be required to pay GCI \$20 million. If GCI accepts a topping offer, it will be required to pay Alaska Communications \$40 million.

The foregoing contains forward-looking statements regarding expected results that are based on GCI's expectations as well as on a number of assumptions concerning future events. Actual results might differ materially from those projected in the forward looking statements due to uncertainties and other factors, many of which are outside GCI's control. Additional information concerning factors that could cause actual results to differ materially from those in the forward looking statements are contained in GCI's cautionary statement sections of Form 10-K and 10-Q filed with the Securities and Exchange Commission.

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# The Alaska Wireless Network Deal Points



Spectrum  
Synergy  
Shareholders



# Forward looking statements

The following contains forward looking statements regarding the company's expected results which are based on management expectations as well as on a number of assumptions concerning future events. Actual results might differ materially from those projected in the forward looking statements due to uncertainties and other factors, many of which are outside GCI's control. Additional information concerning factors that could cause actual results to differ materially from those in the forward looking statements is contained in GCI's cautionary statements sections of Form 10K and 10-Q files with the Securities and Exchange Commission.

# GCI's growth continues

In 1982 GCI completed its first phone call.

▣ **30 years and \$2 billion in investments later** GCI has the only statewide, facilities based network providing

- ▣ Voice
- ▣ Data
- ▣ Video
- ▣ Wireless

In 2012 GCI and Alaska Communications announce a combination of their wireless assets to provide a robust, statewide network with the spectrum mix, scale, advanced technology and cost structure necessary to compete with Verizon and ATT in Alaska.

# The Alaska Wireless Network Assets

All Alaska Communications and GCI wireless assets contributed to  
“AWN”

	<b>2011 Revenue</b> <b>(in 000's)</b>	<b>3-31-12</b> <b>Subscribers</b>	<b>Spectrum</b> <b>Holdings</b> <b>(in MHz)</b>
<b>GCI</b>	\$ 139,180	140,000	60
<b>ACS</b>	\$ 150,208	117,200	55
<b>Total</b>	\$ 289,388	257,200	115

## Notes:

- Companies will retain their retail customer bases and receive a 30% discount for wireless sales and marketing.
- GCI will consolidate the AWN financials.
- In 2011 Alaska Communications reported \$68.4 million of wireless EBITDA and GCI had approximately \$60 million.

# AWN Ownership

**Initial Payment:** GCI pays Alaska Communications \$100 million on closing

**Ownership:** GCI two-thirds, Alaska Communications one-third

**Management fee:** GCI will manage the enterprise and receive 4% to 8% of FCF (prior to distributions) as a management fee.

**Preferred Payments:** Alaska Communications will receive the first \$50 million in FCF in years 1 and 2 and the first \$45 million in years 3 and 4. GCI will receive all remaining FCF in the first four years. These preferred payments in aggregate are estimated to represent a premium of ~ \$60 million over Alaska Communications' one-third ownership interest during the first four years.



# Spectrum

Anchorage Owned MHz	ACS	GCI	Total
850 - Cellular	25	-	25
1900 - PCS	10	60	70
2100 - AWS	20	-	20
	55	60	115

Note that there are differences in spectrum across the state but Anchorage is representative of the total.

# Spectrum

- Significantly improved spectrum position.
  - 850 provides better propagation - lower capex.
  - HSPA+ can be deployed in both 850 & 1900.
  - AWS provides the ability to build out LTE now rather than wait for LTE handsets in 1900.
  - AWW gains access to twice as much total spectrum.

# Synergies

## Duplicative Costs Reduced

- ▣ ~200 urban macro cells
- ▣ Switch engineering and maintenance
- ▣ Future fiber builds to the sites

## Scale

- ▣ Twice as large as Alaska Communications & GCI separately

## Estimated annual savings

- ▣ ~\$15 million per year in opex
- ▣ ~\$15 million per year in capex



# Financials

- GCI to pay Alaska Communications \$100 million at closing
- Preferential payments to Alaska Communications of ~\$60 million over their ownership percentage are part of the \$190 million of fixed payments
- GCI expects its FCF to improve by 2/3rds of the \$30 million in synergies



# Summary

- GCI will have the spectrum, scale and cost structure to more effectively compete against the two national carriers in the market. For a \$100 million investment GCI gains majority interest in a wireless network operation twice the size of its current one, charts a rapid path to LTE deployment and generates approximately \$20 million per year in additional cash flow before financing costs.