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

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2015

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	**92-0072737**
(State or other jurisdiction of incorporation or organization)	(I.R.S Employer Identification No.)
2550 Denali Street **Suite 1000** **Anchorage, Alaska**	**99503**
(Address of principal executive offices)	(Zip Code)

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

Not Applicable
Former name, former address and former fiscal year, if changed since last report

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) 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 ☐	Accelerated filer ☒
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

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

The number of shares outstanding of the registrant's classes of common stock as of July 31, 2015, was:

36,205,000 shares of Class A common stock; and
3,155,000 shares of Class B common stock.

GENERAL COMMUNICATION, INC.
FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2015

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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 annual report on Form 10-K for the year ended December 31, 2014. Those factors may cause our actual results to differ materially from any of our forward-looking statements. For these forward looking statements, we claim the protection of the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995.

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

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

(Amounts in thousands)

ASSETS		June 30, 2015	December 31, 2014
Current assets:			
Cash and cash equivalents	$	34,184	15,402
Receivables (including $0 and $27,944 from a related party at June 30, 2015 and December 31, 2014, respectively)		182,337	212,441
Less allowance for doubtful receivables		5,860	4,542
Net receivables		176,477	207,899
Deferred income taxes		83,576	56,120
Prepaid expenses		14,317	12,179
Inventories		12,260	17,032
Other current assets		3,141	153
Total current assets		323,955	308,785
Property and equipment in service, net of depreciation		999,516	1,013,242
Construction in progress		85,578	99,240
Net property and equipment		1,085,094	1,112,482
Goodwill		237,817	229,560
Cable certificates		191,635	191,635
Wireless licenses		86,347	86,347
Other intangible assets, net of amortization		64,908	66,015
Deferred loan and senior notes costs, net of amortization of $5,860 and $8,644 at June 30, 2015 and December 31, 2014, respectively		17,141	10,949
Other assets		26,970	52,725
Total other assets		624,818	637,231
Total assets	$	2,033,867	2,058,498

See accompanying condensed notes to interim consolidated financial statements.

(Continued)

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

(Amounts in thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY	June 30, 2015	December 31, 2014
Current liabilities:		
Current maturities of obligations under long-term debt and capital leases	$ 11,747	8,722
Accounts payable (including $0 and $7,447 to a related party at June 30, 2015 and December 31, 2014, respectively)	46,894	76,918
Deferred revenue	29,698	29,314
Accrued payroll and payroll related obligations	27,806	32,803
Accrued liabilities	19,307	14,457
Accrued interest	14,092	6,654
Subscriber deposits	1,493	1,212
Total current liabilities	151,037	170,080
Long-term debt, net	1,345,454	1,036,056
Obligations under capital leases, excluding current maturities	62,240	66,499
Obligation under capital lease due to related party, excluding current maturity	1,840	1,857
Deferred income taxes	202,386	187,872
Long-term deferred revenue	98,635	85,734
Other liabilities	72,467	43,178
Total liabilities	1,934,059	1,591,276
Commitments and contingencies		
Stockholders' equity:		
Common stock (no par):		
Class A. Authorized 100,000 shares; issued 36,280 and 37,998 shares at June 30, 2015 and December 31, 2014, respectively; outstanding 36,254 and 37,972 shares at June 30, 2015 and December 31, 2014, respectively	—	13,617
Class B. Authorized 10,000 shares; issued and outstanding 3,158 and 3,159 at June 30, 2015 and December 31, 2014, respectively; convertible on a share-per-share basis into Class A common stock	2,667	2,668
Less cost of 26 Class A common shares held in treasury at June 30, 2015 and December 31, 2014	(249)	(249)
Paid-in capital	(8,490)	26,773
Retained earnings	71,520	124,547
Total General Communication, Inc. stockholders' equity	65,448	167,356
Non-controlling interests	34,360	299,866
Total stockholders' equity	99,808	467,222
Total liabilities and stockholders' equity	$ 2,033,867	2,058,498

See accompanying condensed notes to interim consolidated financial statements.

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

(Amounts in thousands, except per share amounts)	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Revenues:				
Non-related party	$ 247,528	210,236	473,334	410,739
Related party	—	14,163	5,283	29,943
Total revenues	247,528	224,399	478,617	440,682
Cost of goods sold (exclusive of depreciation and amortization shown separately below):				
Non-related party	79,256	69,707	153,143	138,850
Related party	—	2,675	881	5,306
Total cost of goods sold	79,256	72,382	154,024	144,156
Selling, general and administrative expenses:				
Non-related party	83,047	68,685	166,435	139,427
Related party	—	1,132	540	2,282
Total selling, general and administrative expenses	83,047	69,817	166,975	141,709
Depreciation and amortization expense	45,171	43,786	90,406	86,138
Software impairment charge	851	—	27,268	—
Operating income	39,203	38,414	39,944	68,679
Other income (expense):				
Loss on extinguishment of debt	(27,700)	—	(27,700)	—
Interest expense (including amortization of deferred loan fees)	(22,400)	(18,170)	(43,385)	(36,381)
Impairment of equity method investment	(12,593)	—	(12,593)	—
Derivative instrument unrealized loss	(2,950)	—	(5,070)	—
Other	4,390	(1,049)	1,243	(1,146)
Other expense, net	(61,253)	(19,219)	(87,505)	(37,527)
Income (loss) before income taxes	(22,050)	19,195	(47,561)	31,152
Income tax (expense) benefit	6,293	(2,355)	13,079	(3,551)
Net income (loss)	(15,757)	16,840	(34,482)	27,601
Net income (loss) attributable to non-controlling interests	(130)	10,913	414	20,534
Net income (loss) attributable to General Communication, Inc.	$ (15,627)	5,927	(34,896)	7,067
Basic net income (loss) attributable to General Communication, Inc. common stockholders per Class A common share	$ (0.41)	0.14	(0.90)	0.17
Basic net income (loss) attributable to General Communication, Inc. common stockholders per Class B common share	$ (0.41)	0.14	(0.90)	0.17
Diluted net income (loss) attributable to General Communication, Inc. common stockholders per Class A common share	$ (0.41)	0.14	(0.90)	0.17
Diluted net income (loss) attributable to General Communication, Inc. common stockholders per Class B common share	$ (0.41)	0.14	(0.90)	0.17

See accompanying condensed notes to interim consolidated financial statements.

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2015 AND 2014
(Unaudited)

(Amounts in thousands)	Class A Common Stock	Class B Common Stock	Class A Shares Held in Treasury	Paid-in Capital	Retained Earnings	Non-controlling Interests	Total Stockholders' Equity
Balances at January 1, 2014	$ 11,467	2,673	(866)	26,880	116,990	300,210	457,354
Net income	—	—	—	—	7,067	20,534	27,601
Common stock repurchases and retirements	(536)	—	—	—	—	—	(536)
Shares issued under stock option plan	176	—	—	—	—	—	176
Issuance of restricted stock awards	1,691	—	—	(1,691)	—	—	—
Share-based compensation expense	—	—	—	3,973	—	—	3,973
Issuance of treasury shares related to deferred compensation payment	—	—	617	98	—	—	715
Distribution to non-controlling interest	—	—	—	—	—	(25,000)	(25,000)
Adjustment to investment by non-controlling interest	—	—	—	—	—	(2,131)	(2,131)
Other	3	(3)	—	—	—	100	100
Balances at June 30, 2014	$ 12,801	2,670	(249)	29,260	124,057	293,713	462,252
Balances at January 1, 2015	$ 13,617	2,668	(249)	26,773	124,547	299,866	467,222
Net income (loss)	—	—	—	—	(34,896)	414	(34,482)
Common stock repurchases and retirements	(18,808)	—	—	—	(18,131)	—	(36,939)
Shares issued under stock option plan	295	—	—	—	—	—	295
Issuance of restricted stock awards	4,895	—	—	(4,895)	—	—	—
Share-based compensation expense	—	—	—	5,329	—	—	5,329
Distribution to non-controlling interest	—	—	—	—	—	(765)	(765)
Investment by non-controlling interest	—	—	—	—	—	3,209	3,209
AWN non-controlling interest acquisition	—	—	—	(35,467)	—	(268,364)	(303,831)
Other	1	(1)	—	(230)	—	—	(230)
Balances at June 30, 2015	$ —	2,667	(249)	(8,490)	71,520	34,360	99,808

See accompanying condensed notes to interim consolidated financial statements.

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2015 AND 2014
(Unaudited)

(Amounts in thousands)

	2015	2014
Cash flows from operating activities:		
Net income (loss)	$ (34,482)	27,601
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	90,406	86,138
Loss on extinguishment of debt	27,700	—
Software impairment charge	27,268	—
Deferred income tax expense (benefit)	(13,128)	3,551
Impairment of equity method investment	12,593	—
Share-based compensation expense	5,414	3,971
Other noncash income and expense items	10,792	4,933
Change in operating assets and liabilities	12,990	12,826
Net cash provided by operating activities	139,553	139,020
Cash flows from investing activities:		
Purchase of AWN non-controlling interest and ACS wireless assets	(285,392)	—
Purchases of property and equipment	(91,964)	(80,550)
Grant proceeds	14,007	1,136
Purchase of businesses, net of cash received	(9,191)	—
Proceeds from sale of investment	7,551	—
Note receivable issued to an equity method investee	(3,000)	—
Purchases of other assets and intangible assets	(4,704)	(4,895)
Restricted cash	36	5,789
Purchase of investments	—	(21,179)
Other	188	(621)
Net cash used for investing activities	(372,469)	(100,320)
Cash flows from financing activities:		
Repayment of debt and capital lease obligations	(489,191)	(26,403)
Issuance of 2025 Notes	445,973	—
Borrowing on Amended Senior Credit Facility	295,000	50,000
Issuance of Searchlight note payable and derivative stock appreciation rights	75,000	—
Purchase of treasury stock to be retired	(36,939)	(536)
Payment of bond call premium	(20,244)	—
Payment of debt issuance costs	(13,467)	—
Distribution to non-controlling interest	(4,932)	(25,000)
Proceeds from stock option exercises	295	176
Borrowing on other long-term debt	203	421
Net cash (used for) provided by financing activities	251,698	(1,342)
Net increase in cash and cash equivalents	18,782	37,358
Cash and cash equivalents at beginning of period	15,402	44,971
Cash and cash equivalents at end of period	$ 34,184	82,329

See accompanying condensed notes to interim consolidated financial statements.

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, 2014, filed with the SEC on March 5, 2015, 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:

- Wireless telephone services and sale of wireless telephone handsets and accessories,
- Video services,
- Internet access services,
- Local and 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 services within Alaska and between Alaska and the remaining United States and foreign countries.

(b) Principles of Consolidation

Our consolidated financial statements include the consolidated accounts of GCI and its wholly owned subsidiaries, The Alaska Wireless Network, LLC ("AWN") of which we owned a two-third interest through February 2, 2015 when we purchased the remaining one-third interest, and four variable interest entities (“VIEs”) for which we are the primary beneficiary after providing certain loans and guarantees. These VIEs are Terra GCI Investment Fund, LLC (“TIF”), Terra GCI 2 Investment Fund, LLC (“TIF 2”), Terra GCI 2-USB Investment Fund, LLC (“TIF 2-USB”) and Terra GCI 3 Investment Fund, LLC (“TIF 3”). 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 Interests

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

(d) Acquisition

On February 2, 2015, we purchased Alaska Communications Systems Group, Inc.'s (“ACS”) interest in AWN ("AWN NCI Acquisition") and substantially all the assets of ACS and its affiliates related to ACS’s wireless business (“Acquired ACS Assets”) (collectively the "Wireless Acquisition"). Under the terms of the agreement, we paid ACS $293.2 million, excluding working capital adjustments and subject to possible post-closing adjustments, and agreed to terminate certain agreements related to the use of ACS network assets that were included as part of the original transaction that closed in July 2013. The Acquired ACS Assets include substantially all of ACS’s wireless subscriber assets, including subscriber contracts, and certain of ACS’s CDMA network assets, including fiber strands and associated cell site electronics and microwave facilities and associated electronics. We assumed from ACS post-closing liabilities of ACS and its affiliates under contracts assumed by us and liabilities with respect to the ownership by ACS of its equity interest in AWN to the extent accruing and related to the period after closing. All other liabilities were retained by ACS and its affiliates.

We have accounted for the AWN NCI Acquisition as the acquisition of a non-controlling interest in accordance with Accounting Standards Codification ("ASC") 810, Consolidation, and the Acquired ACS Assets as the acquisition of assets that do not constitute a business in accordance with ASC 805-50, Business Combinations - Related Issues. Total consideration transferred to ACS in the transaction consisted of the cash payment, settlement of working capital, and the fair market value of certain rights to receive future capacity as part of the Wireless Acquisition agreement. The future capacity receivable assets transferred as consideration were adjusted to fair value as of the acquisition date resulting in a gain of $1.2 million recorded in our Consolidated Statements of Operations for the six months ended June 30, 2015 . We allocated the total consideration transferred to ACS between the AWN NCI Acquisition and the Acquired ACS Assets based on the relative fair values of the assets and non-controlling interest received.

The following table summarizes the allocation of total consideration transferred to ACS between the AWN NCI Acquisition and the Acquired ACS Assets (amounts in thousands):

Total consideration transfered to ACS	$	304,838
Allocation of consideration between wireless assets and non-controlling interest acquired:		
AWN non-controlling interest	$	303,831
Property and equipment		746
Other intangible assets		261
Total consideration	$	304,838

We have accounted for the AWN NCI Acquisition as an equity transaction, with the carrying amount of the non-controlling interest adjusted to reflect the change in ownership of AWN. The difference between the fair value of consideration paid and the carrying amount of the non-controlling interest has been recognized as additional paid-in capital in our Consolidated Statement of Stockholders' Equity. The impact of the AWN NCI Acquisition is summarized in the following table (amounts in thousands):

Reduction of non-controlling interest	$	268,364
Additional paid-in capital		35,467
Fair value of consideration paid for acquisition of equity interest	$	303,831

Pursuant to the accounting guidance in ASC 805-50, we determined that the Acquired ACS Assets did not meet the criteria necessary to constitute a business combination and was therefore accounted for as an asset purchase. We recognized the assets acquired in our Consolidated Balance Sheets at their allocated cost on the day of acquisition.

In conjunction with the Wireless Acquisition, we amended certain agreements related to the right to use ACS network assets. We adjusted the related right to use asset to fair value as of the acquisition date resulting in a loss of $3.8 million recorded in our Consolidated Statements of Operations for the six months ended June 30, 2015 .

(e) Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers. This new standard provides guidance for the recognition, measurement and disclosure of revenue resulting from contracts with customers and will supersede virtually all of the current revenue recognition guidance under GAAP. The standard is effective for the first interim period within annual reporting periods beginning after December 15, 2017. The standard permits the use of either the retrospective or cumulative effect transition method. Early adoption is permitted for annual periods beginning December 15, 2016. We are currently evaluating the impact of the provisions of this new standard on our financial position and results of operations.

In February 2015, the FASB issued ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis . The update is in response to accounting complexity concerns, particularly from the asset management industry. ASU 2015-02 modifies the consolidation evaluation for reporting organizations that are required to determine whether they should consolidate certain legal entities such as limited partnerships, limited liability corporations, and securitization structures (collateralized debt obligations, collateralized loan obligations, and mortgage-backed security transactions). The ASU is effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including early adoption in an interim period. The adoption of this guidance is not expected to have a material effect on our financial position or results of operations.

In April 2015, the FASB issued ASU No. 2015-03, Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. ASU 2015-03 requires an entity to present debt issuance costs related to a recognized debt liability in the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. For public business entities, this update is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. An entity should apply the new guidance on a retrospective basis. We expect to adopt this guidance when effective, and do not expect this guidance to have a material effect on our financial position or results of operation, although it will change the financial statement classification of our debt issuance costs.

In June 2015, the FASB issued ASU No. 2015-10, Technical Corrections and Updates. The amendments in this update cover a wide range of topics in the codification and are generally categorized as follows: Amendments Related to Differences between Original Guidance and the Codification; Guidance Clarification and Reference Corrections; Simplification; and, Minor Improvements. The amendments are effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, but not required; at this time we are not early adopting. As the objectives of this standard are to clarify the codification, correct unintended application of guidance, eliminate inconsistencies, and, to improve the codification’s presentation of guidance, the adoption of this standard is not expected to have a material effect on our financial position or results of operations.

In July 2015, the FASB issued ASU 2015-11, Simplifying the Measurement of Inventory. Under ASU 2015-11, inventory will be measured at the “lower of cost and net realizable value” and options that currently exist for “market value” will be eliminated. The ASU defines net realizable value as the “estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.” No other changes were made to the current guidance on inventory measurement. The ASU is effective for interim and annual periods beginning after December 15, 2016. Early application is permitted and should be applied prospectively. We are currently evaluating the impact of the provisions of this new standard on our financial position and results of operations.

(f) Regulatory Accounting

We account for our regulated operations in accordance with the accounting principles for regulated enterprises. These accounting principles recognize 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.

(g) Earnings (Loss) per Common Share

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

We allocate undistributed earnings in periods of net income based on the contractual participation rights of Class A common shares, Class B common shares and participating securities as if the earnings for the period had been distributed. We do not allocate undistributed earnings to participating securities in periods in which we have a net loss. In accordance with our Articles of Incorporation, 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, including participating securities. Both classes of common stock have identical dividend rights and would therefore share equally in our net assets in the event of liquidation. As such, we have allocated undistributed earnings on a proportionate basis.

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

	Three Months Ended June 30,			
	2015		2014	
	Class A	Class B	Class A	Class B
Basic net income (loss) per share:				
Numerator:				
Net income (loss) available to common stockholders	$ (14,330)	(1,297)	$ 5,476	451
Less: Undistributed income allocable to participating securities	—	—	(320)	—
Undistributed income (loss) allocable to common stockholders	(14,330)	(1,297)	5,156	451
Denominator:				
Weighted average common shares outstanding	34,887	3,159	36,143	3,162
Basic net income (loss) attributable to GCI common stockholders per common share	$ (0.41)	(0.41)	$ 0.14	0.14

	Three Months Ended June 30,			
	2015		2014	
	Class A	Class B	Class A	Class B
Diluted net income per share:				
Numerator:				
Allocation of undistributed earnings (loss) for basic computation	$ (14,330)	(1,297)	$ 5,156	451
Reallocation of undistributed earnings (loss) as a result of conversion of Class B to Class A shares	(1,297)	—	451	—
Reallocation of undistributed earnings as a result of conversion of dilutive securities	—	—	2	(2)
Effect of share based compensation that may be settled in cash or shares	—	—	(5)	—
Net income (loss) adjusted for allocation of undistributed earnings and effect of contracts that may be settled in cash or shares	$ (15,627)	(1,297)	$ 5,604	449
Denominator:				
Number of shares used in basic computation	34,887	3,159	36,143	3,162
Conversion of Class B to Class A common shares outstanding	3,159	—	3,162	—
Unexercised stock options	—	—	122	—
Effect of share based compensation that may be settled in cash or shares	—	—	26	—
Number of shares used in per share computation	38,046	3,159	39,453	3,162
Diluted net income (loss) attributable to GCI common stockholders per common share	$ (0.41)	(0.41)	$ 0.14	0.14

	Six Months Ended June 30, 2015			
	2015		2014	
	Class A	Class B	Class A	Class B
Basic net income (loss) per share:				
Numerator:				
Net income (loss) available to common stockholders	$ (32,048)	(2,848)	$ 6,526	541
Less: Undistributed income allocable to participating securities	—	—	(354)	—
Undistributed income (loss) allocable to common stockholders	(32,048)	(2,848)	6,172	541
Denominator:				
Weighted average common shares outstanding	35,548	3,159	36,112	3,163
Basic net income (loss) attributable to GCI common stockholders per common share	$ (0.90)	(0.90)	$ 0.17	0.17

	Six Months Ended June 30, 2015			
	2015		2014	
	Class A	Class B	Class A	Class B
Diluted net income per share:				
Numerator:				
Allocation of undistributed earnings (loss) for basic computation	$ (32,048)	(2,848)	$ 6,172	541
Reallocation of undistributed earnings (loss) as a result of conversion of Class B to Class A shares	(2,848)	—	541	—
Reallocation of undistributed earnings as a result of conversion of dilutive securities	—	—	1	(2)
Effect of share based compensation that may be settled in cash or shares	—	—	(2)	—
Net income (loss) adjusted for allocation of undistributed earnings and effect of contracts that may be settled in cash or shares	$ (34,896)	(2,848)	$ 6,712	539
Denominator:				
Number of shares used in basic computation	35,548	3,159	36,112	3,163
Conversion of Class B to Class A common shares outstanding	3,159	—	3,163	—
Unexercised stock options	—	—	121	—
Effect of share based compensation that may be settled in cash or shares	—	—	26	—
Number of shares used in per share computation	38,707	3,159	39,422	3,163
Diluted net income (loss) attributable to GCI common stockholders per common share	$ (0.90)	(0.90)	$ 0.17	0.17

Weighted average shares associated with outstanding securities for the three and six months ended June 30, 2015 and 2014, which have been excluded from the computations of diluted EPS, because the effect of including these securities would have been anti-dilutive, consist of the following (shares, in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Derivative instruments that may be settled in cash or shares, the effect of which is anti-dilutive	612	—	486	—
Shares associated with anti-dilutive unexercised stock options	120	28	119	31
Share-based compensation that may be settled in cash or shares, the effect of which is anti-dilutive	26	—	26	—
Total excluded	758	28	631	31

(h) Common Stock

Following are the changes in issued common stock for the six months ended June 30, 2015 and 2014 (shares, in thousands):

	Class A	Class B
Balances at December 31, 2013	37,299	3,165
Class B shares converted to Class A	3	(3)
Shares issued upon stock option exercises	20	—
Share awards issued	1,187	—
Shares retired	(29)	—
Shares acquired to settle minimum statutory tax withholding requirements	(25)	—
Balances at June 30, 2014	38,455	3,162
Balances at December 31, 2014	37,998	3,159
Class B shares converted to Class A	1	(1)
Shares issued upon stock option exercises	38	—
Share awards issued	647	—
Shares retired	(2,331)	
Shares acquired to settle minimum statutory tax withholding requirements	(73)	—
Balances at June 30, 2015	36,280	3,158

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 and Retained Earnings on our Consolidated Balance Sheets.

During the three months ended June 30, 2015 , we repurchased 1.2 million shares of our Class A common stock under the stock buyback program at a cost of $19.7 million. During the six months ended June 30, 2015 , we repurchased 2.3 million shares of our Class A common stock under the stock buyback program at a cost of $35.9 million. We had no common stock repurchases during the six months ended June 30, 2014 . The stock was constructively retired as of June 30, 2015. Under this program we are currently authorized to make up to $96.6 million of repurchases as of June 30, 2015.

We expect to continue the repurchases for an indefinite period dependent on leverage, liquidity, company performance, and market conditions and subject to continued oversight by GCI's Board of Directors.

(i) Accounts Receivable and Allowance for Doubtful Receivables

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful receivables is our best estimate of the amount of probable credit losses in our existing accounts receivable. We base our estimates on the aging of our accounts receivable balances, financial health of specific customers, regional economic data, changes in our collections process, regulatory requirements and our customers' compliance with Universal Service Administrative Company rules. We review our allowance for doubtful receivables methodology at least annually.

Depending upon the type of account receivable our allowance is calculated using a pooled basis with an allowance for all accounts greater than 120 days past due or a specific identification method. When a specific identification method is used, potentially uncollectible accounts due to bankruptcy or other issues are reviewed individually for collectability. Account balances are charged off against the allowance when we believe it is probable the receivable will not be recovered. We do not have any off-balance-sheet credit exposure related to our customers.

(j) Derivative Financial Instruments

We account for our derivative instruments in accordance with ASC 815-10, Derivatives and Hedging. ASC 815-10 establishes accounting and reporting standards requiring that derivative instruments, including derivative instruments embedded in other contracts, be recorded on the balance sheet as either an asset or liability measured at its fair value. ASC 815-10 also requires that changes in the fair value of derivative instruments be recognized currently in results of operations unless specific hedge accounting criteria are met. We have not entered into any hedging activities to date. We recognize all derivative instruments as either assets or liabilities in our Consolidated Balance Sheets at their respective fair values. Our derivative instrument (as described in Note 5) includes stock appreciation rights, which have been recorded as a liability at fair value, and will be revalued at each reporting date, with changes in the fair value of the instrument included in our Consolidated Statements of Operations as Derivative Instrument Unrealized Loss.

(k) Guarantee Liabilities

We offer a device trade-in program, "Upgrade Now", which provides eligible customers a specified-price trade-in right to upgrade their device. Participating customers must have purchased a financed device using an Equipment Installment Plan ("EIP") from us and have a qualifying monthly wireless service plan with us. Upon qualifying for an Upgrade Now device trade-in, the customer's remaining EIP balance is settled provided they trade in their eligible used device in good working condition and purchase a new device from us on a new EIP.

For customers who enroll in Upgrade Now, we defer the portion of equipment sales revenue which represents the estimated value of the trade-in right guarantee. The guarantee liabilities are valued based on various economic and customer behavioral assumptions, including the customer's estimated remaining EIP balance at trade-in, the expected fair value of the used handset at trade-in and the probability and timing of a trade-in. The fair value measurements used are considered Level 3 under the Fair Value Measurements framework.

We assess facts and circumstances at each reporting date to determine if we need to adjust the guarantee liability. The recognition of subsequent adjustments to the guarantee liability as a result of these assessments are recorded as adjustments to revenue. When customers upgrade their devices, the difference between the trade-in credit to the customer and the fair value of the returned devices is recorded against the guarantee liabilities.

(l) Revenue Recognition

Wireless

We offer new and existing wireless customers the option to participate in Upgrade Now, a program that is described above in Note 1(k). Upgrade Now is a multiple-element arrangement typically consisting of the trade-in right, handset, and one month of wireless service. At the inception of the arrangement, revenue is allocated between the separate units of accounting based upon each components' relative selling price on a standalone basis. This is subject to the requirement that revenue recognized is limited to the amounts already received from the customer that are not contingent on the delivery of additional products or services to the customer in the future.

We recognize the full amount of the trade-in right’s fair value (not an allocated value) as the guarantee liability and the remaining allocable consideration is allocated to the handset and wireless service. We recognize revenue for the entire amount of the EIP receivable at the time of sale, net of the fair value of the trade-in right guarantee and imputed interest. See Note 1(k) for more information on guarantee liabilities.

Remote and Urban High Cost Support
We recorded high cost support revenue under the Universal Service Fund ("USF") program of $16.9 million and $17.0 million for the three months ended June 30, 2015 and 2014, respectively, and $34.1 million and $33.5 million for the six months ended June 30, 2015 and 2014, respectively. At June 30, 2015, we have $45.3 million in high cost support accounts receivable.

(m) 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, liability for incurred but not reported medical insurance claims, valuation allowances for deferred income tax assets, depreciable and amortizable lives of assets, the carrying value of long-lived assets including goodwill, cable certificates, wireless licenses,and broadcast licenses, the fair value of equity method investments evaluated for impairment, our effective tax rate, imputed interest rate, purchase price allocations, deferred lease expense, asset retirement obligations, the accrual of cost of goods sold (exclusive of depreciation and amortization expense), depreciation, the derivative stock appreciation rights liability, guarantee liability, and the accrual of contingencies and litigation. Actual results could differ from those estimates.

(n) Classification of Taxes Collected from Customers
We report sales, use, excise, and value added taxes assessed by a governmental authority that is directly imposed on a revenue-producing transaction between us and a customer on a net basis in our Consolidated Statements of Operations. The following are certain surcharges reported on a gross basis in our Consolidated Statements of Operations (amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Surcharges reported gross	$ 1,384	1,101	2,533	2,234

(o) Reclassifications
Reclassifications have been made to the 2014 financial statements to make them comparable with the 2015 presentation.

(2) Consolidated Statements of Cash Flows Supplemental Disclosures

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

Six Months Ended June 30,		2015	2014
Decrease in accounts receivable, net	$	22,410	24,693
Increase in prepaid expenses		(2,069)	(5,084)
Decrease in inventories		4,772	2,024
Decrease in other current assets		12	75
Increase in other assets		(7,035)	(344)
Decrease in accounts payable		(7,997)	(6,821)
Increase (decrease) in deferred revenues		(2,687)	3,360
Decrease in accrued payroll and payroll related obligations		(5,155)	(4,359)
Increase in accrued liabilities		4,604	1,452
Increase (decrease) in accrued interest		7,438	(384)
Decrease in subscriber deposits		(197)	(188)
Decrease in long-term deferred revenue		(980)	(2,345)
Increase (decrease) in components of other long-term liabilities		(126)	747
Total change in operating assets and liabilities	$	12,990	12,826

The following item is for the six months ended June 30, 2015 and 2014 (amounts in thousands):

Net cash paid or received:		2015	2014
Interest paid including capitalized interest	$	35,056	37,658

The following items are non-cash investing and financing activities for the six months ended June 30, 2015 and 2014 (amounts in thousands):

		2015	2014
Non-cash consideration for Wireless Acquisition	$	19,446	—
Non-cash additions for purchases of property and equipment	$	15,996	25,114
Asset retirement obligation additions to property and equipment	$	1,735	361
Net capital lease obligation	$	—	9,386
Distribution to non-controlling interest	$	—	4,167
Deferred compensation distribution denominated in shares	$	—	617

(3) Intangible Assets and Goodwill

Goodwill increased $8.3 million during the six months ended June 30, 2015 as a result of business combinations.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Amortization expense	$ 2,555	2,189	$ 5,218	$ 4,600

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,		
2015	$	10,221
2016	$	8,336
2017	$	6,035
2018	$	4,200
2019	$	3,191

(4) Long-Term Debt

Amended Senior Credit Facility

On February 2, 2015, GCI Holdings, Inc. ("Holdings"), our wholly owned subsidiary, entered into a Fourth Amended and Restated Credit and Guarantee Agreement with MUFG Union Bank, N.A., Suntrust Bank, Bank of America, N.A., as documentation agent, and Credit Agricole Corporate and Investment Bank, as administrative agent ("Amended Senior Credit Facility"). The Amended Senior Credit Facility added a $275.0 million Term B loan to the existing Senior Credit Facility described in Note 6(c) of our December 31, 2014 annual report on Form 10-K. The interest rate under the Term B loan is London Interbank Offered Rate ("LIBOR") plus 3.75%, with a 1% LIBOR floor. The Term B loan requires principal payments of 0.25% of the original principal amount on the last day of each calendar quarter beginning June 30, 2015 with the full amount maturing on February 2, 2022 or December 3, 2020 if our Senior Notes due 2021 are not refinanced prior to such date. The interest rate, maturity, and other terms of the existing Senior Credit Facility as described in Note 6(c) of our December 31, 2014 annual report on Form 10-K did not change as a result of this amendment.

In connection with the Amended Senior Credit Facility, we paid loan fees and other expenses of $5.9 million that were deferred and are being amortized over the life of the Amended Senior Credit Facility.

Searchlight Note

On February 2, 2015, we sold an unsecured promissory note to an affiliate of Searchlight Capital, L.P. ("Searchlight") in the principal amount of $75.0 million at an issue price of 100% that will mature on February 2, 2023 and bears interest at a rate of 7.5% per year ("Searchlight Note"). We may not prepay the Searchlight Note prior to February 2, 2019.

In conjunction with the Searchlight Note, we entered into a stock appreciation rights agreement pursuant to which we issued to Searchlight three million stock appreciation rights which entitles Searchlight to receive, upon exercise, an amount payable at our election in either cash or shares of GCI's Class A common stock equal in value to the excess of the fair market value of a share of GCI Class A common stock on the date of exercise over the price of $13.00. We allocated the $75.0 million in total proceeds received to the stock appreciation rights based on the fair value of the stock appreciation rights on the day of issuance with the remainder allocated to the Searchlight Note. The allocation resulted in a $21.7 million discount for the Searchlight Note that will be amortized over the term of the note using the effective interest method. Please see note 5 for additional information on the stock appreciation rights.

We have the option to pay the annual interest obligation on the Searchlight Note in cash or by capitalizing such interest and adding it to the outstanding principal amount of the note. If we elect to capitalize interest in a given year, we are also required to issue additional stock appreciation rights in the amount of four hundredths of a stock appreciation right for each dollar of interest being capitalized.

Senior Notes
On April 1, 2015 ("Closing Date"), GCI, Inc. our wholly owned subsidiary, completed an offering of $450.0 million in aggregate principal amount of 6.875% Senior Notes due 2025 ("2025 Notes") at an issue price of 99.105%. We used the net proceeds from this offering to repay and retire all $425.0 million of our outstanding senior unsecured notes due 2019 ("2019 Notes").

At any time before April 15, 2020, the 2025 Notes are redeemable at our option, in whole or in part, on not less than thirty nor more than sixty days' notice, at a redemption price equal to 100% of the principal amount of the 2025 Notes, plus a premium calculated as defined in the 2025 Notes agreement, and accrued and unpaid interest (if any) to the date of redemption.

At any time on or after April 15, 2020, the 2025 Notes are redeemable at our option, in whole or in part, on not less than thirty nor more than sixty days' notice, at the following redemption prices (expressed as percentages of principal amount), plus accrued and unpaid interest (if any) to the date of redemption:

If redeemed during the twelve month period commencing April 15 of the year indicated:	Redemption Price
2020	103.438 %
2021	102.292 %
2022	101.146 %
2023 and thereafter	100.000 %

The 2025 Notes mature on April 15, 2025. Semi-annual interest payments are payable on April 15 and October 15, beginning on October 15, 2015.

The 2025 Notes were issued pursuant to an Indenture, dated as of April 1, 2015, between us and MUFG Union Bank, N.A., as trustee.

We are not required to make mandatory sinking fund payments with respect to the 2025 Notes.

Upon the occurrence of a change of control, each holder of the 2025 Notes will have the right to require us to purchase all or any part of such holder's 2025 Notes at a purchase price equal to 101% of the principal amount of such 2019 Notes, plus accrued and unpaid interest on such 2025 Notes, if any. If we or certain of our subsidiaries engage in asset sales, we must generally either invest the net cash proceeds from such sales in our business within a period of time, prepay debt under any outstanding credit facility, or make an offer to purchase a principal amount of the 2025 Notes equal to the excess net cash proceeds, with the purchase price equal to 100% of their principal amount, plus accrued and unpaid interest, if any.

The 2025 Notes are senior unsecured obligations which rank equally in right of payment with our existing and future senior unsecured debt, including our 6.75% Senior Notes due 2021, and senior in right of payment to all future subordinated indebtedness.

The covenants in the indenture restrict GCI, Inc. and certain of its subsidiaries from incurring additional debt or entering into sale and leaseback transactions; paying dividends or distributions on capital stock or repurchase capital stock; issuing stock of subsidiaries; making certain investments; creating liens on assets to secure debt; entering into transactions with affiliates; merging or consolidating with another company; and transferring and selling assets. These covenants are subject to a number of limitations and exceptions, as further described in the 2025 Notes agreement.

We paid closing costs totaling $7.9 million in connection with the offering, which were recorded as deferred loan costs and are being amortized over the term of the 2025 Notes. We recorded a $27.7 million loss on extinguishment of debt in our Consolidated Statements of Operations for the three and six months ended June 30, 2015. Included in the loss was $20.2 million in call premium payments to redeem our 2019 Notes, $5.4 million in unamortized 2019 Notes deferred loan costs, and $2.1 million for the unamortized portion of the 2019 Notes original issue discount.

(5) Fair Value Measurements and Derivative Instruments

Recurring Fair Value Measurements

Assets and liabilities measured at fair value on a recurring basis as of June 30, 2015 and December 31, 2014 are as follows (amounts in thousands):

June 30, 2015		Level 1 [(1)]	Level 2 [(2)]	Level 3 [(3)]	Total
Assets:					
Deferred compensation plan assets (mutual funds)	$	1,876	—	—	1,876
Liabilities:					
Derivative stock appreciation rights	$	—	—	26,730	26,730

December 31, 2014		Level 1 [(1)]	Level 2 [(2)]	Level 3 [(3)]	Total
Assets:					
Deferred compensation plan assets (mutual funds)	$	2,068	—	—	2,068

[(1)] Quoted prices in active markets for identical assets or liabilities

[(2)] Observable inputs other than quoted prices in active markets for identical assets and liabilities

[(3)] Inputs that are generally unobservable and not corroborated by market data

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

The fair value of our derivative stock appreciation rights was determined using a lattice-based valuation model (see the section "Derivative Financial Instruments" below for more information).

Current and Long-Term Debt

The carrying amounts and approximate fair values of our current and long-term debt, excluding capital leases, at June 30, 2015 and December 31, 2014 are as follows (amounts in thousands):

	June 30, 2015			December 31, 2014	
	Carrying Amount		Fair Value	Carrying Amount	Fair Value
Current and long-term debt	$	1,348,803	1,383,920	1,036,678	1,055,952

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

- The fair values of the 6.75% Senior Notes due 2021 and the 6.875% Senior Notes due 2025 both issued by GCI, Inc., our wholly owned subsidiary, are based upon quoted market prices for the same or similar issues (Level 2).
- The fair value of our Searchlight Note Payable is based on the current rates offered to us for similar remaining maturities plus an additional premium to reflect its subordination to our 2021 and 2025 Notes (Level 3). `
- The fair value of our Amended Senior Credit Facility and Wells Fargo note payable are estimated to approximate their carrying value because the instruments are subject to variable interest rates (Level 2).

Derivative Financial Instruments
In connection with the $75.0 million unsecured promissory note issued to Searchlight on February 2, 2015, we entered into a stock appreciation rights agreement pursuant to which we issued to Searchlight three million stock appreciation rights. Each stock appreciation right entitles Searchlight to receive, upon exercise, an amount payable at our election in either cash or shares of GCI's Class A common stock equal in value to the excess of the fair market value of a share of GCI Class A common stock on the date of exercise over the price of $13.00. The instruments are exercisable on the fourth anniversary of the grant date and will expire eight years from the date of grant. We have determined that the stock appreciation rights are required to be separately accounted for as derivative instruments and subject to fair value liability accounting under ASC 815-10.

We use a lattice based valuation model to value the stock appreciation rights liability at each reporting date. The model incorporates transaction details such as our stock price, instrument term and settlement provisions, as well as highly complex and subjective assumptions about volatility, risk-free interest rates, issuer behavior and holder behavior. The lattice model uses highly subjective assumptions and the use of other reasonable assumptions could provide different results.

We revalue our derivative liability at each reporting period and recognize gains or losses in our Consolidated Statements of Operations attributable to the change in the fair value of the instruments. The stock appreciation rights liability is included within Other Liabilities on our Consolidated Balance Sheets and are classified as Level 3 within the fair value hierarchy.

The following table summarizes the changes in fair value of all financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the six months ended June 30, 2015:

Fair Value Measurement Using Level 3 Inputs

	Derivative Stock Appreciation Rights
Balance, January 1, 2015	$ —
Issuance	21,660
Fair value adjustment at end of period, included in Other Income (Expense)	5,070
Balance, June 30, 2015	$ 26,730

(6) Stockholders' Equity

Share-based Compensation
Our Amended and Restated 1986 Stock Option Plan ("Stock Option Plan"), provides for the grant of options and restricted stock awards (collectively "award") for a maximum of 15.7 million shares of GCI Class A common stock, subject to adjustment upon the occurrence of stock dividends, stock splits, mergers, consolidations or certain other changes in corporate structure or capitalization. If an award expires or terminates, the shares subject to the award will be available for further grants of awards under the Stock Option Plan. The Compensation Committee of GCI's Board of Directors administers the Stock Option Plan. Substantially all restricted stock awards granted vest over periods of up to three years. Substantially all options vest in equal installments over a period of five years and expire ten years from the date of grant. The requisite service period of our awards is generally the same as the vesting period. Options granted pursuant to the Stock Option Plan are only exercisable if at the time of exercise the option holder is our employee, non-employee director, or a consultant or advisor working on our behalf. New shares are issued when stock option agreements are exercised or restricted stock awards are granted. We have not issued any new options since 2010 when we transitioned to issuing restricted stock awards. We have 1.8 million shares available for grant under the Stock Option Plan at June 30, 2015.

A summary of option activity under the Stock Option Plan as of June 30, 2015 and changes during the period then ended is presented below:

	Shares (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2015	308	$ 6.86		
Exercised	(38)	$ 7.77		
Expired	(2)	$ 7.63		
Outstanding at June 30, 2015	268	$ 6.73	3.7 years	$ 2,762
Exercisable at June 30, 2015	268	$ 6.73	3.7 years	$ 2,762

A summary of nonvested restricted stock award activity under the Stock Option Plan as of June 30, 2015 and changes during the period then ended is presented below:

	Shares (in thousands)	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2015	1,744	$ 9.11
Granted	647	$ 14.70
Vested	(329)	$ 10.26
Forfeited	(6)	$ 12.53
Nonvested at June 30, 2015	2,056	

The weighted average grant date fair value of awards granted during the six months ended June 30, 2015 and 2014, were $14.70 and $9.89, respectively. We have recorded share-based compensation expense of $5.3 million and $4.0 million for the six months ended June 30, 2015 and 2014, respectively. Share-based compensation expense is classified as Selling, General and Administrative Expense in our Consolidated Statements of Operations. Unrecognized share-based compensation expense was $13.1 million relating to 2.1 million restricted stock awards as of June 30, 2015. We expect to recognize share-based compensation expense over a weighted average period of 1.8 years for restricted stock awards.

(7) Segments

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

A description of our reportable segments follows:

Wireless - We offer wholesale wireless services.

Wireline - We offer a full range of retail wireless, data, video and voice services to residential customers, businesses, governmental entities and educational institutions; wholesale data and voice services to common carrier customers; Internet, data network and managed services to rural schools and health organizations and regulated voice services to residential and commercial customers in rural communities primarily in Southwest Alaska.

We evaluate performance and allocate resources based on earnings before net interest expense, income taxes, depreciation and amortization expense, loss on extinguishment of debt, software impairment charge, derivative instrument unrealized loss, share-based compensation expense, accretion expense, loss attributable to non-controlling interest resulting from New Markets Tax Credit ("NMTC") transactions, gains and impairment losses on equity and cost method investments, and other non-cash adjustments, plus imputed interest on financed devices (“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. We have no intersegment sales.

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

Summarized financial information for our reportable segments for the three and six months ended June 30, 2015 and 2014 follows (amounts in thousands):

	Three Months Ended			Six Months Ended		
	Wireless	Wireline	Total Reportable Segments	Wireless	Wireline	Total Reportable Segments
June 30, 2015						
Revenues	$ 67,940	179,588	247,528	$ 127,144	351,473	478,617
Adjusted EBITDA	$ 45,727	42,274	88,001	$ 83,114	80,190	163,304
June 30, 2014						
Revenues	$ 69,397	155,002	224,399	$ 131,914	308,768	440,682
Adjusted EBITDA	$ 40,174	44,297	84,471	$ 78,196	81,072	159,268

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

	Three Months Ended June 30,		Six Months Ended June 30, 2015	
	2015	2014	2015	2014
Reportable segment Adjusted EBITDA	$ 88,001	84,471	$ 163,304	159,268
Less depreciation and amortization expense	(45,171)	(43,786)	(90,406)	(86,138)
Less software impairment charge	(851)	—	(27,268)	—
Less share-based compensation expense	(2,613)	(2,193)	(5,414)	(3,971)
Less accretion expense	(351)	(301)	(801)	(602)
Other	188	223	529	122
Consolidated operating income	39,203	38,414	39,944	68,679
Less other expense, net	(61,253)	(19,219)	(87,505)	(37,527)
Consolidated income (loss) before income tax expense	$ (22,050)	19,195	(47,561)	31,152

(8) Related Party Transaction

ACS was a related party for financial statement reporting purposes through the date of the Wireless Acquisition on February 2, 2015. Included in our related party disclosures were ACS' provision to us of local service lines and network capacity in locations where we do not have our own facilities, our provision to ACS of wholesale wireless services for their use of our network to sell services to their respective retail customers, and our receipt of ACS' high cost support from USF for its wireless customers. For the period January 1, 2015 to February 2, 2015, we paid ACS $6.2 million and received $8.1 million in payments from ACS. For the six months ended

June 30, 2014, we paid $32.7 million and received $20.1 million in payments from ACS. We also have long term capacity exchange agreements with ACS for which no money is exchanged.

(9) Variable Interest Entities

New Markets Tax Credit Entities
We have entered into several arrangements under the NMTC program with US Bancorp to help fund a $59.3 million project that extended terrestrial broadband service for the first time to rural Northwestern Alaska communities via a high capacity hybrid fiber optic and microwave network ("TERRA-NW"). 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.

On August 30, 2011, we entered into the first arrangement ("NMTC #1"). In connection with the NMTC #1 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. 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 our wholly owned subsidiary, Unicom, as partial financing for TERRA-NW.

On October 3, 2012, we entered into the second arrangement ("NMTC #2"). In connection with the NMTC #2 transaction we loaned $37.7 million to TIF 2 and TIF 2-USB, special purpose entities created to effect the financing arrangement, at 1% interest due October 2, 2042. Simultaneously, US Bancorp invested $17.5 million in TIF 2 and TIF 2-USB. TIF 2 and TIF 2-USB then contributed US Bancorp's contributions and the loan proceeds to certain CDEs. The CDEs, in turn, loaned the $55.2 million in funds less payment of placement fees, at interest rates varying from 0.7099% to 0.7693%, to Unicom, as partial financing for TERRA-NW.

On December 11, 2012, we entered into the third arrangement ("NMTC #3"). In connection with the NMTC #3 transaction we loaned $8.2 million to TIF 3, a special purpose entity created to effect the financing arrangement, at 1% interest due December 10, 2042. Simultaneously, US Bancorp invested $3.8 million in TIF 3. TIF 3 then contributed US Bancorp's contributions and the loan proceeds to a CDE. The CDE, in turn, loaned the $12.0 million in funds less payment of placement fees, at an interest rate of 1.35%, to Unicom, as partial financing for TERRA-NW.

US Bancorp is the sole investor in TIF, TIF 2, TIF 2-USB and TIF 3, and as such, is entitled to substantially all of the benefits derived from the NMTCs. All of the loan proceeds to Unicom net of syndication and arrangement fees, were restricted for use on TERRA-NW. We completed construction of TERRA-NW and placed the final phase into service in 2014.

These transactions include put/call provisions whereby we may be obligated or entitled to repurchase US Bancorp's interests in TIF, TIF 2, TIF 2-USB and/or TIF 3. We believe that US Bancorp will exercise the put options in August 2018, October 2019 and December 2019, at the end of the compliance periods for NMTC #1, NMTC #2 and NMTC #3, respectively. The NMTCs are 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 arrangements. Non-compliance with applicable requirements could result in projected tax benefits not being realized by US Bancorp. We have agreed to indemnify 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 June 30, 2015. The value attributed to the puts/calls is nominal.

We have determined that TIF, TIF 2, TIF 2-USB and TIF 3 are VIEs. The consolidated financial statement of TIF, TIF 2, TIF 2-USB and TIF 3 include the CDEs discussed above. The ongoing activities of the VIEs – 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 VIEs. 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 VIEs. We concluded that we are the primary beneficiary of each and consolidated the VIEs in accordance with the accounting standard for consolidation.

US Bancorp's contributions, net of syndication fees and other direct costs incurred in structuring the NMTC arrangements, are included in Non-controlling Interests on the Consolidated Balance Sheets. Incremental costs to maintain the structure during the compliance period are recognized as incurred to selling, general and administrative expense.

The assets and liabilities of our consolidated VIEs were $140.9 million and $104.2 million, respectively, as of June 30, 2015 and December 31, 2014.

Equity Method Investment

We own a 40.8% interest in a next generation carrier-class communications services firm. We account for our investment using the equity method. Due to declining economic conditions in the sector that it operates, additional financing was needed for the company to maintain its business plan. In March 2015, the existing owners provided financial support in the form of a loan of which our portion is $3.0 million. We determined that the additional financing provided to the company was a reconsideration event under ASC 810 and have subsequently determined that the entity is a VIE due to insufficient equity to finance its operations as a result of the decline in economic conditions.

We concluded that the company's board has the power to direct the significant activities of the entity. The board is comprised of five members of which we may choose two of the board members. As we do not control the board, we concluded that we do not have the power to direct the significant activities of the entity and are not the primary beneficiary. Our maximum exposure to loss related to the VIE is the combination of the investment and note receivable. We do not have a contractual obligation to provide additional financing.

During the second quarter of 2015, it became apparent that we would not recover the carrying value of our investment. We determined that the fair value of the equity investment was $0 and subsequently wrote-off the entire value of our investment resulting in an impairment loss of $12.6 million for the three and six months ended June 30, 2015 that is recorded in Other Income (Expense) on our Consolidated Statements of Operations. The fair value determination was based upon market information obtained during the second quarter of 2015, the estimated liquidation value of the entity's assets and the amount of senior secured debt at the valuation date.

We have a note receivable with the entity of $3.0 million that is recorded in Other Current Assets on our Consolidated Balance Sheets as of June 30, 2015. The fair value determination described above indicated that the full value of the note receivable is recoverable and we have not recorded an impairment loss related to the note receivable as of June 30, 2015. We will continue to monitor the entity's financial performance and record an impairment to the note receivable if it becomes apparent that the full value is no longer recoverable.

(10) Software

Impairment

During the years ended December 31, 2013 and 2014, we internally developed computer software in our Wireline segment to replace our wireless, Internet, video, local service, and long distance customer billing systems. During the first quarter of 2015, we completed a detailed assessment of our progress to date and determined it is no longer probable that the computer software being developed will be completed and placed in service. Our assessment concluded that the cost of continuing the development will be much higher than originally estimated, and the timing and scope risks are substantial. We are searching for an established packaged customer billing solution and expect to identify a replacement in the third quarter of 2015. We identified development work, hardware, and software recorded as Construction in Progress through June 30, 2015, that may be applicable to our replacement customer billing solution, future internally developed software, and other system needs and therefore should remain capital assets. We consider the remaining capital expenditures for this billing system to have a fair value of $0 and have taken an impairment charge of $0.9 million and $20.7 million during the three and six months ended June 30, 2015, by recording an expense which is included in Software Impairment Charge on our Consolidated Statements of Operations.

During the six months ended June 30, 2015 , we reassessed our plans for our internally developed machine-to-machine billing system in our Wireline segment, and decided to no longer market this system to third parties. Accordingly we recognized an impairment of $6.6 million during the six months ended June 30, 2015, by recording an expense which is included in Software Impairment Charge on our Consolidated Statements of Operations.

(11) Subsequent Events

On August 3, 2015, our wholly owned subsidiary, GCI Holdings, Inc., entered into the First Amendment (the “Amendment”) to the Amended Senior Credit Facility. Under the Amendment, GCI Holdings, Inc. incurred refinancing term loans in an aggregate principal amount of $274.3 million (the “New Term B Loans”) and used the proceeds of the New Term B Loans to repay $274.3 million of Term B Loans that were outstanding under the Amended Credit Facility, which constituted all of such outstanding Term B Loans. The interest rate under the New Term B Loans is LIBOR plus 3.25%, with a .75% LIBOR floor, a reduction of .50% to the Applicable Margin for the Term B Loans. The New Term B Loans mature on February 2, 2022 or December 3, 2020 if the 6.75% Senior Notes due 2021 of GCI, Inc. are not refinanced prior to such date.

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 interim 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 Universal Service Fund ("USF") high cost Remote area program support, share-based compensation, inventory at lower of cost or market, reserve for future customer credits, liability for incurred but not reported medical insurance claims, valuation allowances for deferred income tax assets, depreciable and amortizable lives of assets, the carrying value of long-lived assets including goodwill, cable certificates, wireless licenses, and broadcast licenses,the fair value of equity method investments evaluated for impairment, our effective tax rate, imputed interest rate, purchase price allocations, deferred lease expense, asset retirement obligations, the accrual of cost of goods sold (exclusive of depreciation and amortization expense) ("Cost of Goods Sold"), depreciation, the derivative stock appreciation rights liability, guarantee liability, and accrual of 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 and regular 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.

Our revenue is impacted by the strength of the Alaska economy. The Alaska economy is affected by certain economic factors including activity in the oil and gas industry, tourism, government spending, and military personnel stationed in Alaska. Additionally, the health of the national economy can impact our revenue.

On February 2, 2015, we purchased Alaska Communications Systems Group, Inc.'s ("ACS") interest in The Alaska Wireless Network, LLC ("AWN") and substantially all the assets of ACS and its affiliates related to ACS's wireless business ("Acquired ACS Assets") (collectively the "Wireless Acquisition"). Under the terms of the agreement, we transfered to ACS a cash payment of $293.2 million, subject to possible post-closing adjustments, and agreed to terminate or amend certain agreements related to the use of ACS network assets that were included as part of the original transaction that closed in July 2013. The Acquired ACS Assets include substantially all of ACS's wireless subscriber assets, including subscriber contracts, and certain of ACS's CDMA network assets, including fiber strands and associated cell site electronics and microwave facilities and associated electronics. We did not acquire certain excluded assets specified in the agreement. We assumed from ACS post-closing liabilities of ACS and its affiliates under contracts assumed by us and liabilities with respect to the ownership by ACS of its equity interest in AWN to the extent accruing and related to the period after closing. All other liabilities were retained by ACS and its affiliates.

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 thousand):

	Three Months Ended June 30,		Percentage Change[1] 2015	Six Months Ended June 30,		Percentage Change[1] 2015
	2015	2014	vs. 2014	2015	2014	vs. 2014
Statements of Operations Data:						
Revenues:						
Wireless segment	27%	31%	(2)%	27%	30%	(4)%
Wireline segment	73%	69%	16%	73%	70%	14%
Total revenues	100%	100%	10%	100%	100%	9%
Selling, general and administrative expenses	34%	31%	19%	35%	32%	18%
Depreciation and amortization expense	18%	20%	3%	19%	20%	5%
Software impairment charge	—%	—%	---%	6%	—%	100%
Operating income	16%	17%	2%	8%	16%	(42)%
Other expense, net	25%	9%	219%	18%	9%	133%
Income (loss) before income taxes	(9)%	9%	(215)%	(10)%	7%	(253)%
Net income (loss)	(6)%	8%	(194)%	(7)%	6%	(225)%
Net income attributable to the non-controlling interests	—%	5%	(101)%	—%	5%	(98)%
Net income (loss) attributable to GCI	(6)%	3%	(364)%	(7)%	2%	(594)%

[1]Percentage change in underlying data

We evaluate performance and allocate resources based on earnings before depreciation and amortization expense, net interest expense, income taxes, share-based compensation expense, accretion expense, plus loss on extinguishment of debt, plus software impairment charge, plus derivative instrument unrealized loss, plus imputed interest on financed devices, plus loss attributable to non-controlling interest resulting from New Markets Tax Credit transactions, gains and impairment losses on equity and cost method investments, and other non-cash adjustments ("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 expense, net interest expense and income taxes ("EBITDA") are used to estimate current or prospective enterprise value. See Note 7 in the accompanying "Condensed Notes to Interim Consolidated Financial Statements" included in Part I of this quarterly report on Form 10-Q for a reconciliation of consolidated Adjusted EBITDA, a non-GAAP financial measure, to consolidated income (loss) before income taxes.

Overview of Revenues and Cost of Goods Sold
Total revenues increased 10% from $224.4 million in the three months ended June 30, 2014 to $247.5 million in the same period in 2015. Total revenues increased 9% from $440.7 million in the six months ended June 30, 2014 to $478.6 million in the same period in 2015. Revenue increased in our Wireline segment and decreased in our Wireless segment for the three months and six months ended June 30, 2015 compared to the same periods in 2014. See the discussion below for more information by segment.

Total Cost of Goods Sold increased 9% from $72.4 million in the three months ended June 30, 2014 to $79.3 million in the same period in 2015. Total Cost of Goods Sold increased 6.8% from $144.2 million in the six months ended June 30, 2014 to $154.0 million in the same period in 2015. Cost of Goods Sold decreased in our Wireless segment and increased in our Wireline segment for the three and six months ended June 30, 2015 compared to the same periods in 2014. See the discussion below for more information by segment.

Wireless Segment Overview
Wireless segment revenue, Cost of Goods Sold, and Adjusted EBITDA for the three and six months ended June 30, 2015 and 2014 are as follows (amounts in thousands):

	Three Months Ended June 30,		Percentage	Six Months Ended June 30, 2015		Percentage
	2015	2014	Change	2015	2014	Change
Revenue	$ 67,940	69,397	(2)%	127,144	131,914	(4)%
Cost of Goods Sold	$ 18,335	23,500	(22)%	35,866	42,213	(15)%
Adjusted EBITDA	$ 45,727	40,174	14 %	83,114	78,196	6 %

Wireless Segment Revenues
The decrease in revenue is primarily due to a $7.4 million and $12.0 million decrease in plan fee revenue for the three and six months ended June 30, 2015 when compared to the same periods in 2014, respectively, primarily due to our transition to a fixed percentage allocation of plan fee revenue from the Wireline segment following the February 2, 2015 close of the Wireless Acquisition.

The decrease is partially offset by the following:

- A $4.4 million and $2.8 million increase in roaming revenue for the three and six months ended June 30, 2015 when compared to the same periods in 2014, respectively, primarily due to increased traffic from our roaming partners and
- A $2.8 million and $4.8 million decrease in the wireless handset cash incentives to ACS for the three and six months ended June 30, 2015 when compared to the same periods in 2014, respectively, for the sale of wireless handsets to their retail customers prior to the February 2, 2015 close of the Wireless Acquisition.

Wireless Segment Cost of Goods Sold
The decrease in Cost of Goods Sold is primarily due to the following:

- A $1.1 million and $3.3 million decrease in distribution and capacity costs for the three and six months ended June 30, 2015 when compared to the same periods in 2014, respectively, primarily because we were able to extend an agreement with a customer which resulted in the resolution of certain issues and the release of the related reserve and reduction of long distance traffic used by our wireless customers,
- A $3.7 million and $5.6 million decrease in roaming costs for the three and six months ended June 30, 2015 when compared to the same periods in 2014, respectively, primarily due to better management of permanent roaming customers, and
- A $1.9 million decrease in wireless equipment costs for the three months ended June 30, 2015 when compared to the same period in 2014. During the three months ended June 30, 2014, the Wireless segment gave a wireless equipment subsidy to the Wireline segment in accordance with the AWN agreements. Following the close of the Wireless Acquisition this subsidy was discontinued but the Wireless segment started recording a portion of the wireless equipment costs to encourage the Wireline segment to transition customers from our CDMA network to our GSM network which partially offset the decrease due to the discontinuation of the subsidy.

The decreases above are partially offset by a $1.3 million and $2.0 million increase in network maintenance costs for the three and six months ended June 30, 2015 when compared to the same periods in 2014, respectively.

Wireless Segment Adjusted EBITDA
The increase in Adjusted EBITDA for the three and six months ended June 30, 2015 when compared to the same periods in 2014 is primarily due to decreased Cost of Goods Sold as described above in “Wireless Segment Cost of Goods Sold” and in selling, general and administrative expenses. This increase was partially offset by decreased Revenues as described above in “Wireless Segment Revenues.”

Wireline Segment Overview
Our Wireline segment offers services and products under three major customer groups as follows:

Wireline Segment Services and Products	Customer Group: Consumer	Customer Group: Business Services	Customer Group: Managed Broadband
Retail wireless	X	X	
Data:			
Internet	X	X	X
Data networks		X	X
Managed services		X	X
Video	X	X	
Voice:			
Long-distance	X	X	X
Local access	X	X	X

- Consumer – we offer a full range of retail wireless, data, video and voice services to residential customers.
- Business Services - we offer a full range of retail wireless, data, video and voice services to businesses, governmental entities, educational institutions and wholesale data and voice services to common carrier customers.
- Managed Broadband – we offer Internet, data network and managed services to rural schools and health organizations and regulated voice services to residential and commercial customers in rural communities primarily in Southwest Alaska.

The components of Wireline segment revenue for the three and six months ended June 30, 2015 and 2014 are as follows (amounts in thousands):

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Percentage Change	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014	Percentage Change
Consumer						
Wireless	$ 20,705	6,360	226 %	37,115	13,851	168 %
Data	32,034	27,313	17 %	63,306	54,257	17 %
Video	28,921	26,871	8 %	58,146	54,120	7 %
Voice	7,729	8,279	(7)%	15,530	16,724	(7)%
Business Services						
Wireless	2,247	789	185 %	4,041	1,534	163 %
Data	35,485	35,554	— %	71,783	70,394	2 %
Video	4,621	7,607	(39)%	9,035	12,759	(29)%
Voice	10,480	11,359	(8)%	21,186	23,100	(8)%
Managed Broadband						
Data	31,376	25,608	23 %	60,252	51,437	17 %
Voice	5,990	5,262	14 %	11,079	10,592	5 %
Total Wireline segment revenue	$ 179,588	155,002	16 %	351,473	308,768	14 %

Wireline segment Cost of Goods Sold and Adjusted EBITDA for the three and six months ended June 30, 2015 and 2014 are as follows (amounts in thousands):

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Percentage Change	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014	Percentage Change
Wireline segment Cost of Goods Sold	$ 60,921	48,882	25 %	118,158	101,943	16 %
Wireline segment Adjusted EBITDA	$ 42,274	44,297	(5)%	80,190	81,072	(1)%

Selected key performance indicators for our Wireline segment follow:

	June 30, 2015	June 30, 2014	Percentage Change
Consumer			
Data:			
Cable modem subscribers[1]	122,300	115,600	6 %
Video:			
Basic subscribers[2]	112,900	116,300	(3)%
Digital programming tier subscribers[3]	60,000	65,200	(8)%
HD/DVR converter boxes[4]	108,300	103,400	5 %
Homes passed	249,600	248,000	1 %
Video ARPU - quarter-to-date[5]	$ 84.60	$ 76.49	11 %
Video ARPU - year-to-date[6]	$ 84.48	$ 76.78	10 %
Voice:			
Total local access lines in service[7]	52,000	57,700	(10)%
Business Services			
Data:			
Cable modem subscribers[1]	14,400	14,200	1 %
Voice:			
Total local access lines in service[7]	47,200	48,200	(2)%
Combined Consumer and Business Services			
Wireless			
Consumer Lifeline wireless lines in service[8]	28,400	28,200	1 %
Consumer prepaid wireless lines in service[9]	26,700	10,000	167 %
Consumer postpaid wireless lines in service[10]	151,800	89,100	70 %
Business Services postpaid wireless lines in service[10]	29,200	18,500	58 %
Total wireless lines in service	236,100	145,800	62 %
Wireless ARPU - quarter-to-date[11]	$ 47.26	$ 48.89	(3)%
Wireless ARPU - year-to-date[12]	$ 47.75	$ 49.46	(3)%
Cable Modem ARPU - quarter-to-date[13]	$ 83.93	$ 76.69	9 %
Cable Modem ARPU - year-to-date[14]	$ 83.93	$ 76.20	10 %

[1] 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.

[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] Applicable average monthly video revenues divided by the average number of basic subscribers at the beginning and end of each month in the period ("Video ARPU") for the three months ended June 30, 2015 and 2014.

[6] Video ARPU for the six months ended June 30, 2015 and 2014.

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

[8] A Lifeline wireless line in service is defined as a revenue generating wireless device that is eligible for Lifeline support. The Universal Service Fund's Lifeline program is administered by the Universal Service Administrative Company and is designed to ensure that quality telecommunications services are available to low-income customers at affordable rates.

[9] A prepaid wireless line in service is defined as a revenue generating wireless device where service is purchased in advance of use. The purchased credit is used to pay for wireless services at the point the service is accessed or consumed.

[10] A postpaid wireless line in service is defined as a revenue generating wireless device where service is provided by a prior arrangement with a subscriber and the subscriber is billed after the fact according to their use of wireless services at the end of each month.

[11] The average of the monthly wireless revenues, excluding those from common carrier customers, divided by the number of wireless subscribers at the end of of each month for each of the months in the three months ended June 30, 2015. Average monthly wireless revenues, excluding those from common carrier customers, divided by the average of wireless subscribers at the beginning and end of each month in the period for the three months ended June 30, 2014. Revenue used for this calculation includes Wireline segment - Consumer - Wireless, Wireline segment - Business Services - Wireless and wholesale wireless revenues earned from GCI retail subscribers included in the Wireless segment.

[12] The average of the monthly wireless revenues, excluding those from common carrier customers, divided by the number of wireless subscribers at the end of of each month for each of the months in the six months ended June 30, 2015. Average monthly wireless revenues, excluding those from common carrier customers, divided by the average of wireless subscribers at the beginning and end of each month in the period for the six months ended June 30, 2014. Revenue used for this calculation includes Wireline segment - Consumer - Wireless, Wireline segment - Business Services - Wireless and wholesale wireless revenues earned from GCI retail subscribers included in the Wireless segment.

[13] Applicable average monthly cable modem revenues divided by the average number of subscribers at the beginning and end of each month in the period ("Cable Modem ARPU") for the three months ended June 30, 2015 and 2014.

[14] Cable Modem ARPU for the six months ended June 30, 2015 and 2014.

Wireline Segment Revenues

Consumer

The individually significant items contributing to the increase in wireless revenue include:

- A $5.0 million and $9.4 million increase in plan fee revenue in the three and six months ended June 30, 2015 when compared to the same periods in 2014, respectively, primarily due to the acquisition of ACS' wireless subscribers following the February 2, 2015 close of the Wireless Acquisition, and
- A $7.9 million and $12.0 million increase in equipment sales revenue in the three and six months ended June 30, 2015 when compared to the same periods in 2014, respectively, due to an increase in the number of financed devices. In late 2014 we began encouraging our customers to purchase wireless devices through our financing program instead of subsidizing their device purchases. We offer a discount on the monthly plan fee for customers who choose to finance their device rather than buying a subsidized device.

The increase in data revenue is primarily due to a $5.2 million or 21% and $9.3 million or 20% increase in cable modem revenue for the three and six months ended June 30, 2015 when compared to the same periods in 2014, respectively, due to an increase in the number of subscribers and our subscribers' selection of plans that offer higher speeds and higher included usage amounts.

Business Services

The decrease in video revenue for the three months ended June 30, 2015 when compared to the same period in 2014 is primarily due to a decrease in advertising after the completion of the latest election cycle.

Managed Broadband

The increase in data revenue is primarily due to an increase in monthly contract revenue due to increased data network capacity purchased by our existing ConnectMD® and SchoolAccess® customers.

Wireline Segment Cost of Goods Sold
The individually significant items contributing to the increase in Wireline segment Cost of Goods Sold include:

- A $2.1 million or 12% and $4.2 million or 13% increase in video Cost of Goods Sold for the three and six months ended June 30, 2015 when compared to the same periods in 2014, respectively, primarily due to increased rates paid to programmers,
- A $8.1 million or 217% and $9.9 million or 85% increase in wireless Cost of Goods Sold for the three and six months ended June 30, 2015 when compared to the same periods in 2014, respectively, primarily due to an increase in the number of handsets sold partially offset by an increase in subsidies received from the Wireless segment for the purchase of wireless handsets. Subsequent to the initial AWN transaction close on July 22, 2013 and through March 31, 2014, although permitted, the Wireline segment was unable to meet the requirements in order to request a wireless equipment subsidy from the Wireless segment in accordance with the AWN agreements, and
- A $1.4 million or 35% and $2.4 million or 29% increase in the costs to provide services for Rural Health and SchoolAccess customers for the three and six months ended June 30, 2015 when compared to the same periods in 2014, respectively.

Wireline Segment Adjusted EBITDA
The decrease in Adjusted EBITDA for the three months ended June 30, 2015 when compared to the same period in 2014 is primarily due to increased Cost of Goods Sold as described above in "Wireline Segment Cost of Goods Sold" and in selling, general and administrative expense for the three months ended June 30, 2015. The decrease is partially offset by an increase in revenues as described above in "Wireline Segment Revenues."

Selling, General and Administrative Expenses
Selling, general and administrative expenses increased 19% to $83.0 million for the three months ended June 30, 2015. Selling, general and administrative expenses increased 18% to $167.0 million for the six months ended June 30, 2015. Individually significant items contributing to the increase include:

- A $6.2 million and $13.0 million increase in costs related to the acquisition of ACS' wireless subscribers and its non-controlling interest in AWN for the three and six months ended June 30, 2015 when compared to the same periods in 2014, respectively,
- A $6.5 million and $9.8 million increase in labor and health insurance costs for the three and six months ended June 30, 2015 when compared to the same periods in 2014, respectively,
- A $1.9 million increase in inventory adjustments for the six months ended June 30, 2015, primarily due to the write-off of obsolete wireless handsets,
- A $1.4 million increase in share-based compensation expense for the six months ended June 30, 2015, when compared to the same period in 2014, and
- A $0.9 million and $1.5 million increase in bad debt expense for the three and six months ended June 30, 2015 when compared to the same periods in 2014.

As a percentage of total revenues, selling, general and administrative expenses increased from 31% and 32% for the three and six months ended June 30, 2014, respectively, to 34% and 35% for the three and six months ended June 30, 2015, respectively. The increase in selling, general, and administrative expenses as a percentage of total revenues is primarily due to the costs related to the acquisition of ACS' wireless subscribers and its non-controlling interest in AWN.

Depreciation and Amortization Expense
Depreciation and amortization expense increased $1.4 million to $45.2 million and $4.3 million to $90.4 million in the three and six months ended June 30, 2015 compared to the same periods in 2014. The increases are primarily due to new assets placed in service in the last six months of 2014 and in the first six months of 2015, partially offset by assets which became fully depreciated during the last six months of 2014 and in the first six months of 2015.

Software Impairment Charge
Software impairment charge increased $0.9 million and $27.3 million in the three and six months ended June 30, 2015 when compared to the same periods in 2014 primarily due to an impairment charge as discussed below.

During the years ended December 31, 2013 and 2014, we internally developed computer software to replace our wireless, Internet, video, local service, and long distance customer billing systems. During the first quarter of 2015, we completed a detailed assessment of our progress to date and determined it is no longer probable that the computer software being developed will be completed and placed in service. Our assessment concluded that the cost of continuing the development will be much higher than originally estimated, and the timing and scope risks are substantial. We have begun a search for an established packaged customer billing solution and expect to identify a replacement in the second half of 2015. We identified development work, hardware, and software recorded as Construction in Progress through June 30, 2015, that may be applicable to our replacement customer billing solution, future internally developed software, and other system needs and therefore should remain capital assets. We consider the remaining capital expenditures for this billing system to have a fair value of $0 and have taken an impairment charge of $0.9 million and $19.8 million during the three and six months ended June 30, 2015, by recording an expense which is included in Software Impairment Charge on our Consolidated Statements of Operations.

During the first quarter of 2015, we reassessed our plans for our internally developed machine-to-machine billing system and decided to no longer market this system to third parties. Accordingly we recognized an impairment of $6.6 million during the six months ended June 30, 2015, by recording an expense which is included in Software Impairment Charge on our Consolidated Statements of Operations.

Other Expense, Net
Other expense, net of other income, increased $42.0 million to $61.3 million and $50.0 million to $87.5 million in the three and six months ended June 30, 2015 when compared to the same periods in 2014, respectively. Individually significant items contributing to the change include:

- A $27.7 million loss on extinguishment of debt for the three and six months ended June 30, 2015, due to the retirement of our 2019 Notes (please see Part I - Item 2 - "Liquidity and Capital Resources" for additional information),
- A $12.6 million impairment charge for the three and six months ended June 30, 2015 recorded to reflect an other than temporary decline in fair value for one of our equity investments,
- A $4.7 million gain for the three and six months ended June 30, 2015 recorded upon the sale of one of our cost method investments,
- A $3.0 million and $5.1 million unrealized loss for the three and six months ended June 30, 2015, respectively, recorded for a derivative instrument where we issued 3.0 million stock appreciation rights to an affiliate of Searchlight Capital, L.P. ("Searchlight"),
- A $4.2 million and $7.0 million increase in interest expense attributable to increased borrowing on our Amended Senior Credit Facility for the three and six months ended June 30, 2015 when compared to the same periods in 2014, respectively, and
- A $2.6 million net loss for the six months ended June 30, 2015, from adjusting to fair value the assets included in the consideration transfered in the Wireless Acquisition and adjusting to fair value amendments to certain agreements related to the right to use ACS network assets.

Income Tax (Expense) Benefit
Income tax benefit totaled $6.3 million and $13.1 million in the three and six months ended June 30, 2015, respectively. Our effective income tax rate was 29% and 27% in the three and six months ended June 30, 2015, respectively. Income tax expense totaled $2.4 million and $3.6 million and our effective income tax rate was 12% and 11% in the three and six months ended June 30, 2014, respectively. Our effective income tax rate was lower in 2014 due to the inclusion of income attributable to the non-controlling interest in AWN in income before income tax expense and the exclusion of income taxes on income attributable to the non-controlling interest in AWN. We completed the Wireless Acquisition on February 2, 2015, after which ACS no longer has a non-controlling interest in AWN.

At June 30, 2015, we have income tax net operating loss carryforwards of $355.8 million that will begin expiring in 2020 if not utilized, and alternative minimum tax credit carryforwards of $1.7 million available to offset regular income taxes payable in future years.

We have recorded deferred tax assets of $146.3 million associated with income tax net operating losses that were generated from 2000 to 2014 and that expire from 2020 to 2034, respectively, and with charitable contributions that were converted to net operating losses in 2004 through 2007, 2013, and 2014 and that expire in 2024 through 2027, 2033, and 2034, 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 assets 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 expense rate for financial statement purposes will be 25% to 30% in the year ending December 31, 2015.

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, and 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, on February 2, 2015, we completed the Wireless Acquisition to purchase ACS' wireless subscriber base and its one-third ownership interest in AWN for $293.2 million, subject to possible post-closing adjustments, and the termination or amendment of certain agreements related to the use of ACS network assets that were included as part of the original transaction that closed in July 2013. Following the close of the transaction, AWN is our wholly owned subsidiary and we are entitled to 100% of the future cash flows from AWN.

To fund the purchase from ACS, on February 2, 2015, our wholly owned subsidiary, GCI Holdings, Inc., entered into a Fourth Amended and Restated Credit and Guarantee Agreement with Credit Agricole Corporate and Investment Bank, as administrative agent, that included a $275.0 million Term B loan ("Amended Senior Credit Facility"). The interest rate under the Term B loan is London Interbank Offered Rate (“LIBOR”) plus 3.75%, with a 1% LIBOR floor. The Term B loan will mature on February 2, 2022 or December 3, 2020, if our Senior Notes due 2021 are not refinanced prior to such date. We also sold an unsecured promissory note to Searchlight in the principal amount of $75.0 million that will mature on February 2, 2023 and will bear interest at a rate of 7.5% per year ("Searchlight Note"). A portion of the proceeds from the Searchlight Note were used to finance the Wireless Acquisition and the remainder was used for general corporate purposes. Additionally, we entered into a stock appreciation rights agreement pursuant to which we issued to Searchlight three million stock appreciation rights which entitles Searchlight to receive, upon exercise, an amount payable at our election in either cash or shares of GCI's Class A common stock equal in value to the excess of the fair market value of a share of GCI Class A common stock on the date of exercise over the price of $13.00.

On April 1 2015, we closed on the issuance of $450.0 million of new 6.875% Senior Notes due 2025 at an issue price of 99.105% issued by our wholly owned subsidiary, GCI, Inc. The net proceeds of the offering were used to retire our existing 2019 Notes (see Note 6(b) of our December 31, 2014 annual report on Form 10-K). We paid closing costs totaling $7.9 million in connection with the offering, which were recorded as deferred loan costs and will be amortized over the term of the 2025 Notes. We recorded a $27.7 million loss on extinguishment of debt for the three and six months ended June 30, 2015.

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, are summarized as follows (amounts in thousands):

	Six Months Ended June 30,	
	2015	2014
Operating activities	$ 139,553	139,020
Investing activities	(372,469)	(100,320)
Financing activities	251,698	(1,342)
Net increase in cash and cash equivalents	$ 18,782	37,358

Investing Activities
Net cash used in investing activities during the six months ended June 30, 2015, consists primarily of cash paid for the Wireless Acquisition and capital expenditures. Net cash used in investing activities during the six months ended June 30, 2014, consists primarily of cash paid for capital expenditures and an investment of $15.0 million for a 39% interest in a next generation carrier-class communications services firm. 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 $92.0 million and $80.6 million during the six months ended June 30, 2015 and 2014, respectively. Depending on available opportunities and the amount of cash flow we generate during 2015, we expect our 2015 core capital expenditures to total approximately $170.0 million. This estimate is based on purchases in 2015 regardless of the timing of cash payments.

Financing Activities
Net cash provided by financing activities for the six months ended June 30, 2015, consists primarily of borrowings on our Amended Senior Credit Facility and Searchlight Note to fund the Wireless Acquisition partially offset by costs paid to retire our 2019 Notes, costs paid for the 2025 Notes, and repurchases of our stock. Net cash provided by financing activities for the six months ended June 30, 2014, consists primarily of proceeds from borrowing on our Senior Credit Facility partially offset by repayments of our Senior Credit Facility and distributions paid to ACS from AWN.

Proceeds from borrowings fluctuate from year to year based on our liquidity needs. We may use excess cash to make optional repayments on our debt or repurchase our common stock depending on various factors, such as market conditions.

Available Borrowings Under Amended Senior Credit Facility
Our Amended Senior Credit Facility includes a $240.0 million term loan, a $275.0 million Term B loan, and a $150.0 million revolving credit facility with a $25.0 million sublimit for letters of credit. We had $240.0 million and $274.3 million outstanding under the term loan and Term B loan, respectively, at June 30, 2015. Under the revolving portion of the Amended Senior Credit Facility we have $22.5 million of letters of credit outstanding, which leaves $127.5 million available for borrowing as of June 30, 2015. A total of $514.3 million is outstanding as of June 30, 2015.

Debt Covenants
We are subject to covenants and restrictions applicable to our $325.0 million in aggregate principal amount of 6.75% Senior Notes due 2021, our $450.0 million in aggregate principal amount of 6.875% Senior Notes due 2025, and our Amended Senior Credit Facility. We are in compliance with the covenants, and we believe that neither the covenants nor the restrictions in our indentures or loan documents will limit our ability to operate our business.

Share Repurchases
GCI's Board of Directors has authorized a common stock buyback program for the repurchase of GCI Class A and Class B common stock in order to reduce the outstanding shares of Class A and Class B common stock. Under this program, we are currently authorized to make up to $96.6 million of repurchases as of June 30, 2015. We are authorized to increase our repurchase limit $5.0 million per quarter indefinitely and to use stock option exercise proceeds to repurchase additional shares. If stock repurchases are less than the total approved quarterly amount the difference may be carried forward and applied against future stock repurchases. During the six months ended June 30, 2015, we repurchased 2.3 million shares of GCI common stock under the stock buyback program at a cost of $35.9 million from open market and private transactions. The common stock buyback program is expected to continue for an indefinite period dependent on leverage, liquidity, company performance, and 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 2015 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, 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, 2014 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 IV of our annual report on Form 10-K for the fiscal year ended December 31, 2014.

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 and adjustments to the fair value of our derivative stock appreciation rights liability. Market risk is the potential loss arising from adverse changes in market rates and prices. We do not hold or issue financial instruments for trading purposes.

Interest Rate Risk

Our Amended Senior Credit Facility carries interest rate risk. Our Amended Senior Credit Facility consists of a term loan, Term B loan, and revolving credit facility. Amounts borrowed under the term loan bear interest at LIBOR plus 2.75% or less depending upon our Total Leverage Ratio (as defined in the Senior Credit Facility). Amounts borrowed under the Term B loan bear interest at LIBOR plus 3.75%. Should the LIBOR rate change, our interest expense will increase or decrease accordingly. As of June 30, 2015, we have borrowed $514.3 million subject to interest rate risk. On this amount, each 1% increase in the LIBOR interest rate would result in $5.1 million of additional gross interest cost on an annualized basis. All of our other material borrowings have a fixed interest rate.

Other Market Risk

As our derivative stock appreciation rights are subject to fair value liability accounting, we revalue the instrument at each reporting date and recognize changes in the fair value of the derivative liability as a component of Other Income (Expense) included in our Consolidated Statements of Operations. The earnings effect of the fair value adjustment at each reporting date is sensitive to changes in our stock price volatility. At June 30, 2015, a 1% increase in our stock price volatility used to determine the fair value of our stock appreciation rights would result in recognition of $0.4 million of additional derivative instrument unrealized loss.

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 June 30, 2015.

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

Changes in Internal Control Over Financial Reporting
In our December 31, 2014 annual report on Form 10-K we reported that we did not maintain effective internal control over financial reporting due to a material weakness associated with inadequately designed internal controls in our financial reporting process related to the calculation of our income tax expense during all quarters in 2014. During the first quarter of 2015, we remediated our material weakness by strengthening the design and operation of our controls over the initial calculation and the review and approval of the calculation of our income tax expense. We reinforced to our staff that a heightened sense of awareness is needed during the initial preparation, as well as to any subsequent changes, and during analysis of the result.

Except as described above there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) identified in connection with the evaluation of our controls performed during the quarter ended June 30, 2015, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

On February 2, 2015, we purchased ACS's wireless subscribers. As a result of this transaction, we are currently in the process of integrating new income streams. We are evaluating changes to processes, information technology systems and other components of internal controls over financial reporting as part of our ongoing integration activities, and as a result, controls will be changed as needed.

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

Internal control over financial reporting has inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements will not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

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

PART II. OTHER INFORMATION

Item 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 June 30, 2015:

	(a) Total Number of Shares Purchased[1]	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[2]	(d) Maximum Number (or approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plan or Programs[3]
April 1, 2015 to April 30, 2015	9,922	$ 15.87	45	$ 116,378,762
May 1, 2015 to May 31, 2015	1,174,347	$ 15.98	1,173,033	$ 97,631,734
June 1, 2015 to June 31, 2015	63,775	$ 16.01	61,560	$ 96,646,947
Total	1,248,044			

[1] Consists of 1,234,638 shares from open market purchases made under our publicly announced repurchase plan and 13,406 shares from private purchases made to settle the minimum statutory tax-withholding requirements pursuant to restricted stock award vesting.

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

[3] The total amount approved by our Board of Directors for repurchase under our publicly announced repurchase plan was $368.7 million through June 30, 2015, consisting of $358.4 million through December 31, 2014, and an additional $10.3 million during the six months ended June 30, 2015. We have made total repurchases under the program of $272.0 million through June 30, 2015. 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 5. Other Information

On August 3, 2015, our wholly owned subsidiary, GCI Holdings, Inc., entered into the First Amendment (the "Amendment") to the Fourth Amended and Restated Credit and Guarantee Agreement with Credit Agricole Corporate and Investment Bank, as administrative agent ("Amended Senior Credit Facility").

Under the Amendment, GCI Holdings, Inc. incurred refinancing term loans in an aggregate principal amount of $274.3 million (the "New Term B Loans") and used the proceeds of the New Term B Loans to repay $274.3 million of Term B Loans that were outstanding under the Amended Credit Facility, which constituted all of such outstanding Term B Loans. The interest rate under the New Term B Loans is LIBOR plus 3.25%, with a .75% LIBOR floor, a reduction of .50% to the Applicable Margin for the Term B Loans. The New Term B Loans mature on February 2, 2022 or December 3, 2020 if the 6.75% Senior Notes due 2021 of GCI, Inc. are not refinanced prior to such date.

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
10.1	Twenty-Second Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication, Corp. dated June 17, 2015 # *
10.2	First Amendment dated as of August 3, 2015 to the Fourth Amended and Restated Credit and Guarantee Agreement dated as of February 2, 2015 *
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 and Secretary *
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 and Secretary *
101	The following materials from General Communication, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations; (iii) Consolidated Statements of Stockholders' Equity; (iv) Consolidated Statements of Cash Flows; and (v) Condensed Notes to Interim Consolidated Financial Statements *

#	CONFIDENTIAL PORTION has been omitted pursuant to a request for confidential treatment by us to, and the material has been separately filed with, the SEC. Each omitted Confidential Portion is marked by three asterisks.
*	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.

Signature	Title	Date
/s/ Ronald A. Duncan Ronald A. Duncan	President and Director (Principal Executive Officer)	August 5, 2015
/s/ Peter J. Pounds Peter J. Pounds	Senior Vice President, Chief Financial Officer and Secretary (Principal Financial Officer)	August 5, 2015
/s/ Lynda L. Tarbath Lynda L. Tarbath	Vice President, Chief Accounting Officer (Principal Accounting Officer)	August 5, 2015

Exhibit 10.1

****CONFIDENTIAL PORTION has been omitted pursuant to a request for confidential treatment by the Company to, and the material has been separately filed with, the SEC. Each omitted Confidential Portion is marked by four asterisks.

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

This Twenty-Second Amendment to the Full-time Transponder Capacity Agreement (Pre-Launch) (the "Twenty-Second Amendment") is made and entered into as of this 17th day of June, 2015 (the "Effective Date") by and between INTELSAT CORPORATION, a Delaware corporation ("Intelsat"), and GCI COMMUNICATIONS CORP., an Alaskan corporation ("Customer").

RECITALS

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

WHEREAS, Customer wishes **** transponder on **** from Intelsat, all of which is further defined below;

AGREEMENT

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

1. Except as specifically provided herein, all terms and provisions of the Agreement shall remain in full force and effect.

2. Section 1.1, Description of Capacity. This Section shall be deleted and replaced with the following:

   "Intelsat agrees to provide to Customer and Customer agrees to accept from Intelsat, on a **** a day, **** week), in outerspace, for the Capacity Term (as defined here), the Customer's Transponder Capacity (defined below) meeting the "Performance Specifications" set forth in the "Technical Appendix" attached hereto as Appendix B. For purposes of this Agreement, the "Customer's Transponder Capacity" or "Customer's Transponders" shall **** (a) **** (as defined in Section 1.2, below) **** transponders (collectively, the "Customer's **** Transponders' and individually, the "Customer's **** Transponder") from that certain U.S. domestic satellite referred to by Intelsat as "****," located **** Longitude, (b) **** transponders from the **** of that certain satellite referred to by Intelsat as "****" at **** Longitude ("Customer's **** Transponder"); (c) **** Transponder **** on ****; (d) **** Transponder on **** (the "**** Transponder"); (e) **** Transponder **** on **** (the "**** Transponder ****"); (f) **** Transponder **** on **** (the "**** Transponder ****"); (g) **** Transponder from **** (the "**** Transponder"); and (h) **** Transponder from **** (the "**** Transponder")."

3. Article 2, Capacity Term. The Capacity Term for the **** Transponder shall commence **** and continue until ****.

4. Section 3.1, **** Fee. Customer's **** Fee shall be as set forth in Appendix A attached hereto.

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

IN WITNESS WHEREOF, each of the Parties hereto has duly executed and delivered this Twenty-First Amendment as of the day and year above written.

INTELSAT CORPORATION		GCI COMMUNICATION CORP.	
By:	/s/ Stephen A. Chernow	By:	/s/ Jimmy R. Sipes
Name:	Stephen A. Chernow	Name:	Jimmy R. Sipes
Title:	VP & Deputy General Counsel	Title:	VP Network Services & Chief Engineer
Date:	June 18, 2015	Date:	June 17, 2015

****CONFIDENTIAL TREATMENT

APPENDIX A

CUSTOMER'S TRANSPONDER CAPACITY AND PAYMENT SCHEUDLE FOR
GCI COMMUNICATIONS CORP.

SVO #	****/ Transponder No	Transponder Type	Capacity Term	Monthly Fee
	****	****	**** _ ****	US$******
	****	****	**** _ ****	US$******
	****	****	**** _ ****	US$*****
	****	****	**** _ ****	US$******
	****	****	**** _ ****	US$******
	****	****	**** _ ****	US$******
	****	****	**** _ ****	US$*****
	****	****	**** _ ****	US$******
	****	****	**** _ ****	US$*****
	****	****	**** _ ****	US$*****
	****	****	**** _ ****	US$*****
	****	****	**** _ ****	US$******
	****	****	**** _ ****	US$*****
	****	****	**** _ ****	US$*****
	****	****	**** _ ****	US$*****
	****	****	**** _ ****	US$*******
	****	****	**** _ ****	US$*******
	****	****	**** _ ****	US$*******
	****	****	**** _ ****	US$*******
	****	****	**** _ ****	US$*******
	****	****	**** _ ****	US$******
	****	****	**** _ ****	US$********

***** Fee includes US$**** for **** Fee and the US$**** for each of **** Transponders under Article 14. If the **** Longitude **** Transponder is **** or **** Customer is **** Transponder on **** (of its successor satellite), the **** Fee **** Transponder ****. If, however, the **** Longitude **** Transponder ****, then the **** Fee for **** Transponder **** Fee. The **** Longitude **** fee shall be ****.

****** Fee includes US$**** for **** Fee and the US$**** for each of **** and **** Transponders with **** Replacement **** under Article 15. If the **** Replacement Transponder is **** or **** Customer **** a Transponder on **** Replacement, the **** Fee **** Transponder ****. If, however, the **** Replacement Transponder ****, then the **** Fee for **** Transponder ****. The **** Replacement **** Fee shall be ****.

******* Fee includes US$**** for **** Fee and the US$**** for **** Customer's **** Transponder Galaxy XR **** Fees (hereinafter referred to as the "**** Fee" as **** is the Replacement Satellite **** Galaxy XR), **** for transponder ****. If the **** Transponder **** (as defined in Article 17), the **** Fee **** Transponder ****. If, however, the **** Transponder **** (as defined in Article 17), then the **** Fee **** Transponder **** Fee. The **** shall be ****.

**** **** Fee includes US$**** for **** Fee. No **** Replacement **** as defined in Article 15 is **** Transponder.

Exhibit 10.2

EXECUTION VERSION

FIRST AMENDMENT dated as of August 3, 2015 (this "Amendment") to the Credit Agreement (as defined below) among GCI Holdings, Inc. (the "Borrower"), the Additional Refinancing Lenders party hereto (the "New Term B Lenders") and Credit Agricole Corporate and Investment Bank, as Administrative Agent (the "Administrative Agent").

RECITALS

A. The Borrower, Parent, the Subsidiary Guarantors, the Lenders party thereto from time to time and the Administrative Agent, are party to that certain Fourth Amended and Restated Credit and Guarantee Agreement dated as of February 2, 2015 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement").

B. The Credit Agreement permits the Borrower to obtain Credit Agreement Refinancing Debt from any Additional Refinancing Lender in respect of all or any portion of the Term B Loans outstanding under the Credit Agreement in the form of Refinancing Term Loans and Refinancing Term Commitments pursuant to a Refinancing Amendment.

C. On the First Amendment Effective Date (as defined below), the Borrower intends to (i) incur Refinancing Term Loans pursuant to Section 2.14 of the Credit Agreement in an aggregate principal amount of $274,312,500 (the "New Term B Loans") and (ii) use the proceeds of the New Term B Loans (and, at the election of the Borrower, cash on hand) to repay all Term B Loans outstanding immediately prior to the First Amendment Effective Date (the "Original Term B Loans") and accrued interest thereon and to pay fees and expenses incurred in connection with the foregoing.

D. Subject to the terms and conditions set forth herein, each New Term B Lender (each such Person who is holding Original Term B Loans immediately prior to the effectiveness of this Amendment, a "Continuing Term B Lender"; each such Person who is not a Continuing Term B Lender, an "Additional Term B Lender") has agreed to provide a commitment (the "New Term B Commitment") in the amount set forth on Exhibit A hereto either, in the case of Continuing Term B Lenders, to convert all (or such lesser amount equal to its New Term B Commitment) of its Original Term B Loans into New Term B Loans (such converted Term B Loans, the " Converted Term B Loans"; and any such conversion of Original Term B Loans into New Term B Loans being referred to herein as a "Term B Conversion") or, in the case of Additional Term B Lenders, to fund a New Term B Loan in the amount of its New Term B Commitment. Any Lender holding Original Term B Loans immediately prior to the effectiveness of this Amendment that is not a New Term B Lender is referred to herein as an " Exiting Term B Lender". In the event that any Lender is a Continuing Term B Lender but has a New Term B Commitment in an amount less than the amount of its Original Term B Loans, such Lender shall be considered an Exiting Term B Lender with respect to the difference between the amount of its Original Term B Loans and the allocated amount of its New Term B Loans.

E. In order to effect the foregoing, the Borrower and the other parties hereto desire to amend the Credit Agreement, subject to the terms and conditions set forth herein. This

Amendment is a Refinancing Amendment contemplated by Section 2.14 of the Credit Agreement to provide for the New Term B Loans, which is subject to the approval of the Borrower, the Administrative Agent and the New Term B Lenders, which will become effective only on the First Amendment Effective Date.

AGREEMENTS

In consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower, the New Term B Lenders and the Administrative Agent hereby agree as follows:

ARTICLE I.

Refinancing Amendment

SECTION 1.01. Defined Terms. Capitalized terms used herein (including in the recitals hereto) and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement. The rules of construction specified in Section 1.3 of the Credit Agreement also apply to this Amendment.

SECTION 1.02. New Term B Commitments.

(a) Subject to the terms and conditions set forth herein, on the First Amendment Effective Date, each Additional Term B Lender agrees to fund a New Term B Loan in a principal amount equal to such Additional Term B Lender's New Term B Commitment set forth on Exhibit A hereto.

(b) Subject to the terms and conditions set forth herein, on the First Amendment Effective Date, each Continuing Term B Lender agrees to convert all (or such lesser amount equal to its New Term B Commitment) of its Original Term B Loans into Converted Term B Loans. Without limiting the generality of the foregoing, each Continuing Term B Lender shall have a commitment to acquire by Term B Conversion Converted Term B Loans in the amount of Original Term B Loans then held by such Continuing Term B Lender (or such lesser amount equal to its New Term B Commitment). Each party hereto acknowledges and agrees that notwithstanding any such Term B Conversion, each such Continuing Term B Lender shall be entitled to receive payment on the First Amendment Effective Date of the unpaid fees and interest accrued to such date with respect to all of its Original Term B Loans.

(c) Each New Term B Lender, by delivering its signature page to this Amendment and funding, or converting its Original Term B Loans into, New Term B Loans on the First Amendment Effective Date shall be deemed to have acknowledged receipt of, and consented to and approved, each Loan Document and each other document required to be delivered to, or be approved by or satisfactory to, the Administrative Agent or any Class of Lenders on the First Amendment Effective Date. The commitments of the New Term B Lenders are several, and no New Term B Lender shall be responsible for any other New Term B Lender's failure to make New Term B Loans.

(d) Subject to the terms and conditions set forth herein, pursuant to Section 2.14 of the Credit Agreement, effective as of the First Amendment Effective Date, for all purposes of the Loan Documents, except as the context shall otherwise require, (i) the New Term B Commitments shall constitute "Term B Loan Commitments" and "Commitments", (ii) the New Term B Loans shall constitute "Term B Loans," "Loans" and "Term Loans" and (iii) each New Term B Lender constitute a "Term B Lender" and a "Lender" and shall have all the rights and obligations of a Lender holding a Term B Loan Commitment (or, following the making of a New Term B Loan, a Term B Loan). For the avoidance of doubt, the New Term B Loans constitute a Class of Refinancing Term Loans under the Credit Agreement in existence prior to the First Amendment Effective Date, but the Credit Agreement is being amended hereby to use the term "Term B Loans" to refer to such Loans instead of the term "Refinancing Term Loans".

(e) The Original Term B Loans (or applicable portion thereof in the case of an Exiting Term B Lender that is also a Continuing Term B Lender) of each Exiting Term B Lender shall, immediately upon the effectiveness of this Amendment, be repaid in full (together with any unpaid fees and interest accrued thereon (including funding losses payable to any Exiting Term B Lenders pursuant to Section 3.6 of the Credit Agreement)) with the proceeds of the New Term B Loans and other funds available to the Borrower. The Borrower shall, on the First Amendment Effective Date, pay to the Administrative Agent, for the accounts of the Persons that are Term B Lenders immediately prior to the First Amendment Effective Date, all interest, fees and other amounts accrued to the First Amendment Effective Date with respect to the Original Term B Loans, whether or not such Original Term B Loans are converted pursuant to Section 1.02(b) of this Amendment.

(f) Each New Term B Lender (including each Continuing Term B Lender) waives (i) any right to compensation for losses, expenses or liabilities incurred by such Lender to which it may otherwise have been entitled pursuant to Section 3.6 of the Credit Agreement in respect of the transactions contemplated hereby and (ii) solely in respect of the prepayment of Original Term B Loans and the making of (or conversion into) New Term B Loans, as contemplated hereby, compliance with the requirements set forth in (A) Section 2.7(g) of the Credit Agreement that the Borrower give prior notice of a voluntary prepayment of Loans and (B) Section 2.3 of the Credit Agreement that the Borrower deliver a Borrowing Request within the time periods specified therein.

(g) Each New Term B Lender (a) represents and warrants to the Administrative Agent that (i)(A) it has full power and authority, and has taken all action necessary, to execute and deliver this Amendment and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement in respect of its New Term B Loans, and (B) neither its execution and delivery of this Amendment nor the consummation of the transactions contemplated hereby conflict with such New Term B Lender's organizational documents or material contracts or with any applicable law, (ii) from and after the First Amendment Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of its New Term B Loans, shall have the obligations of a Lender thereunder, (iii) it has received a copy of the Credit Agreement, together with such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Amendment and make the resulting Term B Loan Commitment, (iv) it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Amendment and make the resulting Term B Loan Commitment and (v) if it is a Non-US Lender, it has provided any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by such New Term B Lender; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender thereunder, and (iii) it hereby irrevocably appoints, designates and authorizes the Administrative Agent to take such action on its behalf under the provisions of the Credit Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of the Credit Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto.

(h) The New Term B Commitments shall terminate after the making of the New Term B Loans on the First Amendment Effective Date.

SECTION 1.03. Conditions Precedent to Making of New Term B Loans. The obligation of each New Term B Lender to make New Term B Loans (including through conversion of Original Term B Loans) on the First Amendment Effective Date is subject to the satisfaction of the following conditions:

(i) Immediately before and after giving effect to the borrowing of the New Term B Loans and the repayment in full of the Original Term B Loans, (a) the representations and warranties set forth in Section 2.01 hereof shall be true and correct in all material respects on and as of the First Amendment Effective Date, (b) the representations and warranties of each Loan Party set forth in the Loan Documents shall be true and correct in all material respects on and as of the First Amendment Effective Date; provided that, to the extent that such representations and warranties specifically refer to an earlier date, they shall be true and correct in all material respects as of such earlier date; provided further that any representation and warranty that is qualified as to “materiality,” “Material Adverse Effect” or similar language shall be true and correct in all respects on the First Amendment Effective Date or on such earlier date, as the case may be, (c) no Default or Event of Default shall have occurred and be continuing, and (d) the Administrative Agent shall have received a certificate of the Parent dated the First Amendment Effective Date to such effect, signed by a Responsible Officer of the Parent.

(ii) The Administrative Agent shall have received the following executed legal opinions: (a) the legal opinion of Sherman & Howard L.L.C., special counsel to the Loan Parties; (b) the legal opinion of Stoel Rives LLP, special Alaska counsel to the Loan Parties; and (c) the legal opinion of the Borrower by Tina Pidgeon, special internal FCC counsel to the Loan Parties, and Mark Moderow, special internal Alaska regulatory counsel to the Loan Parties, in each case, covering such matters as the Administrative Agent may reasonably request and otherwise reasonably satisfactory to the Administrative Agent. The Borrower hereby requests such counsel to deliver such opinions.

(iii) The Administrative Agent shall have received a certificate of each of the Loan Parties, dated the First Amendment Effective Date, substantially in the form of Exhibit F of the Credit Agreement with appropriate insertions, executed by any Responsible Officer of such Loan Party.

(iv) The Administrative Agent shall have received a certificate of the Parent, dated the First Amendment Effective Date, executed by a Financial Officer of the Parent (a) certifying that no Material Adverse Effect has occurred, and no material adverse effect on the performance of the Borrower and the Subsidiaries (other than NMTC Subsidiaries), taken as a whole, has occurred, in either case since December 31, 2014, (b) either (1) attaching copies of all consents, licenses and approvals required in connection with the execution, delivery and performance by each Loan Party and the validity against each Loan Party of the Loan Documents executed in connection with this Amendment to which it is a party, and such consents, licenses and approvals shall be in full force and effect, or (2) stating that no such consents, licenses or approvals are so required and (c) certifying that the performance by each Loan Party of its obligations under each Loan Document to which it is a party does not (1) violate any applicable law, statute, rule or regulations or (2) conflict with, or result in a default or event of default under, any material agreement of any Loan Party, including, without limitation, any instrument or agreement (x) governing any debt or equity (or warrant or option with respect thereto) of Parent and its subsidiaries and (y) that would constitute a material contract of any Loan Party.

(v) The Administrative Agent shall have received a Borrowing Request in a form reasonably acceptable to the Administrative Agent requesting that the New Term B Lenders make the New Term B Loans to the Borrower on the First Amendment Effective Date.

(vi) The Administrative Agent shall have received a solvency certificate signed by a Financial Officer on behalf of the Borrower substantially in the form of Exhibit H to the Credit Agreement.

(vii) The conditions to effectiveness of this Amendment set forth in Section 1.05 hereof (other than paragraph (b) thereof) shall have been satisfied.

(viii) Each Loan Party shall have entered into a reaffirmation agreement, in form and substance reasonably satisfactory to the Administrative Agent.

(ix) The Borrower shall have delivered to any New Term B Lender that requests its New Term B Loans be evidenced by a Note, a Note payable to such New Term B Lender.

(x) The Administrative Agent and SunTrust Robinson Humphrey, Inc. (the " First Amendment Arranger") shall have received all documentation at least two Business

Days prior to the Effective Date and other information about the Loan Parties that shall have been reasonably requested in writing at least 10 Business Days prior to the First Amendment Effective Date and that the Administrative Agents or the First Amendment Arranger have reasonably determined is required by United States regulatory authorities under applicable “know your customer” and antimoney laundering rules and regulations, including without limitation Title III of the USA Patriot Act.

SECTION 1.04. Amendment of Credit Agreement. Effective as of the First Amendment Effective Date, the Credit Agreement is hereby amended as follows:

(i) The following definitions are hereby added in the appropriate alphabetical order to Section 1.1 (or, to the extent applicable, are hereby amended and restated in their entirety):

“First Amendment” means the First Amendment to this Agreement dated as of August 3, 2015, among the Borrower, the Lenders party thereto and the Administrative Agent.

“First Amendment Arranger” means SunTrust Robinson Humphrey, Inc.

“First Amendment Effective Date” has the meaning assigned thereto in the First Amendment.

“First Amendment Syndication Agent” means SunTrust Bank, in its capacity as syndication agent under the First Amendment.

“First Amendment Reaffirmation Agreement” means the Reaffirmation Agreement dated as of August 3, 2015, among the Loan Parties party thereto and the Administrative Agent.

(ii) Schedule 1.1(A) of the Credit Agreement is hereby amended and restated in its entirety with respect to the Term B Loan Commitments and replaced with Exhibit A to this Amendment.

(iii) The definition of “ABR Floor” set forth in Section 1.1 of the Credit Agreement is hereby amended and restated in its entirety as follows:

““ABR Floor” means 1.75%.”

(iv) Clause (b) of the definition of “Applicable Margin” set forth in Section 1.1 of the Credit Agreement is hereby amended and restated in its entirety as follows:

“With respect to Borrowings consisting of Term B Loans (1) in the case of Eurodollar Borrowings, 3.25% per annum, and (2) in the case of ABR Borrowings, 2.25% per annum.”

(v) Each reference to "Arrangers" in the Credit Agreement (other than in the definition of "Arrangers" in Section 1.1 of the Credit Agreement) shall be replaced with a reference to "Arrangers and First Amendment Arranger."

(vi) The definition of "LIBO Floor" set forth in Section 1.1 of the Credit Agreement is hereby amended and restated in its entirety as follows:

> ""LIBO Floor" means 0.75%."

(vii) The definition of "Security Documents" set forth in Section 1.1 of the Credit Agreement is hereby amended and restated in its entirety as follows:

> ""Security Documents" means (a) the Security Agreement, (b) the Pledge Agreement, (c) the First Amendment Reaffirmation Agreement and (d) each other security agreement, instrument or other document executed or delivered pursuant to this Agreement or any agreement referred to in clauses (a), (b) or (c) above to secure any of the Obligations."

(viii) Each reference to "Syndication Agent" in the Credit Agreement (other than in the definition of "Syndication Agent" in Section 1.1 of the Credit Agreement) shall be replaced with a reference to "Syndication Agent and First Amendment Syndication Agent."

(ix) The definition of "Term B Loan" set forth in Section 1.1 of the Credit Agreement is hereby amended and restated in its entirety as follows:

> ""Term B Loan" means a Loan made (by conversion or funding) on the First Amendment Effective Date pursuant to the First Amendment."

(x) The definition of "Term B Loan Commitment" set forth in Section 1.1 of the Credit Agreement is hereby amended and restated in its entirety as follows:

> ""Term B Loan Commitment" means, with respect to each Lender, the commitment, if any, of such Lender to make (by conversion or funding) a Term B Loan on the First Amendment Effective Date in an aggregate outstanding amount not exceeding the amount of such Lender's Term B Loan Commitment as set forth on Exhibit A to the First Amendment. The amount of each Lender's Term B Loan Commitment on the First Amendment Effective Date is set forth on Exhibit A to the First Amendment. The aggregate amount of the Term B Loan Commitment on the First Amendment Effective Date is $274,312,500."

(xi) The definition of "Term B Loan Repricing Transaction" set forth in Section 1.1 of the Credit Agreement is hereby amended to replace the reference to "Fourth Restatement Closing Date" therein with a reference to "First Amendment Effective Date."

(xii) Section 2.1(f) of the Credit Agreement is hereby amended and restated in its entirety as follows:

(f) "Amounts borrowed or deemed borrowed pursuant to the First Amendment and repaid or prepaid in whole or in part may not be reborrowed."

(xiii) Section 2.6(b) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"The unpaid principal amount of each Term B Loan shall be payable (1) in an amount equal to 0.25% of the original principal amount of such Term B Loan on the last Business Day of each March, June, September and December of each year, commencing on the first such date following the First Amendment Effective Date, and (2) in full on the Term B Maturity Date."

(xiv) Section 3.7 of the Credit Agreement is hereby amended to insert the following clause (i) at the end of such Section:

"(i) Solely for purposes of determining withholding Taxes imposed under FATCA, from and after the First Amendment Effective Date, the Borrower and the Administrative Agent shall treat (and the Term B Lenders hereby authorize the Administrative Agent and Loan Parties to treat) the Term B Loans as not qualifying as "grandfathered obligations" within the meaning of Treasury Regulation Section 1.1471-2(b)(2)(i)."

(xv) Section 6.14(a) of the Credit Agreement is hereby amended to delete the proviso contained therein.

SECTION 1.05. Amendment Effectiveness. This Amendment shall become effective as of the first date (the "First Amendment Effective Date") on which the following conditions have been satisfied:

(a) The Administrative Agent (or its counsel) shall have received from (i) the Borrower, (ii) each New Term B Lender and (iii) the Administrative Agent, either (x) counterparts of this Amendment signed on behalf of such parties or (y) written evidence satisfactory to the Administrative Agent (which may include facsimile or other electronic transmissions of signed signature pages) that such parties have signed counterparts of this Amendment.

(b) The conditions to the making of the New Term B Loans set forth in Section 1.03 hereof (other than clause (vii) thereof) shall have been satisfied.

(c) The Administrative Agent shall have received the results of a recent Lien search in each of the jurisdictions in which Uniform Commercial Code financing statements, or other filings or recordations should be made to evidence or perfect security interests in the Collateral, and such search shall reveal no Liens on any of the Collateral, except for Liens permitted by Section 7.2 of the Credit Agreement.

(d) The Borrower shall have obtained New Term B Commitments in an aggregate amount equal to $274,312,500. The Borrower shall have paid in full, or substantially concurrently with the satisfaction of the other conditions precedent set forth in this Section 1.05 shall pay in full (i) all of the Original Term B Loans (giving effect to any conversion thereof), (ii) all accrued and unpaid fees and interest with respect to the Original Term B Loans (including any such Original Term B Loans that will be converted to New Term B Loans on the First Amendment Effective Date) and (iii) to the extent invoiced, any amounts payable to the Persons that are Lenders with Original Term B Loan (other than the New Term B Lenders) pursuant to Section 3.6 of the Credit Agreement, such payments to be made with the cash proceeds of the New Term B Loans to be made on the First Amendment Effective Date and other funds available to the Borrower.

(e) The Administrative Agent and the First Amendment Arranger shall have received, in immediately available funds, payment or reimbursement of all fees, out-of-pocket costs and expenses, compensation and other amounts then due and payable in connection with this Amendment, including, in the case of the Administrative Agent, to the extent invoiced at least one Business Day prior to the First Amendment Effective Date, the reasonable fees, charges and disbursements of counsel for the Administrative Agent and the First Amendment Arranger.

The Administrative Agent shall notify the Borrower, the New Term B Lenders and the other Lenders of the First Amendment Effective Date and such notice shall be conclusive and binding. Notwithstanding the foregoing, the amendment effected hereby shall not become effective and the obligations of the New Term B Lenders hereunder to make New Term B Loans will automatically terminate, if each of the conditions set forth or referred to in Sections 1.03 and 1.05 hereof has not been satisfied at or prior to 5:00 p.m., New York City time, on August 3, 2015.

SECTION 1.06. Loss of FATCA Grandfathering. Solely for purposes of determining withholding Taxes imposed under the Foreign Account Tax Compliance Act (FATCA), from and after the First Amendment Effective Date, the Borrower and the Administrative Agent shall treat (and the New Term B Lenders hereby authorize the Administrative Agent and Loan Parties to treat) the New Term B Loans as not qualifying as "grandfathered obligations" within the meaning of Treasury Regulation Section 1.1471-2(b)(2)(i).

ARTICLE II.

Miscellaneous

SECTION 2.01. Representations and Warranties. (a) To induce the other parties hereto to enter into this Amendment, the Borrower represents and warrants to each of the New Term B Lenders and the Administrative Agent that, as of the First Amendment Effective Date and after giving effect to the transactions and amendments to occur on the First Amendment Effective

Date, this Amendment has been duly authorized, executed and delivered by the Borrower and constitutes, and the Credit Agreement, as amended hereby on the First Amendment Effective Date, will constitute, its legal, valid and binding obligation, enforceable against each of the Loan Parties party thereto in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law, and implied covenants of good faith and fair dealing.

(b) The representations and warranties of each Loan Party set forth in the Loan Documents are, after giving effect to this Amendment, true and correct in all material respects on and as of the First Amendment Effective Date with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties were true and correct in all material respects as of such earlier date).

(c) After giving effect to this Amendment and the transactions contemplated hereby, no Default or Event of Default has occurred and is continuing on the First Amendment Effective Date.

SECTION 2.02. Effect of Amendment. (a) Except as expressly set forth herein, this Amendment shall not by implication or otherwise limit, impair, constitute a waiver of, or otherwise affect the rights and remedies of, the Lenders or the Administrative Agent under the Credit Agreement or any other Loan Document, and shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other Loan Document, all of which are ratified and affirmed in all respects and shall continue in full force and effect. Nothing herein shall be deemed to establish a precedent for purposes of interpreting the provisions of the Credit Agreement or entitle any Loan Party to a consent to, or a waiver, amendment, modification or other change of, any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other Loan Document in similar or different circumstances. This Amendment shall apply to and be effective only with respect to the provisions of the Credit Agreement and the other Loan Documents specifically referred to herein.

(b) On and after the First Amendment Effective Date, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import, and each reference to the Credit Agreement, "thereunder", "thereof", "therein" or words of like import in any other Loan Document, shall be deemed a reference to the Credit Agreement, as amended hereby. This Amendment shall constitute a Refinancing Amendment entered into pursuant to Section 2.14 of the Credit Agreement and a "Loan Document" for all purposes of the Credit Agreement and the other Loan Documents.

SECTION 2.03. **Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of New York.** The provisions of Sections 10.9 and 10.10 of the Credit Agreement shall apply to this Amendment to the same extent as if fully set forth herein.

SECTION 2.04. Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument. Delivery of any executed counterpart of a signature page of this Amendment by facsimile transmission or other electronic imaging means shall be effective as delivery of a manually executed counterpart hereof.

SECTION 2.05. Headings. The headings of this Amendment are for purposes of reference only and shall not limit or otherwise affect the meaning hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their officers as of the date first above written.

GCI HOLDINGS, Inc.

By: /s/ Tom Chesterman
Name: Tom Chesterman
Title: VP Finance

[Lenders' Signatures]

Exhibit 31.1

SECTION 302 CERTIFICATION

I, Ronald A. Duncan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of General Communication, Inc. for the period ended June 30, 2015;
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
   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.

/s/ Ronald A. Duncan

Date: August 5, 2015

Ronald A. Duncan
President and Director

Exhibit 31.2

SECTION 302 CERTIFICATION

I, Peter J. Pounds, certify that:

1. I have reviewed this quarterly report on Form 10-Q of General Communication, Inc. for the period ended June 30, 2015;
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
   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.

/s/ Peter J. Pounds

Date: August 5, 2015

Peter J. Pounds
Senior Vice President, Chief Financial Officer, and Secretary (Principal Financial Officer)

Exhibit 32.1

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

In connection with the Quarterly Report of General Communication, Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Ronald A. Duncan, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 5, 2015

/s/ Ronald A. Duncan

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

Exhibit 32.2

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

In connection with the Quarterly Report of General Communication, Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Peter J. Pounds, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 5, 2015

/s/ Peter J. Pounds

Peter J. Pounds
Chief Financial Officer
General Communication, Inc.