

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2006

OR

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

For the transition period from _____ to _____

Commission File No. 0-15279

GENERAL COMMUNICATION, INC.
(Exact name of registrant as specified in its charter)

STATE OF ALASKA
(State or other jurisdiction of
incorporation or organization)

92-0072737
(I.R.S. Employer
Identification No.)

2550 Denali Street
Suite 1000
Anchorage, Alaska
(Address of principal executive offices)

99503
(Zip Code)

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

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 X No .

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes X No .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and larger accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one).

Large accelerated filer Accelerated filer Non-accelerated filer

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

The number of shares outstanding of the registrant's classes of common stock as of April 30, 2005 was:

51,393,626 shares of Class A common stock; and
3,383,555 shares of Class B common stock.

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<TABLE>
<CAPTION>

GENERAL COMMUNICATION, INC.
FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2006

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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 those 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 those 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 those statements, you should specifically consider various factors, including those outlined below. Those factors may cause our actual results to differ materially from any of our forward-looking statements. For these statements, we claim the protection of the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995. Such risks, uncertainties and other factors include but are not limited to those identified under "Risk Factors" in our December 31, 2005 annual report on Form 10-K, including in conjunction with the forward-looking statements included in this Quarterly Report.

You should not place undue reliance on any such forward-looking statements. Further, any forward-looking statement, and such 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 disseminate any updates or revisions to any forward-looking statement to reflect any change in our expectations with regard to those statements or any other change in events, conditions or circumstances on which any such statement is based, except as required by law. 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.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
<TABLE>

CONSOLIDATED BALANCE SHEETS

<CAPTION>

(Amounts in thousands)

(Unaudited)
March 31,

December 31,

ASSETS

2006

2005

<S>

<C>

<C>

Current assets:

Cash and cash equivalents	\$	43,031
44,362		

Receivables		82,598
78,279		
Less allowance for doubtful receivables		5,891
5,317		

Net receivables		76,707
72,962		

Deferred income taxes, net		17,485
19,596		

Prepaid expenses		6,933
8,347		

Notes receivable from related parties		3,484
922		

Inventories		3,135
1,556		

Property held for sale		2,314
2,312		

Other current assets		2,540
2,572		

Total current assets		155,629
152,629		

Property and equipment in service, net of depreciation		440,814
453,008		

Construction in progress		15,690
8,337		

Net property and equipment		456,504
461,345		

Cable certificates		191,565
191,565		

Goodwill		42,181
42,181		

Other intangible assets, net of amortization		6,274
6,201		

Deferred loan and senior notes costs, net of amortization of \$1,702 and \$1,451 at March 31, 2006 and December 31, 2005, respectively		7,760
8,011		

Notes receivable from related parties		90
2,544		

Other assets		11,427
9,299		

Total other assets		259,297
259,801		

Total assets		\$ 871,430
873,775		

=====

</TABLE>

See accompanying notes to interim condensed consolidated financial statements.

<TABLE>

CONSOLIDATED BALANCE SHEETS
(Continued)

<CAPTION>

(Amounts in thousands)
(Unaudited)

		March 31,
December 31,		2006
LIABILITIES AND STOCKHOLDERS' EQUITY		
2005		
<S>	<C>	
<C>		
Current liabilities:		
Current maturities of obligations under long-term debt and capital leases	\$	1,774
1,769		
Accounts payable		22,401
23,217		
Deferred revenue		16,104
16,439		
Accrued payroll and payroll related obligations		14,757
17,925		
Accrued liabilities		7,073
6,814		
Accrued interest		2,919
9,588		
Subscriber deposits		373
361		
Total current liabilities		65,401
76,113		
Long-term debt		473,800
474,115		
Obligation under capital lease, excluding current maturity		1,160

Obligation under capital lease due to related party, excluding current maturity		613
628		
Deferred income taxes, net of deferred income tax benefit		70,925
69,753		
Other liabilities		10,876
9,546		
Total liabilities		622,775
630,155		
Stockholders' equity:		
Common stock (no par):		
Class A. Authorized 100,000 shares; issued 51,360 and 51,200 shares at		
March 31, 2006 and December 31, 2005, respectively		177,214
178,351		
Class B. Authorized 10,000 shares; issued 3,839 and 3,843 shares at		
March 31, 2006 and December 31, 2005, respectively; convertible on a		
share-per-share basis into Class A common stock		3,244
3,247		
Less cost of 291 Class A and Class B common shares held in treasury at		
March 31, 2006 and December 31, 2005		(1,730)
(1,730)		
Paid-in capital		16,912
16,425		
Notes receivable with related parties issued upon stock option exercise		(1,722)
(1,722)		
Retained earnings		54,737
49,049		
Total stockholders' equity		248,655
243,620		
Commitments and contingencies		
Total liabilities and stockholders' equity	\$	871,430
873,775		

</TABLE>

See accompanying notes to interim condensed consolidated financial statements.

Balances at December 31, 2004	\$ 186,883	3,248	(1,702)	14,957	(3,016)	33,900
234,270						
Net income	---	---	---	---	---	4,663
4,663						
Tax effect of excess stock compensation expense for tax purposes over amounts recognized for financial reporting purposes	---	---	---	62	---	---
62						
Common stock repurchases	---	---	---	---	---	(5,256)
(5,256)						
Common stock retirements	(3,147)	---	---	---	---	3,147

Shares issued under stock option plan	207	---	---	---	---	---
207						
Amortization of the excess of GCI stock market value over stock option exercise cost on date of stock option grant	---	---	---	48	---	---
48						
Purchase of treasury stock	---	---	(32)	---	---	---
(32)						
Preferred stock dividends	---	---	---	---	---	(93)
(93)						

Balances at March 31, 2005	\$ 183,943	3,248	(1,734)	15,067	(3,016)	36,361
233,869						
=====						
Balances at December 31, 2005	\$ 178,351	3,247	(1,730)	16,425	(1,722)	49,049
243,620						
Net income	---	---	---	---	---	3,314
3,314						
Cumulative effect adjustments upon implementation of Statement of Financial Accounting Standard No. 123(R)	---	---	---	(191)	---	---
(191)						
Common stock repurchases	---	---	---	---	---	(3,550)
(3,550)						
Common stock retirements	(5,924)	---	---	---	---	5,924

Shares issued under stock option plan	4,784	---	---	---	---	---
4,784						
Class B shares converted to Class A	3	(3)	---	---	---	---

Amortization of the excess of GCI stock market value over stock option exercise cost on date of stock option grant	---	---	---	678	---	---
678						

Balances at March 31, 2006	\$ 177,214	3,244	(1,730)	16,912	(1,722)	54,737
248,655						

</TABLE>

See accompanying notes to interim condensed consolidated financial statements.

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<TABLE>

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2006 AND 2005
(Unaudited)

<CAPTION>

(Amounts in thousands)

	2006	2005
	-----	-----

<S>	<C>	<C>
Cash flows from operating activities:		
Net income	\$ 3,314	4,663
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	20,161	17,705
Deferred income tax expense	3,676	3,480
Share-based compensation expense	678	48
Cumulative effect of a change in accounting principle, net	608	---
Bad debt expense (recovery), net of write-offs	574	(257)
Amortization of loan and senior notes fees	251	483
Deferred compensation	85	355
Other noncash income and expense items	(69)	54
Change in operating assets and liabilities	(16,449)	(3,638)
	-----	-----

---	Net cash provided by operating activities	12,829	22,893
		-----	-----

	Cash flows from investing activities:		
	Purchases of property and equipment	(13,687)	(24,414)
	Purchases of other assets and intangible assets	(1,231)	(1,445)
	Notes receivable issued to related parties	(50)	(13)
	Additions to property held for sale	(2)	---
		-----	-----
---	Net cash used in investing activities	(14,970)	(25,872)
		-----	-----

	Cash flows from financing activities:		
	Proceeds from common stock issuance	4,784	207
	Purchase of common stock to be retired	(3,550)	(5,256)
	Repayment of Senior Credit Facility	(400)	---
	Repayments of capital lease obligations	(24)	(1,583)
	Payment of debt issuance costs	---	(43)
	Purchase of treasury stock	---	(32)
		-----	-----
---	Net cash provided by (used in) financing activities	810	(6,707)
		-----	-----

	Net decrease in cash and cash equivalents	(1,331)	(9,686)
	Cash and cash equivalents at beginning of period	44,362	31,452
		-----	-----

	Cash and cash equivalents at end of period	\$ 43,031	21,766
		=====	=====

=====

</TABLE>

See accompanying notes to interim condensed consolidated financial statements.

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

The accompanying unaudited interim condensed consolidated financial statements include the accounts of General Communication, Inc. ("GCI") and its subsidiaries and have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. They should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2005, filed 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:

- o Long-distance telephone service between Alaska and the remaining United States and foreign countries,
- o Cable television services throughout Alaska,
- o Facilities-based competitive local access services in Anchorage, Fairbanks, and Juneau, Alaska,
- o Internet access services,
- o Origination and termination of traffic in Alaska for certain common carriers,
- o Private line and private network services,
- o Managed services to certain commercial customers,
- o Broadband services, including our SchoolAccess(R) offering to rural school districts and a similar offering to rural hospitals and health clinics,
- o Sales and service of dedicated communications systems and related equipment,
- o Lease and sales of capacity on our fiber optic cable systems used in the transmission of interstate and intrastate private

- line, switched message long-distance and Internet services within Alaska and between Alaska and the remaining United States and foreign countries,
- o Distribution of white and yellow pages directories to residential and business customers in certain markets we serve and on-line directory products, and
- o Resale of wireless telephone services and sale of wireless telephone handsets and accessories.

(b) Principles of Consolidation

The consolidated financial statements include the consolidated accounts of GCI and its wholly owned subsidiaries with all significant intercompany transactions eliminated.

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

(c) Earnings per Common Share

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

<TABLE>
<CAPTION>

	Three Months Ended March 31,					
	2006			2005		
share Amounts	Income (Num- erator)	Shares (Denom- inator)	Per-share Amounts	Income (Num- erator)	Shares (Denom- inator)	Per- share Amounts
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net income before cumulative effect of a change in accounting principle	\$ 3,922			\$ 4,663		
Less Series B preferred stock dividends	---			93		
Basic EPS:						
Net income before cumulative effect of a change in accounting principle	3,922	54,561	\$ 0.07	4,570	55,108	\$
Effect of Dilutive Securities: Unexercised stock options	---	1,656	---	---	1,233	
Diluted EPS:						
Net income before cumulative effect of a change in accounting principle	\$ 3,922	56,217	\$ 0.07	\$ 4,570	56,341	\$

</TABLE>

EPS are presented in accordance with Statement of Financial Accounting Standard ("SFAS") No. 128, "Earnings Per Share." The dilutive effect of share-based compensation arrangements are computed using the treasury stock method. In applying the treasury stock method, assumed proceeds are computed as the sum of (a) the amount, if any, the employee must pay upon exercise, (b) the amount of compensation cost attributed to future services and not yet recognized, and (c) the amount of excess tax benefits, if any, that would be credited to additional paid-in capital assuming exercise of the options. Stock option agreements that may be settled in common stock or in cash are presumed to be settled in common stock and the resulting potential common shares are included in the denominator of the diluted EPS calculation since the effect is more dilutive. The numerator of the diluted EPS calculation has been adjusted for changes in net income that would result if the agreements had been reported as equity instruments for financial reporting purposes during 2006.

Stock options to acquire 993,000 and 228,000 shares for the three months ended March 31, 2006 and 2005, respectively, were excluded in the computations of diluted EPS because the effect of including these stock options would have been anti-dilutive.

Series B redeemable preferred stock common equivalent shares outstanding of 777,000 are not included in the diluted EPS calculation for the three months ended March 31, 2005 because they are anti-dilutive for purpose of calculating EPS.

We have not issued securities other than common stock that contractually entitle the holder to participate in dividends and earnings when, and if, we declare dividends on our common stock and, therefore, we do not apply the two-class method of calculating earnings per share.

(d) Common Stock

Following are the changes in common stock for the three months ended March 31, 2006 and 2005 (shares, in thousands):

<TABLE>
<CAPTION>

	Class A	Class B
	-----	-----
<S>	<C>	<C>
Balances at December 31, 2004	51,825	3,862
Class B shares converted to Class A	1	(1)
Shares issued under stock option plan	35	---
Shares retired	(295)	---
	-----	-----
Balances at March 31, 2005	51,566	3,861
	=====	=====
Balances at December 31, 2005	51,200	3,843
Class B shares converted to Class A	4	(4)
Shares issued under stock option plan	735	---
Shares retired	(579)	---
	-----	-----
Balances at March 31, 2006	51,360	3,839
	=====	=====

</TABLE>

Our Board of Directors has authorized a common stock buyback program for the repurchase of our Class A and Class B common stock in order to reduce our outstanding shares of Class A and Class B common stock. Our Board of Directors authorized us and we obtained permission from our lenders for up to \$45.0 million of repurchases through March 31, 2006. We are authorized to continue our stock repurchases of up to \$5.0 million per quarter indefinitely and to use stock option exercise proceeds to repurchase additional shares. During the three months ended March 31, 2006 and 2005 we repurchased 317,000 and 572,000 shares of our Class A common stock at a cost of approximately \$3.6 million and \$5.7 million, respectively. The cost of the repurchased Class A common stock is included in Retained Earnings on our Consolidated Balance Sheets.

If stock repurchases are less than the total approved quarterly amount the difference may be carried forward and applied against future stock repurchases. We expect to continue the repurchases for an indefinite period subject to the availability of free cash flow, availability

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

under our credit facilities, and the price of our Class A and Class B common stock. The repurchases have and will continue to comply with the restrictions of SEC Rule 10b-18.

(e) Asset Retirement Obligations

Following is a reconciliation of the beginning and ending aggregate carrying amount of our asset retirement obligations at March 31, 2006 and 2005 (amounts in thousands):

Balance at December 31, 2004	\$ 2,971
Accretion expense for the three months ended March 31, 2005	49

Balance at March 31, 2005	\$ 3,020
	=====
Balance at December 31, 2005	\$ 3,210
Accretion expense for the three	

months ended March 31, 2006	43
Liability settled	(2)

Balance at March 31, 2006	\$ 3,251
	=====

Our asset retirement obligations are included in Other Liabilities.

(f) Share-based Payment Arrangements

Effective January 1, 2006, we adopted the provisions of SFAS No. 123(R), Share-Based Payment, and related interpretations, to account for share-based compensation using the modified prospective transition method and therefore will not restate our prior period results. SFAS 123(R) supersedes Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees and revises guidance in SFAS 123, Accounting for Stock-Based Compensation. Among other things, SFAS 123(R) requires that compensation expense be recognized in the financial statements for share-based awards based on the grant date fair value of those awards. The modified prospective transition method applies to (a) unvested stock options under our 1986 Stock Option Plan ("Option Plan") and unvested stock options not issued pursuant to a plan that were outstanding as of December 31, 2005 based on the grant date fair value estimated in accordance with the pro forma provisions of SFAS 123, and (b) any new share-based awards granted subsequent to December 31, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123(R). Additionally, share-based compensation expense includes an estimate for pre-vesting forfeitures and is recognized over the requisite service periods of the awards on a straight-line basis, which is generally commensurate with the vesting term. We have recorded \$678,000 of share-based compensation expense, net of estimated forfeitures, during the first quarter of 2006 as a result of our adoption of SFAS 123(R). See note 4 for information on the assumptions we used to calculate the fair value of share-based compensation.

Prior to January 1, 2006, we accounted for all of our stock option agreements in accordance with APB No. 25 and related interpretations. Accordingly, compensation expense for a stock option grant was recognized only if the exercise price was less than the market value of our common stock on the grant date. Prior to our adoption of SFAS 123(R), as required under the disclosure provisions of SFAS 123, as amended, we provided pro forma net income and

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(Continued)

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

income per common share for each period as if we had applied the fair value method to measure share-based compensation expense.

SFAS 123(R) requires the benefits associated with tax deductions in excess of recognized compensation cost to be reported as a financing cash flow rather than as an operating cash flow as previously required. For the three months ended March 31, 2006, we did not record any excess tax benefit generated from stock option exercises since we are in a net operating loss position and the income tax deduction will not yet reduce income taxes payable.

The table below shows the effect of adopting SFAS No. 123(R) on selected items and what those items would have been under previous guidance under APB No. 25 and SFAS No. 123 for the three months ended March 31, 2006 (in thousands, except per share data):

<TABLE>
<CAPTION>

Under		As Reported	Under APB No. 25
SFAS 123		-----	-----
<C>	<S>	<C>	<C>
16,362	Operating income	\$ 16,362	16,983
7,601	Net income before income taxes and cumulative effect of a change in accounting principle	7,601	8,222
	Cumulative effect of a change in accounting principle, net of income tax benefit of \$425	(608)	---

---	Net income available to common stockholders	3,314	4,288
3,922	Cash flow from operating activities (1)	12,829	12,829
12,829	Cash flow from financing activities (1)	810	810
810			

Basic net income per common share:

0.07	Net income before cumulative effect of a change in accounting principle	\$ 0.07	0.08
0.00	Cumulative effect of a change in accounting principle	(0.01)	0.00

0.07	Net income	\$ 0.06	0.08
------	------------	---------	------

Diluted net income per common share:

0.07	Net income before cumulative effect of a change in accounting principle	\$ 0.07	0.08
0.00	Cumulative effect of a change in accounting principle	(0.01)	0.00

0.07	Net income	\$ 0.06	0.08
------	------------	---------	------

<FN>

(1) For the three months ended March 31, 2006, we did not record any excess tax benefit generated from stock option exercises since we are in a net operating loss position and the income tax deduction will not yet reduce income taxes payable.

</FN>

</TABLE>

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(Continued)

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

The table below summarizes the impact on our results of operations for the three months ended March 31, 2006 of outstanding stock options recognized under the provisions of SFAS 123(R) (in thousands, except per share data):

<TABLE>

<CAPTION>

	2006
<S>	<C>
Share-based employee compensation expense	\$ 678
Income tax benefit	279
Net decrease in income	\$ 399
Decrease in EPS:	
Basic	\$ 0.01
Diluted	\$ 0.01

</TABLE>

The following illustrates the effect on net income and EPS for the three months ended March 31, 2005 as if we had applied the fair value method to measure share-based compensation, as required under the disclosure provisions of SFAS No. 123 (in thousands, except per share amounts):

<TABLE>

<CAPTION>

	2005
<S>	<C>
Net income available to common shareholders, as reported	\$ 4,663
Total share-based employee compensation expense included in reported net income, net of related tax effects	27
Less share-based employee compensation expense determined under the SFAS 123 fair value method, net of related tax effects	(511)

Pro forma net income	\$ 4,179
	=====
EPS:	
Basic - as reported	\$ 0.08
	=====
Basic - pro forma	\$ 0.07
	=====
Diluted - as reported	\$ 0.08
	=====
Diluted - pro forma	\$ 0.07
	=====

</TABLE>

(g) Exchanges of Nonmonetary Assets

The cost of a nonmonetary asset or service acquired in exchange for another nonmonetary asset or service is based upon the fair value of the asset surrendered to obtain it unless the fair value is not determinable, the exchange of a product or property held for sale in the ordinary course of business for a product or property to be sold in the same line of business to facilitate sales to customers other than the parties to the exchange, or the exchange lacks commercial substance. If the exceptions apply we value the transaction using the recorded amount (after reduction, if appropriate, for an indicated impairment of value) of the nonmonetary asset or service relinquished. A gain or loss may be recognized on the exchange.

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(Continued)

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

(h) Rental Costs Incurred During a Construction Period

We recognize rental costs associated with ground or building operating leases that are incurred during a construction period as rental expense in income from continuing operations.

(i) Reporting of Accounting Changes and Error Corrections

On January 1, 2006, we adopted SFAS 154, "Accounting Changes and Error Corrections"--a replacement of APB Opinion No. 20 and FASB Statement No. 3." SFAS 154 replaces APB Opinion No. 20, "Accounting Changes," and FASB Statement No. 3, "Reporting Accounting Changes in Interim Financial Statements," and changes the requirements for the accounting for and reporting of a change in accounting principle. SFAS 154 applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. When a pronouncement includes specific transition provisions, those provisions should be followed.

(j) Reclassifications

Reclassifications have been made to the 2005 financial statements to make them comparable with the 2006 presentation.

(2) Consolidated Statements of Cash Flows Supplemental Disclosures

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

<TABLE>

<CAPTION>

Three month periods ended March 31,	2006	2005
	-----	-----
<S>	<C>	<C>
(Increase) decrease in accounts receivable	\$ (4,319)	1,814
(Increase) decrease in prepaid expenses	(31)	144
(Increase) decrease in inventories	(1,579)	191
Decrease in other current assets	177	693
Decrease in accounts payable	(816)	(270)
Decrease in deferred revenues	(335)	(373)
Decrease in accrued payroll and payroll related obligations	(3,168)	(175)
Increase (decrease) in accrued liabilities	259	(306)
Decrease in accrued interest	(6,669)	(5,847)
Increase (decrease) in subscriber deposits	12	(28)
Increase in components of other long-term liabilities	20	519
	-----	-----
	\$ (16,449)	(3,638)
	=====	=====

</TABLE>

We paid interest totaling approximately \$15.2 million and \$14.1 million during the three months ended March 31, 2006 and 2005, respectively.

Income tax refunds received totaled \$0 and \$202,000 during the three

months ended March 31, 2006 and 2005, respectively. We paid no income taxes during the three months ended March 31, 2006 and 2005.

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(Unaudited)

We recorded a net cumulative effect adjustment (expense) of \$672,000 during the three months ended March 31, 2006 to recognize the effect of initially measuring share-based compensation liability instruments at fair value. We recorded a net cumulative effect adjustment (benefit) of \$64,000 during the three months ended March 31, 2006 for share-based compensation instruments outstanding at December 31, 2005 for which the requisite service is not expected to be rendered. We recorded \$62,000 during the three months ended March 31, 2005 in paid-in capital in recognition of the income tax effect of excess stock compensation expense for tax purposes over amounts recognized for financial reporting purposes.

During the three months ended March 31, 2006 we financed a \$1.2 million acquisition of a building through a capital lease obligation.

(3) Intangible Assets

There have been no events or circumstances that indicate the recoverability of the carrying amounts of indefinite-lived and definite-lived intangible assets has changed as of March 31, 2006. The remaining useful lives of our cable certificates and goodwill were evaluated as of March 31, 2006 and events and circumstances continue to support an indefinite useful life. We reviewed the useful lives assigned to our definite-lived intangible assets and believe the lives continue to be appropriate as of March 31, 2006.

Cable certificates and goodwill are not allocated to a reportable segment but are included in the All Other category of our segment assets.

Amortization expense for amortizable intangible assets was \$388,000 and \$292,000 during the three months ended March 31, 2006 and 2005, respectively.

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, -----	
2006	\$ 1,284
2007	1,175
2008	946
2009	659
2010	149

(4) Share-Based Compensation

Our 1986 Stock Option Plan, as amended, provides for the grant of options for a maximum of 13.2 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 option expires or terminates, the shares subject to the option will be available for further grants of options under the Option Plan. Substantially all stock options granted vest in equal installments over a period of five years, and expire ten years from the date of grant. New shares are issued when stock option agreements are exercised, unless the stock

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
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(Unaudited)

option agreements are settled in cash. Our share repurchase program as described in Note 11 in our 2005 Form 10-K may include the purchase of shares issued pursuant to stock option agreement exercise transactions. We are unable to estimate the number of such shares we may purchase during the annual period beginning April 1, 2006.

We use a Black-Scholes-Merton option pricing model to estimate the fair value of share-based awards under SFAS 123(R), which is the same valuation technique we previously used for pro forma disclosures under SFAS 123. The Black-Scholes-Merton option pricing model incorporates various and highly subjective assumptions, including expected term and expected volatility. We have reviewed our historical pattern of option exercises and have determined that meaningful differences in option exercise activity existed among employee job categories. Therefore, for

all stock options granted after January 1, 2006, we have categorized these awards into two groups of employees for valuation purposes, which is the same technique we previously used for pro forma disclosures under SFAS 123.

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

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

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

The following table shows our assumptions used to compute the share-based compensation expense and pro forma information for stock options granted during the three months ended March 31, 2006 and 2005:

	2006	2005
Expected term (years)	4.6 - 5.5	4.7 - 5.1
Volatility	55.6%	45.5%
Risk-free interest rate	4.8%	4.2%

SFAS 123(R) requires us to measure share-based compensation liability instruments at fair value as of January 1, 2006. Previously, we measured those liability instruments at their intrinsic value determined as of their grant date. The transition impact of adopting SFAS No. 123(R) attributed to measuring such liability instruments at fair value totaled \$1.1 million, net of income tax benefit of \$469,000 and is reported as a component of the cumulative effect of change in accounting principle in the accompanying March 31, 2006 Consolidated Statement of Operations.

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Additionally, SFAS 123(R) requires us to estimate pre-vesting option forfeitures at the time of grant and periodically revise those estimates in subsequent periods if actual forfeitures differ from those estimates. We record share-based compensation expense only for those awards expected to vest using an estimated forfeiture rate based on our historical pre-vesting forfeiture data. Previously, we accounted for forfeitures as they occurred under the pro forma disclosure provisions of SFAS 123 for periods prior to 2006. The transition impact of adopting SFAS No. 123(R), attributed to accruing for expected forfeitures on outstanding share-based awards, totaled \$108,000, net of income tax expense of \$44,000 and is reported as a component of the cumulative effect of change in accounting principle in the accompanying March 31, 2006 Consolidated Statement of Operations.

The weighted average grant date fair value of options granted during the first quarter of 2006 and 2005 was \$6.26 per share and \$4.81 per share, respectively. The total fair value of options vesting during the first quarter of 2006 and 2005 was approximately \$1.8 million and \$2.4 million, respectively.

Unrecognized share-based compensation expense was approximately \$7.7 million as of March 31, 2006, relating to a total of 2.4 million unvested stock options. We expect to recognize this share-based compensation expense over a weighted average period of approximately 2.8 years.

The following is a summary of our 1986 Stock Option Plan activity for the three months ended March 31, 2006:

<TABLE>
<CAPTION>

	Shares	Weighted Average Exercise Price
<S>	<C>	<C>
Outstanding at December 31, 2005	6,550,777	\$7.27
Granted	65,000	\$10.94
Exercised	(735,706)	\$6.51

Forfeited	(45,300)	\$9.03
Outstanding at March 31, 2006	5,834,771	\$7.39
Available for grant at March 31, 2006	1,054,746	

</TABLE>

The following is a summary of activity for stock options granted not pursuant to the 1986 Stock Option Plan for the three months ended March 31, 2006:

<TABLE>

<CAPTION>

	Shares	Weighted Average Exercise Price
Outstanding at December 31, 2005 and March 31, 2006	250,000	\$6.50
Available for grant at March 31, 2006	---	

</TABLE>

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(Continued)

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

The following is a summary of all outstanding stock options at March 31, 2006:

<TABLE>

<CAPTION>

Options Outstanding

Range of Exercise Prices	Shares	Weighted Average Remaining Aggregate Contractual Life (years)	Weighted Average Exercise Price	Intrinsic Value (thousands)
\$3.11-\$5.99	430,990	4.29	\$4.74	\$3,142
\$6.00-\$6.04	645,830	5.62	\$6.00	\$3,894
\$6.05-\$6.49	52,000	4.78	\$6.13	\$307
\$6.50-\$6.94	1,450,889	4.22	\$6.50	\$8,074
\$6.95-\$7.24	314,634	3.00	\$7.00	\$1,532
\$7.25-\$7.39	1,175,000	5.94	\$7.25	\$5,617
\$7.40-\$8.49	723,108	6.11	\$8.00	\$2,912
\$8.50-\$9.99	788,520	8.58	\$9.40	\$2,077
\$10.00-\$11.94	502,800	9.12	\$10.29	\$851
\$11.95	1,000	10.00	\$11.95	\$23
\$3.11-\$11.95	6,084,771	5.84	\$7.36	\$28,429

</TABLE>

<TABLE>

<CAPTION>

Options Vested

Range of Exercise Prices	Shares	Weighted Average Remaining Aggregate Contractual Life (years)	Weighted Average Exercise Price	Intrinsic Value (thousands)
\$3.11-\$5.99	378,990	3.99	\$4.67	\$2,789
\$6.00-\$6.04	347,930	4.67	\$6.00	\$2,098
\$6.05-\$6.49	51,000	4.74	\$6.13	\$301
\$6.50-\$6.94	1,291,289	3.86	\$6.50	\$7,192
\$6.95-\$7.24	314,234	3.03	\$7.00	\$1,530
\$7.25-\$7.39	599,995	5.89	\$7.25	\$2,868
\$7.40-\$8.49	473,408	5.03	\$7.80	\$2,001
\$8.50-\$9.99	132,733	6.94	\$9.04	\$397
\$10.00-\$11.94	55,100	7.30	\$10.83	\$48
\$11.95	---	5.25	\$---	\$19
\$3.11-\$11.95	3,644,679	4.53	\$6.75	\$19,243

</TABLE>

The total intrinsic value, determined as of the date of exercise, of options exercised in the first quarter of 2006 and 2005 were \$3.4 million and \$0.2 million, respectively. We received \$5.8 million and \$262,000 in cash from stock option exercises in the first quarter of 2006 and 2005,

respectively. We used cash to settle stock option agreements of \$1.6 million and \$0 in the first quarter of 2006 and 2005, respectively.

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
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(Unaudited)

(5) Industry Segments Data

Our reportable segments are business units that offer different products. The reportable segments are each managed separately and serve distinct types of customers.

In the fourth quarter of 2005 we committed to a reorganization plan to more efficiently meet the demands of technological and product convergence by realigning along customer lines rather than product lines. Beginning January 1, 2006 our four reportable segments became Consumer, Network Access, Commercial and Managed Broadband, replacing the Long-distance, Cable, Local Access and Internet services segments.

Reportable segment data and All Other Category data for the first quarter of 2005 have been reclassified for comparability purposes, as follows:

- o First quarter of 2005 revenue and cost of goods sold (exclusive of depreciation and amortization expense) ("Cost of Goods Sold") were reclassified to conform to the new segment organizational structure. A combination of specific identification and general allocations were employed to reclassify first quarter of 2005 balances. Allocated amounts were generally determined using segment revenue or customer counts derived from first quarter of 2006 segment data. We believe the first quarter of 2006 division of revenue and customers by segment is representative of the first quarter of 2005 customer composition for purposes of reclassifying first quarter of 2005 revenue and Cost of Goods Sold balances.
- o First quarter 2005 selling, general and administrative ("SG&A") expenses were reclassified to conform to the new segment organizational structure. A combination of specific and general allocations were employed to reclassify first quarter 2005 balances, as follows:
 - o Certain SG&A expenses were directly charged to each new reportable segment during the first quarter of 2006. The amount of comparable SG&A directly charged to each segment during the first quarter of 2005 based upon our new organizational structure is not practicable to calculate. We believe the 2006 amounts are representative of the amounts allocable during the same period of 2005, and therefore allocated such amounts to each reportable segment in the first quarter of 2005.
 - o The remaining SG&A expenses, consisting of corporate related expenses further described below, were allocated to each segment using the percentage of each segment's margin for the year ended December 31, 2004 to total margin for the same period.
- o First quarter 2005 bad debt recovery was reclassified to conform to the new segment organizational structure. A combination of specific identification and general allocations based upon segment revenue for the year ended December 31, 2005 were employed to reclassify first quarter 2005 bad debt recovery.

Depreciation and amortization expense for the three months ended March 31, 2005 is no longer allocated to reportable segments as our Chief Operating Decision Maker now evaluates each

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
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segments' performance based upon its earnings from operations before depreciation, amortization, net interest expense and income tax expense.

A description of our four reportable segments follows:

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

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

Commercial. We offer a full range of voice, video, data and wireless services to business and governmental customers.

Managed Broadband. We offer data services to rural school districts, rural hospitals and health clinics through our SchoolAccess(R) and Rural Health initiatives.

Corporate related expenses including engineering, operations and maintenance of our core network, information technology, accounting, legal and regulatory, human resources, and other general and administrative expenses for the first quarter of 2006 are allocated to our segments using segment margin for the year ended December 31, 2005. Bad debt expense for the first quarter of 2006 is allocated to our segments using a combination of specific identification and allocations based upon segment revenue for the quarter ended March 31, 2006.

We evaluate performance and allocate resources based on earnings from operations before depreciation and amortization expense, net interest expense and income tax expense. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies in note 1 in the "Notes to Consolidated Financial Statements" included in Part II of our December 31, 2005 annual report on Form 10-K. Intersegment sales are recorded at cost plus an agreed upon intercompany profit.

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

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

Summarized financial information for our reportable segments for the three months ended March 31, 2006 and 2005 follows (amounts in thousands):

<TABLE>
<CAPTION>

	Reportable Segments				Total Reportable Segments
	Consumer	Network Access	Commercial	Managed Broadband	
<S> 2006 ----	<C>	<C>	<C>	<C>	<C>
Revenues:					
Intersegment	\$ ---	---	1,338	---	1,338
External	42,663	37,823	26,128	6,208	112,822
Total revenues	\$ 42,663	37,823	27,466	6,208	114,160
Earnings from operations before depreciation, amortization, net interest expense and income taxes	\$ 8,077	19,869	6,656	1,808	36,410
2005 ----					
Revenues:					
Intersegment	\$ 14	1,832	5,823	---	7,669
External	40,192	34,144	25,359	6,815	106,510
Total revenues	\$ 40,206	35,976	31,182	6,815	114,179
Earnings from operations before depreciation, amortization, net interest expense and income taxes	\$ 7,953	18,280	5,664	2,586	34,483

</TABLE>

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

<TABLE>
<CAPTION>

Three months ended March 31,	2006	2005
<S>	<C>	<C>
Reportable segment revenues	\$ 114,160	114,179
Less intersegment revenues eliminated in consolidation	1,338	7,669

Consolidated revenues

\$ 112,822 106,510

</TABLE>

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(Continued)

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

A reconciliation of reportable segment earnings from operations before depreciation and amortization expense, net interest expense and income taxes to consolidated net income before income taxes and cumulative effect of a change in accounting principle follows (amounts in thousands):

<TABLE>

<CAPTION>

Three months ended March 31,	2006	2005
<S>	<C>	<C>
Reportable segment earnings from operations before depreciation and amortization expense, net interest expense and income taxes	\$ 36,410	34,483
Less depreciation and amortization expense	20,161	17,705
Add other expense	113	---
Consolidated operating income	16,362	16,778
Less other expense, net	8,761	8,635
Consolidated net income before income taxes and cumulative effect of a change in accounting principle	\$ 7,601	8,143

</TABLE>

(6) Commitments and Contingencies

Litigation, Disputes, and Regulatory Matters

We are involved in various other lawsuits, billing disputes, legal proceedings, and regulatory matters that have arisen from time to time in the normal course of business. While the ultimate results of these items cannot be predicted with certainty we do not expect at this time the resolution of them to have a material adverse effect on our financial position, results of operations or liquidity.

Capital Lease Obligation

On March 31, 2006, through our subsidiary GCI Communication Corp. ("GCC") we entered into an agreement to lease transponder capacity on PanAmSat Corporation's ("PanAmSat") Galaxy 18 Spacecraft that is expected to be launched during 2007. We will also lease capacity on the Horizons 1 Satellite, which is owned jointly by PanAmSat and JSAT International, Inc. The leased capacity is expected to replace our existing transponder capacity on PanAmSat's Galaxy 10R satellite when it reaches its end of life.

We will lease, subject to a termination option, C-band and Ku-Band transponders over an expected term of approximately 14 years once the satellite is placed into commercial operation in its assigned orbital location, and the transponders meet specific performance specifications and are made available for our use. The present value of the lease payments, excluding telemetry, tracking and command services and back-up protection, is expected to total \$77.0 million to \$82.0 million. We will record the capital lease obligation and the addition to our Property and Equipment when the satellite is made available for our use which is expected to occur approximately one month after the expected July 2007 launch.

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(Continued)

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
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A summary of estimated future minimum lease payments for this lease follows (amounts in thousands):

Years ending December 31:	
2006	\$ ---
2007	4,584
2008	9,168
2009	9,168
2010	9,168
2011 and thereafter	97,028
Total minimum lease payments	\$ 129,116

Upon payment of a monthly fee we have the option to terminate the lease of the C-band transponders through June 1, 2007. We may forfeit our

termination option at which time we would no longer be obligated to continue paying the monthly fee. If we elect to terminate our C-band transponder lease we must return the transponders and pay a termination fee.

Telecommunication Services Agreement

We lease a portion of our 800-mile fiber optic system capacity that extends from Prudhoe Bay to Valdez via Fairbanks, and provide management and maintenance services for this capacity to a significant customer. The telecommunications service agreement is for fifteen years and may be extended for up to two successive three-year periods and, upon expiration of the extensions, one additional year with a total outstanding commitment of \$138.1 million at December 31, 2005. On March 24, 2005, the lessee announced that they had signed a contract with a competitor to build a microwave system to run parallel with our fiber optic cable system. The lessee may utilize the microwave system in place of or in addition to our fiber optic cable system. We have received notice from the lessee of their intent to amend our agreement. We have agreed with the lessee that the agreement may be canceled by the lessee with 60 days written notice.

Anchorage Unbundled Network Elements Arbitration

On June 25, 2004, the Regulatory Commission of Alaska ("RCA") issued a comprehensive decision setting forth new rates for unbundled network elements ("UNE"), resale, and terms and conditions for interconnection in the Anchorage arbitration. Significantly, the RCA raised the loop rate in Anchorage to \$19.15 but subsequently reduced the loop rate on reconsideration to \$18.64. The RCA also issued other various arbitration rulings adverse to us, including adopting Alaska Communications Systems Group, Inc.'s ("ACS") non-recurring and collocation cost models. On December 7, 2004, the Commission issued a final order approving an interconnection agreement. We have appealed various Commission arbitration rulings.

On September 30, 2005, the ACS subsidiary serving Anchorage filed a petition with the FCC, seeking forbearance from the requirement that it provide access to UNEs, and that to the extent it voluntarily did so, that the pricing provisions of the Act would not apply. We filed our opposition on January 9, 2006 and our reply on February 23, 2006. The FCC is required under statute to issue a decision by September 30, 2006, or on its own motion, in an additional 90 days. If a decision is not issued within the required timeframe, the petition is deemed granted. The ability to obtain UNEs is an important element of our local exchange and exchange access services

business, and the outcome of this proceeding could result in a change in our ability to access segments of the Anchorage market via the facilities of the ILEC and the cost of doing so. We cannot predict at this time the outcome of this proceeding or its impact on us; however, our net cost of providing local telephone services in Anchorage could be materially adversely affected by an adverse decision.

Alaska DigiTel, LLC ("Alaska DigiTel") Investment We agreed to invest approximately \$29.5 million in exchange for a majority equity interest in Alaska DigiTel, a small Alaska Personal Communication Services ("PCS") provider. The existing owners will retain a minority ownership interest and voting control of Alaska DigiTel. The exact percentage and dollar amounts for our interest in Alaska DigiTel will vary in proportion to the amount the existing owners elect to retain, but we expect to own between 75% and 85% after completion of the transaction. The transaction is based on a post closing enterprise valuation of \$37.0 million for Alaska DigiTel. We will fund the transaction from cash on hand, by drawing down additional debt, or a combination of the two. Matanuska Telephone Association filed a petition with the FCC against our application in February 2006. The Alaska DigiTel transaction requires certain regulatory approvals and we are uncertain when it will close.

We have provided a \$3.0 million bank depository account as collateral for an Alaska DigiTel term loan. The amount is classified as Cash and Cash Equivalents on our March 31, 2006 Consolidated Balance Sheet.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. 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 unbilled revenues, Cost of Goods Sold accruals, allowance for doubtful accounts, share-based compensation expense, depreciation, amortization and accretion periods, intangible assets, income taxes, and contingencies and litigation. We base our estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. See also our "Cautionary Statement Regarding Forward-Looking Statements."

General Overview

Through our focus on long-term results, acquisitions, and strategic capital investments, we strive to consistently grow our revenues and expand our margins. We have historically met our cash needs for operations, regular capital expenditures and maintenance capital expenditures through our cash flows from operating activities. Historically, cash requirements for significant acquisitions and major capital expenditures have been provided largely through our financing activities.

As of January 1, 2006 we are reorganized under Consumer, Network Access, Commercial and Managed Broadband reportable segments, replacing the Long-distance, Cable, Local Access and Internet services reportable segments. The realignment along customer lines rather than product lines allows us to more efficiently meet the demands of technological and product convergence.

Segment and All Other category data for the first quarter of 2005 have been reclassified to reflect the organizational changes for comparability purposes. A combination of specific identification and general allocations were employed to reclassify first quarter of 2005 balances. Allocated amounts were generally determined using segment revenue or customer counts derived from first quarter of 2006 segment data. We believe the first quarter of 2006 division of revenue and customers by segment is representative of the first quarter of 2005 customer composition for purposes of reclassifying first quarter of 2005 revenue and Cost of Goods Sold balances.

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The Network Access segment provides services to other common carrier customers and the Managed Broadband segment provides services to rural school districts and rural hospitals and health clinics. Following are our segments and the services and products each offers to its customers:

<TABLE>

<CAPTION>

Services and Products	Reportable Segments			
	Consumer	Network Access	Commercial	Managed Broadband
Voice	X	X	X	
Video	X		X	
Data	X	X	X	X
Wireless	X		X	

</TABLE>

An overview of our services and products follows.

Voice Services and Products

Long-distance Services

We generate long-distance services revenues from monthly plan fees and usage charges.

Factors that have the greatest impact on year-to-year changes in long-distance services revenues include the rate per minute charged to customers and usage volumes expressed as minutes of use.

Common carrier traffic routed to us for termination in Alaska is largely dependent on traffic routed to our common carrier customers by their customers. Pricing pressures, new program offerings, business failures, and market and business consolidations continue to evolve in the markets served by our other

common carrier customers. If, as a result, their traffic is reduced, or if their competitors' costs to terminate or originate traffic in Alaska are reduced, our traffic will also likely be reduced, and our pricing may be reduced to respond to competitive pressures, consistent with federal law. Additionally, disruption in the economy resulting from terrorist attacks and other attacks or acts of war could affect our carrier customers. We are unable to predict the effect on us of such changes. However, given the materiality of other common carrier revenues to us, a significant reduction in traffic or pricing could have a material adverse effect on our financial position, results of operations and liquidity.

Due in large part to the favorable synergistic effects of our bundling strategy focused on consumer and commercial customers, long-distance services continues to be a significant contributor to our overall performance, although the migration of traffic from voice to data and from fixed to mobile wireless continues.

Our long-distance service faces significant competition from AT&T Alascom, long-distance resellers, and local telephone companies that have entered the long-distance market. We believe our approach to developing, pricing, and providing long-distance services and bundling different business segment services will continue to allow us to be competitive in providing those services.

Local Access Services

We generate local access services revenues from three primary sources: (1) basic dial tone services; (2) private line and special access services; and (3) features and other charges, including voice mail, caller ID, distinctive ring, inside wiring and subscriber line charges.

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The primary factors that contribute to year-to-year changes in local access services revenues include the average number of subscribers to our services during a given reporting period, the average monthly rates charged for non-traffic sensitive services, the number and type of additional premium features selected, the traffic sensitive access rates charged to carriers and the Universal Service Program.

We estimate that our March 31, 2006 and 2005 total lines in service represent a statewide market share of approximately 26% and 24%, respectively. At March 31, 2006 and 2005 approximately 86% and 85%, respectively, of our lines are provided on our own facilities and leased local loops. At March 31, 2006 and 2005 approximately 5% and 6%, respectively, of our lines are provided using the UNE platform delivery method.

Our local access service faces significant competition in Anchorage, Fairbanks, and Juneau from ACS, which is the largest incumbent local exchange carrier ("ILEC") in Alaska, and from AT&T Alascom, Inc. ("Alascom") in Anchorage for Consumer services. Alascom has received certification from the Regulatory Commission of Alaska to provide local access services in Fairbanks and Juneau. We believe our approach to developing, pricing, and providing local access services and bundling different services will allow us to be competitive in providing those services.

We plan to deploy 20,000 additional digital local phone service ("DLPS") lines which utilize our Anchorage coaxial cable facilities during the year ended December 31, 2006. This service delivery method allows us to utilize our own cable facilities to provide local access service to our customers and avoid paying local loop charges to the ILEC.

Directory Advertising

We sell advertising in our yellow pages directories to commercial customers and distribute white and yellow pages directories to customers in certain markets we serve. We also sell on-line directory products.

Video Services and Products

We generate cable services revenues from three primary sources: (1) digital and analog programming services, including monthly basic and premium subscriptions, pay-per-view movies and one-time events, such as sporting events; (2) equipment rentals and installation; and (3) advertising sales.

Our cable systems serve 40 communities and areas in Alaska, including the state's four largest population centers, Anchorage, Fairbanks, the Matanuska-Susitna Valley and the Kenai Peninsula.

The primary factors that contribute to period-to-period changes in cable services revenues include average monthly subscription rates and pay-per-view buys, the mix among basic, premium and digital tier services, the average number of cable television subscribers during a given reporting period, set-top box utilization and related rates, revenues generated from new product offerings, and sales of cable advertising services.

We increased rates charged for certain cable services in eleven communities, including three of the state's four largest population centers, Anchorage, the Matanuska-Susitna Valley, and Fairbanks. The rate increases were primarily effective in January 2006 and increased approximately 5% for those customers who

experienced an adjustment.

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Data Services and Products

Internet Services

We generate Internet services revenues from two primary sources: (1) access product services, including cable modem and dial-up access; and (2) network management services.

The primary factors that contribute to year-to-year changes in Internet services revenues include the average number of subscribers to our services during a given reporting period, the average monthly subscription rates, the amount of bandwidth purchased by large commercial customers, and the number and type of additional premium features selected.

Marketing campaigns continue to be deployed featuring bundled products. Our Internet offerings are bundled with various combinations of our long-distance, cable, and local access services and provide free or discounted basic or premium Internet services. Value-added premium Internet features are available for additional charges.

We compete with a number of Internet service providers in our markets. We believe our approach to developing, pricing, and providing Internet services allows us to be competitive in providing those services.

Private Line and Private Network Services

We generate private line and private network services revenue from two primary sources: (1) leasing capacity on our facilities that utilize voice and data transmission circuits, dedicated to particular subscribers, which link a device in one location to another in a different location and (2) through the sale of Internet Protocol based data services on a secured shared network to businesses linking multiple enterprise locations. The factor that has the greatest impact on year-to-year changes in private line and private network services revenues is the number of private lines and private networks in use. We compete against Alascom, ACS and other local telecommunication service providers.

Managed Services

We design, sell, install, service and operate, on behalf of certain customers, communications and computer networking equipment and provide field/depot, third party, technical support, communications consulting and outsourcing services through our Network Solutions business. We also supply integrated voice and data communications systems incorporating interstate and intrastate digital private lines, point-to-point and multipoint private network and small earth station services. Presently, there are a number of competing companies in Alaska that actively sell and maintain data and voice communications systems.

Our ability to integrate communications networks and data communications equipment has allowed us to maintain our market position based on "value added" support services rather than price competition. These services are blended with other transport products into unique customer solutions, including managed services and outsourcing.

Broadband Services

We generate broadband services revenue through our SchoolAccess(R) and Rural Health initiatives. Our customers may purchase end-to-end broadband services solutions blended with other transport and software products such as video conferencing and unique web content services. Presently, there are several competing companies in Alaska that actively sell broadband services.

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Our ability to provide end-to-end broadband services solutions has allowed us to maintain our market position based on "value added" products and services rather than solely based on price competition. These services are blended with other transport and software products into unique customer solutions, including SchoolAccess(R) and Rural Health applications such as video conferencing and unique web content services.

Wireless Services and Products

We generate wireless services and equipment revenues from four primary sources: (1) monthly plan fees; (2) usage and roaming charges; (3) wireless Internet access; and (4) handset and accessory sales.

We offer wireless services by reselling Dobson Communications Corporation's ("Dobson") services. We provide limited wireless local access and Internet services using our own facilities. We compete against Dobson, ACS, Alaska DigiTel, and resellers of those services in Anchorage and other markets.

We have 20,100 and 9,600 combined Consumer and Commercial wireless lines in service at March 31, 2006 and 2005, respectively. A wireless line in service is defined as a revenue generating wireless device. Our average wireless revenue per combined Consumer and Commercial subscriber is \$49.52 during the three months ended March 31, 2006, calculated by dividing our combined Consumer and Commercial usage revenues by our combined Consumer and Commercial subscriber count.

We have reached a definitive agreement to invest \$29.5 million in Alaska DigiTel. In exchange for the investment, we will receive a majority equity interest in Alaska DigiTel but will not own voting control of the venture. We view our investment as an incremental way to participate in future growth of the wireless industry in Alaska. Our existing distribution agreement with Dobson remains in full effect and our existing cellular products will continue to compete with Alaska DigiTel in the Alaska market. The transaction is subject to customary closing conditions, including documentation and regulatory approvals. Matanuska Telephone Association filed a petition with the FCC against our application in February 2006. We are not able to determine at this time when the transaction will close.

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Results of Operations

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

<TABLE>

<CAPTION>

(Unaudited)	Three Months Ended		Percentage
	2006	2005	Change (1)
	March 31,		2006
			vs.
			2005
	----	----	----
<S>	<C>	<C>	<C>
Statements of Operations Data:			
Revenues:			
Consumer services segment	37.8%	37.7%	6.1%
Network Access services segment	33.5%	32.1%	10.8%
Commercial services segment	23.2%	23.8%	3.0%
Managed broadband services segment	5.5%	6.4%	(8.9%)
	-----		-----
Total revenues	100.0%	100.0%	5.9%
Selling, general and administrative expenses	35.1%	34.9%	6.6%
Bad debt expense (recovery)	0.4%	(0.3%)	241.9%
Depreciation and amortization expense	17.9%	16.6%	13.9%
Operating income	14.5%	15.8%	(2.5%)
Net income before income taxes and cumulative effect of a change in accounting principle	6.7%	7.6%	(6.7%)
Net income before cumulative effect of a change in accounting principle	3.5%	4.4%	(15.9%)
Net income	2.9%	4.4%	(28.9%)

<FN>

(1) Percentage change in underlying data.

</FN>

</TABLE>

Three Months Ended March 31, 2006 Compared To Three Months Ended March 31, 2005

Overview of Revenues and Cost of Goods Sold

Total revenues increased 5.9% from \$106.5 million in the first quarter of 2005 to \$112.8 million in the first quarter of 2006. Revenue increases in our Consumer, Network Access and Commercial segments were partially off-set by decreased revenue in our Managed Broadband segment. See the discussion below for more information by segment.

Total Cost of Goods Sold increased 2.8% from \$35.2 million in the first quarter of 2005 to \$36.2 million in the first quarter of 2006. Increases in the Consumer and Network Access segments' Cost of Goods Sold were partially off-set by decreased Cost of Goods Sold in our Commercial and Managed Broadband segments. See the discussion below for more information by segment.

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Consumer Services Segment Overview

Consumer services segment revenue in the first quarter of 2006 represented 38.0% of consolidated revenues. The components of Consumer services segment revenue are as follow (amounts in thousands):

<TABLE>

<CAPTION>

	First Quarter		Percentage
	2006	2005	Change
	-----	-----	-----
<S>	<C>	<C>	<C>
Voice	\$ 11,311	11,997	(5.7%)
Video	22,003	20,994	4.8%
Data	6,961	6,245	11.5%
Wireless	2,388	956	149.8%
	-----	-----	-----
Total Consumer services segment revenue	\$ 42,663	40,192	6.1%

</TABLE>

Selected key performance indicators for our Consumer services segment follow:

<TABLE>

<CAPTION>

	March 31,		Percentage
	2006	2005	Change
<S>	<C>	<C>	<C>
Voice:			
Total local access lines in service(1)	68,600	69,000	(0.6%)
DLPS local access lines in service(1)	24,100	10,400	131.7%
Video:			
Basic subscribers(2)	122,100	122,000	0.0%
Digital programming tier subscribers(3)	54,900	48,000	14.4%
HD/DVR converter boxes(4)	16,200	6,700	141.8%
Homes passed	216,000	209,600	3.1%
Data:			
Cable modem subscribers(5)	74,000	63,300	16.9%

<FN>

- 1 A local access line in service is defined as a revenue generating circuit or channel connecting a customer to the public switched telephone network.
- 2 A basic cable subscriber is defined as one basic tier of service delivered to an address or separate subunits thereof regardless of the number of outlets purchased.
- 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 sub-set of basic subscribers.
- 4 An 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 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,

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each access point is counted as a subscriber. Cable modem subscribers may also be basic subscribers though basic cable service is not required to receive cable modem service.

</FN>

</TABLE>

<TABLE>

<CAPTION>

	First Quarter		Percentage
	2006	2005	Change
<S>	<C>	<C>	<C>
Voice:			
Long-distance minutes carried (in millions)	36.9	40.8	(9.6%)
Video:			
Average gross revenue per subscriber(1)	\$63.87	\$59.25	7.8%

<FN>

- 1 Consumer video revenues divided by consumer video basic subscribers.

</FN>

</TABLE>

Consumer Services Segment Revenues

The 5.7% decrease in voice revenue is primarily due to the decrease in long-distance minutes carried for these customers and a \$660,000 decrease in support from the Universal Service Program.

The decrease in active long-distance customers is primarily due to a decrease in the total number of long-distance services subscribers in the market resulting from customers substituting wireless phone, prepaid calling card, VoIP, and email usage for direct dial minutes and non-revenue affecting adjustments to our customer database resulting from the implementation of a new customer service and provisioning information system in September 2005.

The 4.8% increase in video revenue is primarily due to an increase in digital programming tier subscribers in the first quarter of 2006, the rate increases previously described, and a 20.3% increase in equipment rental and installation fee revenue to \$3.3 million in the first quarter of 2006. The increase in equipment rental and installation fees revenue is primarily caused by the

increased use of digital distribution technology.

The 11.5% increase in data revenue is primarily due to a 12.5% increase in cable modem revenue to \$5.9 million in the first quarter of 2006 as compared to the first quarter of 2005. The increase in cable modem revenue is primarily due to the increase in subscribers.

The 149.8% increase in wireless revenue is primarily due to the increase in wireless subscribers.

Consumer Services Segment Cost of Goods Sold

Consumer services segment Cost of Goods Sold increased 6.5% to \$15.9 million from the first quarter of 2005 to the first quarter of 2006 primarily due to increased video and wireless Cost of Goods Sold resulting from increased revenue. The increase in Cost of Goods Sold is partially off-set by decreased voice Cost of Goods Sold primarily due to cost savings resulting from the increased deployment of DLPS lines in the last nine months of 2005 and the first quarter of 2006.

33

Network Access Services Segment Overview

Network access services segment revenue in the first quarter of 2006 represented 33.5% of consolidated revenues. The components of Network Access services segment revenue are as follows (amounts in thousands):

<TABLE>
<CAPTION>

	First Quarter		Percentage Change
	2006	2005	
<S>	<C>	<C>	<C>
Voice	\$ 24,485	20,969	16.8%
Data	13,338	13,175	1.2%

Total Network Access services segment revenue	\$ 37,823	34,144	10.8%
=====			

</TABLE>

Selected key performance indicators for our Network Access services segment follow:

<TABLE>
<CAPTION>

	First Quarter		Percentage Change
	2006	2005	
<S>	<C>	<C>	<C>
Voice:			
Long-distance minutes carried (in millions)	288.0	226.6	27.1%

</TABLE>

Network Access Services Segment Revenues

The 16.8% increase in voice revenue is primarily due to the increase in minutes carried for our other common carrier customers partially off-set by a 4.4% decrease in our rate per minute on minutes carried for other common carriers. The average rate per minute decrease is primarily due to the annual 3.0% rate decrease mandated by the Consolidated Appropriations Act for Fiscal Year 2005 effective January 2005 which will result in rate decreases of 3.0% per year through 2010 and a change in the composition of traffic carried for other common carriers.

Network Access Services Segment Cost of Goods Sold

Network Access services segment Cost of Goods Sold increased 12.7% to \$8.8 million from the first quarter of 2005 to the first quarter of 2006 primarily due to increased voice revenue and minutes carried.

Commercial Services Segment Overview

Commercial services segment revenue in the first quarter of 2006 represented 23.2% of consolidated revenues. The components of Commercial services segment revenue are as follow (amounts in thousands):

<TABLE>
<CAPTION>

	First Quarter		Percentage Change
	2006	2005	
<S>	<C>	<C>	<C>
Voice	\$ 8,023	8,782	(8.6%)
Video	1,726	1,644	5.0%
Data	15,910	14,746	7.9%
Wireless	469	187	150.8%

Total Commercial services segment revenue \$ 26,128 25,359 3.0%
=====

</TABLE>

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Selected key performance indicators for our Commercial services segment follow:

<TABLE>
<CAPTION>

	March 31,		Percentage
	2006	2005	Change
	-----	-----	-----
<S>	<C>	<C>	<C>
Voice:			
Total local access lines in service(1)	40,600	39,900	1.8%
DLPS local access lines in service(1)	1,000	400	150.0%
Data:			
Cable modem subscribers(2)	6,900	6,000	15.0%

<FN>

1 A local access line in service is defined as a revenue generating circuit or channel connecting a customer to the public switched telephone network.
2 A cable modem subscriber is defined by the purchase of cable modem service regardless of the level of service purchased. If one entity purchases multiple cable modem service access points, each access point is counted as a subscriber.

</FN>

</TABLE>

<TABLE>
<CAPTION>

	First Quarter		Percentage
	2006	2005	Change
	-----	-----	-----
<S>	<C>	<C>	<C>
Voice:			
Long-distance minutes carried (in millions)	35.1	35.1	0.0%

</TABLE>
Commercial Services Segment Revenues

The 8.6% decrease in voice revenue is primarily due a \$200,000 decrease in support from the Universal Service Program.

The 7.9% increase in data revenue is primarily due to a 19.7% or \$625,000 increase in managed services special projects for certain customers.

Commercial Services Segment Cost of Goods Sold

Commercial services segment Cost of Goods Sold decreased 8.4% to \$10.4 million from the first quarter of 2005 to the first quarter of 2006 primarily due to decreased voice revenue. The overall Cost of Goods Sold decrease is partially off-set by increased managed services Cost of Goods Sold primarily due to increased managed services revenue in the first quarter of 2006 as compared to 2005.

Managed Broadband Services Segment Overview

Managed broadband services segment revenue in the first quarter of 2006 represented 5.5% of consolidated revenues. Managed broadband services segment revenue, which includes data products only, decreased \$607,000 in the first quarter of 2006 as compared to the first quarter of 2005.

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Selected key performance indicators for our Commercial services segment follow:

<TABLE>
<CAPTION>

	March 31,		Percentage
	2006	2005	Change
	-----	-----	-----
<S>	<C>	<C>	<C>
Managed broadband services:			
SchoolAccess(R) customers	47	43	9.3%
Rural health customers	21	21	0.0%

</TABLE>
Managed Broadband Services Segment Revenues

The decrease in Managed Broadband services segment revenue is primarily due to a decrease in our multi-site SchoolAccess(R) customers in the first quarter of 2006 as compared to 2005 and a decrease in the rate charged for certain circuits purchased by our rural health customers. The decrease in multi-site SchoolAccess(R) customers was off-set by an increase in single-site SchoolAccess(R) customers from which we generate less revenue.

Managed Broadband Services Segment Cost of Goods Sold

Managed broadband services segment Cost of Goods Sold decreased \$16,000 to \$1.1 million from the first quarter of 2005 to the first quarter of 2006.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 6.6% to \$39.6 million in the first quarter of 2006 primarily due to the following:

- o A \$1.5 million increase in health insurance costs primarily resulting from a decrease in our reserve for incurred but not reported health insurance claims in the first quarter of 2005 in order to reflect historical experience that was not repeated in the first quarter of 2006 and an increase in our medical claims in the first quarter of 2006, and
- o A \$637,000 increase in our share-based compensation expense primarily due to our adoption of SFAS No. 123(R) on January 1, 2006. Upon our adoption of SFAS No. 123(R) we recognized \$678,000 in share-based compensation expense which was allocated to our reportable segments as follows (amounts in thousands):

<TABLE>
<CAPTION>

	Reportable Segments				
	Consumer	Network Access	Commercial	Managed Broadband	Total
<S>	<C>	<C>	<C>	<C>	<C>
Share-based compensation expense	\$ 262	206	161	49	678

</TABLE>

As a percentage of total revenues, selling, general and administrative expenses increased to 35.1% in the first quarter of 2006 from 34.9% in the first quarter of 2005, primarily due to an increase in selling, general and administrative expenses without a proportional increase in revenues.

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Bad Debt Expense (Recovery)

Bad debt expense (recovery) increased approximately \$854,000 to a net expense of \$501,000 in the first quarter of 2006. The increase is primarily due to a decrease in the realization of a recovery from MCI, Inc. (merged with Verizon Communications Inc. ("Verizon") in January 2006) through a reduction to bad debt expense in the first quarter of 2006 as compared to the first quarter of 2005.

Depreciation and Amortization Expense

Depreciation and amortization expense increased 13.9% to \$20.2 million in the first quarter of 2006. The increase is primarily due to our \$95.3 million investment in equipment and facilities placed into service during 2005 for which a full year of depreciation will be recorded in 2006 and the \$7.6 million investment in equipment and facilities placed into service during the first quarter of 2006 for which a partial year of depreciation will be recorded in 2006.

Income Tax Expense

Income tax expense totaled \$3.7 million in the first quarter of 2006 and \$3.5 million in the first quarter of 2005. Our effective income tax rate increased from 42.7% in the first quarter of 2005 to 48.4% in the first quarter of 2006 due primarily to adjustments to deferred tax assets and liabilities balances in the first quarter of 2006.

At March 31, 2006, we have (1) tax net operating loss carryforwards of approximately \$160.5 million that will begin expiring in 2009 if not utilized, and (2) alternative minimum tax credit carryforwards of approximately \$2.1 million available to offset regular income taxes payable in future years. We estimate that we will utilize net operating loss carryforwards of \$29.0 million to \$34.0 million during the year ended December 31, 2006. Our utilization of certain net operating loss carryforwards is subject to limitations pursuant to Internal Revenue Code section 382.

Tax benefits associated with recorded deferred tax assets are considered to be more likely than not realizable through future reversals of existing taxable temporary differences and future taxable income exclusive of reversing temporary differences and carryforwards. The amount of deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced which would result in additional income tax expense. We estimate that our effective annual income tax rate for financial statement purposes will be 43% to 45% in the year ended December 31, 2006.

Cumulative Effect of a Change in Accounting Principle

On January 1, 2006 we adopted SFAS No. 123(R), "Share-Based Payment." SFAS 123(R) requires us to measure share-based compensation liability instruments at fair value as of January 1, 2006. Previously, we measured those liability instruments at their intrinsic value determined as of their grant date. The

transition impact (expense) of adopting SFAS No. 123(R) attributed to measuring such liability instruments at fair value totaled \$1.1 million, net of income tax benefit of \$469,000 and is reported as a component of the cumulative effect of change in accounting principle in the accompanying March 31, 2006 Consolidated Statement of Operations.

Additionally, SFAS 123(R) requires us to estimate pre-vesting option forfeitures at the time of grant and periodically revise those estimates in subsequent periods if actual forfeitures differ from those estimates. We record share-based compensation expense only for those awards expected to vest using an estimated forfeiture rate based on our historical pre-vesting forfeiture data. Previously, we accounted for forfeitures as they occurred under the pro forma disclosure provisions of SFAS 123 for

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periods prior to 2006. The transition impact (benefit) of adopting SFAS No. 123(R) attributed to accruing for expected forfeitures on outstanding share-based awards totaled \$108,000, net of income tax expense of \$44,000 and is reported as a component of the cumulative effect of change in accounting principle in the accompanying March 31, 2006 Consolidated Statement of Operations.

Multiple System Operator ("MSO") Operating Statistics

Our operating statistics include capital expenditures and customer information from our Consumer and Commercial services segments which offer services utilizing our cable services' facilities.

Our capital expenditures by standard reporting category for the three months ended March 31, 2006 and 2005 follows (amounts in thousands):

<TABLE>

<CAPTION>

	2006	2005
	-----	-----
<S>	<C>	<C>
Customer premise equipment	\$ 4,005	3,558
Line extensions	1,753	44
Scalable infrastructure	211	552
Upgrade/rebuild	144	4,057
Support capital	122	69
Commercial	3	97
	-----	-----
Sub-total	6,238	8,377
Remaining reportable segments capital expenditures	7,449	16,037
	-----	-----
	\$ 13,687	24,414
	=====	=====

</TABLE>

The standardized definition of a customer relationship is the number of customers that receive at least one level of service utilizing our cable services segment's facilities, encompassing voice, video, and data services, without regard to which services customers purchase. At March 31, 2006 and 2005 we had 124,100 and 124,200 customer relationships, respectively.

The standardized definition of a revenue generating unit is the sum of all primary analog video, digital video, high-speed data, and telephony customers, not counting additional outlets. At March 31, 2006 and 2005 we had 243,500 and 215,800 revenue generating units, respectively.

Liquidity and Capital Resources

Cash flows from operating activities totaled \$12.8 million for the three months ended March 31, 2006 as compared to \$22.9 million for the three months ended March 31, 2005. The 2006 decrease is primarily due to a \$3.7 million increase in net accounts receivable as further described below and a \$2.8 million payment of our company-wide success sharing bonus in 2006.

Other sources of cash during the three months ended March 31, 2006 included \$4.8 million from the issuance of our Class A common stock. Other uses of cash during the three months ended March 31, 2006 included expenditures of \$13.7 million for property and equipment, including construction in progress, and the purchase of \$3.6 million of common stock to be retired.

Working capital totaled \$90.2 million at March 31, 2006, a \$13.7 million increase as compared to \$76.5 million at December 31, 2005. The increase is primarily due to our \$11.6 million Senior Notes

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interest payment and our \$2.8 million payment of our company-wide success sharing bonus primarily using cash generated from operating activities during the three months ended March 31, 2006 rather than decreasing our Cash and Cash Equivalents balance, the \$3.7 million increase in net receivables as further described below, and a \$2.6 million reclassification of the current portion of Notes Receivable from Related Parties from non-current assets. The increase is

partially off-set by a \$2.1 million decrease in the current deferred tax asset for the net operating loss carryforward we expect to utilize during the year ended December 31, 2006.

Net receivables increased \$3.7 million from December 31, 2005 to March 31, 2006 primarily due to the net effect of the timing of payments on trade receivables from several large customers at March 31, 2006.

Senior Notes

We were in compliance with all Senior Notes loan covenants at March 31, 2006.

Senior Credit Facility

We were in compliance with all Senior Credit Facility loan covenants at March 31, 2006.

Capital Lease Obligation

On March 31, 2006, through our subsidiary GCC we entered into an agreement to lease transponder capacity on the PanAmSat Galaxy 18 Spacecraft that is expected to be launched during 2007. We will also lease capacity on the Horizons 1 Satellite, which is owned jointly by PanAmSat and JSAT International, Inc. The leased capacity is expected to replace our existing transponder capacity on PanAmSat's Galaxy 10R satellite when it reaches its end of life.

We will lease, subject to a termination option, C-band and Ku-Band transponders over an expected term of approximately 14 years once the satellite is placed into commercial operation in its assigned orbital location, and the transponders meet specific performance specifications and are made available for our use. The present value of the lease payments, excluding telemetry, tracking and command services and back-up protection, is expected to total \$77.0 million to \$82.0 million. We will record the capital lease obligation and the addition to our Property and Equipment when the satellite is made available for our use which is expected to occur approximately one month after the expected July 2007 launch.

A summary of estimated future minimum lease payments for this lease follows (amounts in thousands):

Years ending December 31:	
2006	\$ ---
2007	4,584
2008	9,168
2009	9,168
2010	9,168
2011 and thereafter	97,028

Total minimum lease payments	\$ 129,116
	=====

Upon payment of a monthly fee, we have the option to terminate the lease of the C-band transponders through June 1, 2007. We may forfeit our termination option at which time we would no longer be obligated to continue paying the monthly fee. If we elect to terminate our C-band transponder lease we must return the transponders and pay a termination fee.

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Capital Expenditures

Our expenditures for property and equipment, including construction in progress, totaled \$13.7 million and \$24.4 million during the three months ended March 31, 2006 and 2005, respectively. Our capital expenditures requirements in excess of approximately \$25.0 million per year are largely success driven and are a result of the progress we are making in the marketplace. We expect our 2006 expenditures for property and equipment for our core operations, including construction in progress, to total \$80.0 million to \$90.0 million, depending on available opportunities and the amount of cash flow we generate during 2006.

Share Repurchases

GCI's Board of Directors has authorized a common stock buyback program for the repurchase of our Class A and Class B common stock in order to reduce our outstanding shares of Class A and Class B common stock. Our Board of Directors authorized us and we obtained permission from our lenders for up to \$45.0 million of repurchases through March 31, 2006. We are authorized to continue our stock repurchases of up to \$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 three months ended March 31, 2006 we repurchased 316,949 shares of our Class A common stock at a cost of approximately \$3.6 million. We expect to continue the repurchases for an indefinite period subject to the availability of free cash flow, availability under our credit facilities, and the price of our Class A and Class B common stock. The repurchases have and will continue to comply with the restrictions of SEC Rule 10b-18.

Other Expenditures

We agreed to invest approximately \$29.5 million in exchange for a majority equity interest in Alaska DigiTel, a small Alaska PCS provider. The existing owners will retain a minority ownership interest and voting control of Alaska

DigiTel. The exact percentage and dollar amounts for our interest in Alaska DigiTel will vary in proportion to the amount the existing owners elect to retain, but we expect to own between 75% and 85% after completion of the transaction. The transaction is based on a post closing enterprise valuation of \$37.0 million for Alaska DigiTel. We will fund the transaction from cash on hand, by drawing down additional debt, or a combination of the two. Matanuska Telephone Association filed a petition with the FCC against our application in February 2006. The Alaska DigiTel transaction requires certain regulatory approvals and we are uncertain when it will close.

We have provided a \$3.0 million bank depository account as collateral for an Alaska DigiTel term loan. The amount is classified as Cash and Cash Equivalents on our March 31, 2006 Consolidated Balance Sheet.

The long-distance, local access, cable, Internet and wireless services industries continue to experience substantial competition, regulatory uncertainty, and continuing technological changes. Our future results of operations will be affected by our ability to react to changes in the competitive and regulatory environment and by our ability to fund and implement new or enhanced technologies. We are unable to determine how competition, economic conditions, and regulatory and technological changes will affect our ability to obtain financing under acceptable terms and conditions.

We believe that we will be able to meet our liquidity and capital requirements, and fixed charges during the upcoming year through our cash flows from operating activities, existing cash, cash equivalents,

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short-term investments, credit facilities, and other external financing and equity sources. Should cash flows be insufficient to support additional borrowings and principal payments scheduled under our existing credit facilities, capital expenditures will likely be reduced.

Schedule of Certain Known Contractual Obligations

The following table details future projected payments associated with certain known contractual obligations as of December 31, 2005, the date of our most recent fiscal year-end balance sheet. Our schedule of certain known contractual obligations has been updated to reflect our transponder capacity capital lease obligation discussed above.

<TABLE>

<CAPTION>

Payments Due by Period

	Total	Less than 1 Year	1 to 3 Years	4 to 5 Years	More Than 5 Years
(Amounts in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>
Long-term debt	\$ 479,550	1,725	3,425	3,200	471,200
Interest on long-term debt	197,200	23,200	46,400	46,400	81,200
Capital lease obligations, including interest	130,594	252	14,268	18,852	97,222
Operating lease commitments	79,532	19,359	24,254	15,875	20,044
Purchase obligations	26,322	15,753	10,569	---	---
Other	29,500	29,500	---	---	---
Total contractual obligations	\$ 942,698	89,789	98,916	84,327	669,666

</TABLE>

For long-term debt included in the above table, we have included principal payments on our Senior Credit Facility and on our Senior Notes. Interest on amounts outstanding under our Senior Credit Facility is based on variable rates and therefore the amount is not determinable. Our Senior Notes require semi-annual interest payments of \$11.6 million through August 2014. For a discussion of our Senior Notes see note 7 in the "Notes to Consolidated Financial Statements" included in Part II of our December 31, 2005 annual report on Form 10-K. For discussion of our Senior Credit Facility see note 7 in the "Notes to Consolidated Financial Statements" included in Part II of our December 31, 2005 annual report on Form 10-K.

For a discussion of our capital and operating leases, see note 16 in the "Notes to Consolidated Financial Statements" included in Part II of our December 31, 2005 annual report on Form 10-K and note 6 in the accompanying "Notes to Interim Condensed Consolidated Financial Statements."

Purchase obligations include a remaining commitment to purchase a certain number of outdoor, network powered multi-media adapters, indoor multi-media adapters, cable modems, and cable modem termination systems of \$6.9 million and a remaining \$10.8 million commitment for our Alaska Airlines agreement as further described in note 16 in the "Notes to Consolidated Financial Statements" included in Part II of our December 31, 2005 annual report on Form 10-K. The contracts associated with these commitments are non-cancelable. Purchase obligations also include open purchase orders for goods and services for capital projects and normal operations totaling \$8.6 million which are not included in

our Consolidated Balance Sheets at December 31, 2005, because the goods had not been

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received or the services had not been performed at December 31, 2005. The open purchase orders are cancelable.

Other consists of our commitment to acquire a substantial equity interest in Alaska DigiTel for approximately \$29.5 million as further described above.

New Accounting Standards

There are no new currently issued accounting standards that will affect our results of operations, financial position or cash flows after March 31, 2006.

Critical Accounting Policies

Our accounting and reporting policies comply with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with generally accepted accounting principles 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 accounting principles generally accepted in the United States of America. For all of these policies, management cautions that future events rarely develop exactly as forecast, and the best estimates routinely require adjustment. Management has discussed the development and the selection of critical accounting policies with our Audit Committee.

Those policies considered to be critical accounting policies for the three months ended March 31, 2006 are described below.

- o We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. We also maintain an allowance for doubtful accounts based on our assessment of the likelihood that our customers will satisfactorily comply with rules necessary to obtain supplemental funding from the Universal Service Administrative Company ("USAC") for services provided by us under our packaged communications offerings to rural hospitals, health clinics and school districts. We base our estimates on the aging of our accounts receivable balances, financial health of specific customers, regional economic data, changes in our collections process, regulatory requirements, and our customers' compliance with USAC rules. If the financial condition of our customers were to deteriorate or if they are unable to emerge from reorganization proceedings, resulting in an impairment of their ability to make payments, additional allowances may be required. If their financial condition improves or they emerge successfully from reorganization proceedings, allowances may be reduced. Such allowance changes could have a material effect on our consolidated financial condition and results of operations.

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- o We record all assets and liabilities acquired in purchase acquisitions, including goodwill and other intangibles, at fair value as required by SFAS No. 141, "Business Combinations." Goodwill and indefinite-lived assets such as our cable certificates are not amortized but are subject, at a minimum, to annual tests for impairment and quarterly evaluations of whether events and circumstances continue to support an indefinite useful life as required by SFAS No. 142, "Goodwill and Other Intangible Assets." Other intangible assets are amortized over their estimated useful lives using the straight-line method, and are subject to impairment if events or circumstances indicate a possible inability to realize the carrying amount as required by SFAS No. 142. The initial goodwill and other intangibles recorded and subsequent impairment analysis requires management to make subjective judgments concerning estimates of the applicability of quoted market prices in active markets and, if quoted market prices are not available and/or are not applicable, how the acquired asset will perform in the future using a discounted cash flow analysis. Estimated cash flows may extend beyond ten years and, by their nature, are difficult to determine over an extended timeframe. Events and factors that may significantly affect the estimates include, among others, competitive forces, customer behaviors and attrition, changes in revenue growth trends, cost structures and technology, and changes in discount rates, performance compared to peers, material and ongoing negative economic trends, and

specific industry or market sector conditions. In determining the reasonableness of cash flow estimates, we review historical performance of the underlying asset or similar assets in an effort to improve assumptions utilized in our estimates. In assessing the fair value of goodwill and other intangibles, we may consider other information to validate the reasonableness of our valuations including third-party assessments. These evaluations could result in a change in useful lives in future periods and could result in write-down of the value of intangible assets. Our cable certificate and goodwill assets are our only indefinite-lived intangible assets and because of the significance of our cable certificate and goodwill assets to our consolidated balance sheet, our annual and quarterly impairment analyses and quarterly evaluations of remaining useful lives are critical. Any changes in key assumptions about the business and its prospects, changes in market conditions or other externalities, or recognition of previously unrecognized intangible assets for impairment testing purposes could result in an impairment charge and such a charge could have a material adverse effect on our consolidated results of operations.

- o We estimate unbilled long-distance services Cost of Goods Sold based upon minutes of use carried through our network and established rates. We estimate unbilled costs for new circuits and services, and network changes that result in traffic routing changes or a change in carriers. Carriers that provide service to us regularly make network changes that can lead to new, revised or corrected billings. Such estimates are revised or removed when subsequent billings are received, payments are made, billing matters are researched and resolved, tariffed billing periods lapse, or when disputed charges are resolved. Revisions to previous estimates could either increase or decrease costs in the year in which the estimate is revised which could have a material effect on our consolidated financial condition and results of operations.
- o Our income tax policy provides for deferred income taxes to show the effect of temporary differences between the recognition of revenue and expenses for financial and income tax reporting purposes and between the tax basis of assets and liabilities and their reported amounts in the financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." We have recorded deferred tax assets of approximately \$65.5 million associated with income tax net operating losses that were generated from 1992 to 2003, and that expire from

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2009 to 2025. Pre-acquisition income tax net operating losses associated with acquired companies are subject to additional deductibility limits. We have recorded deferred tax assets of approximately \$2.1 million associated with alternative minimum tax credits that do not expire. Significant management judgment is required in developing our provision for income taxes, including the determination of deferred tax assets and liabilities and any valuation allowances that may be required against the deferred tax assets. In conjunction with certain 1996 acquisitions, we determined that approximately \$20.0 million of the acquired net operating losses would not be utilized for income tax purposes, and elected with our December 31, 1996 income tax returns to forego utilization of such acquired losses. Deferred tax assets were not recorded associated with the foregone losses and, accordingly, no valuation allowance was provided. We have not recorded a valuation allowance on the deferred tax assets as of March 31, 2006 based on management's belief that future reversals of existing taxable temporary differences and estimated future taxable income exclusive of reversing temporary differences and carryforwards, will, more likely than not, be sufficient to realize the benefit of these assets over time. In the event that actual results differ from these estimates or if our historical trends change, we may be required to record a valuation allowance on deferred tax assets, which could have a material adverse effect on our consolidated financial position or results of operations.

Other significant accounting policies, not involving the same level of measurement uncertainties as those discussed above, are nevertheless important to an understanding of the financial statements. Policies related to revenue recognition, share-based payments, and financial instruments require difficult judgments on complex matters that are often subject to multiple sources of authoritative guidance. Certain of these matters are among topics currently under reexamination by accounting standards setters and regulators. No specific conclusions reached by these standard setters appear likely to cause a material change in our accounting policies, although outcomes cannot be predicted with confidence. A complete discussion of our significant accounting policies can be found in note 1 in "Notes to Consolidated Financial Statements" included in Part II of our December 31, 2005 annual report on Form 10-K.

Geographic Concentration and the Alaska Economy

We have one major customer, Verizon. Our remaining customers are located primarily throughout Alaska. Because of this geographic concentration, our

growth and operations depend upon economic conditions in Alaska. The economy of Alaska is dependent upon the natural resources industries, and in particular oil production, as well as tourism, government, and United States military spending. Any deterioration in these markets could have an adverse impact on us. All of the federal funding and the majority of investment revenues are dedicated for specific purposes, leaving oil revenues as the primary source of general operating revenues. Tourism, air cargo, and service sectors have helped offset the prevailing pattern of oil industry downsizing that has occurred during much of the last several years.

No assurance can be given that the driving forces in the Alaska economy, and in particular, oil production, will continue at appropriate levels to provide an environment for expanded economic activity.

No assurance can be given that oil companies doing business in Alaska will be successful in discovering new fields or further developing existing fields which are economic to develop and produce oil with access to the pipeline or other means of transport to market, even with a reduced level of royalties. We

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are not able to predict the effect of changes in the price and production volumes of North Slope oil on Alaska's economy or on us.

PART I.
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. We do not hold derivatives for trading purposes.

Our Senior Credit Facility carries interest rate risk. Amounts borrowed under this Agreement bear interest at LIBOR plus 1.50% or less depending upon our Total Leverage Ratio (as defined). Should the LIBOR rate change, our interest expense will increase or decrease accordingly. As of March 31, 2006, we have borrowed \$158.8 million subject to interest rate risk. On this amount, each 1% increase in the LIBOR interest rate would result in \$1,588,000 of additional gross interest cost on an annualized basis.

PART I.
ITEM 4.

Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

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 the Securities Exchange Act of 1934 ("Exchange Act") Rules 13a - 15(e)) under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures are effective.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management to allow timely decisions regarding required disclosure.

(b) Changes in Internal Controls

During the first quarter of 2006 we corrected certain configuration settings in our new customer billing system so that credits and other adjustments are properly recorded. We will continue to monitor vigorously the effectiveness of these processes, procedures and controls, and will make any further changes as management determines appropriate.

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Other than as expressly noted in the paragraph above, there were no changes in our internal control over financial reporting identified in connection with the evaluation of our controls performed during the quarter ended March 31, 2006 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

Internal controls are a system designed to provide reasonable assurance to the Company's management and board of directors regarding the preparation and fair

presentation of its financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PART II.
ITEM 1.

LEGAL PROCEEDINGS

Information regarding material pending legal proceedings to which we are a party is included in note 6 to the accompanying "Notes to Interim Condensed Consolidated Financial Statements" and is incorporated herein by reference.

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PART II.
ITEM 2.

UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

- (a) Not applicable.
- (b) Not applicable.
- (c) The following table provides information about repurchases of shares of our Class A common stock during the quarter ended March 31, 2006:

<TABLE>
<CAPTION>

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	(d) Maximum Number (or approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (2)
<S>	<C>	<C>	<C>	<C>
January 1, 2006 to January 31, 2006	95,500 (3)	\$10.31	2,082,793	\$24,885,000
February 1, 2006 to February 28, 2006	---	\$ ---	2,082,793	\$24,885,000
March 1, 2006 to March 31, 2006	221,449 (3)	\$11.59	2,304,242	\$22,319,000
Total	316,949			

<FN>

- (1) 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 throughout 2006 subject to the availability of free cash flow, availability under our credit facilities, and the price of our Class A and Class B common stock. We do not intend to terminate this plan in 2006.
- (2) The total amount approved for repurchase was \$45.0 million through March 31, 2006 consisting of \$30.0 million through December 31, 2005 and \$15.0 million through March 31, 2006. If stock repurchases are less than the total approved quarterly amount the difference may be carried forward and applied against future stock repurchases, subject to Board of Directors approval.
- (3) Open-market purchases and private party transactions made under our publicly announced repurchase plan.

</FN>
</TABLE>

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PART II.
ITEM 6.

EXHIBITS

<TABLE>
<CAPTION>

Exhibit No.	Description
<S>	<C>
10.134	Full-time Transponder Capacity Agreement with PanAmSat Corporation dated March 31,

	2006 *
31.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by our President and Director
31.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by our Senior Vice President, Chief Financial Officer, Secretary and Treasurer
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by our President and Director
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by our Senior Vice President, Chief Financial Officer, Secretary and Treasurer

</TABLE>

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

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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> /s/ Ronald A. Duncan ----- Ronald A. Duncan	<C> President and Director (Principal Executive Officer)	<C> May 8, 2006 -----
----- /s/ John M. Lowber ----- John M. Lowber	Senior Vice President, Chief Financial Officer, Secretary and Treasurer (Principal Financial Officer)	May 8, 2006 -----
----- /s/ Alfred J. Walker ----- Alfred J. Walker	Vice President, Chief Accounting Officer (Principal Accounting Officer)	May 8, 2006 -----

</TABLE>

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**** 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.

FULL-TIME TRANSPONDER CAPACITY AGREEMENT (PRE-LAUNCH)

This Agreement (the "Agreement") is entered into this 31st day of March, 2006 (the "Execution Date"), by and between PANAMSAT CORPORATION ("PanAmSat"), a Delaware corporation, and GCI COMMUNICATION CORP. ("Customer"), an Alaska corporation.

AGREEMENT

In consideration of the foregoing and of the mutual promises set forth below, PanAmSat and Customer mutually agree as follows:

ARTICLE 1. THE CUSTOMER'S TRANSPONDER CAPACITY.

1.1 Description of Capacity. PanAmSat agrees to provide to Customer and Customer agrees to accept from PanAmSat, on a full time basis (24 hours a day, seven days a week), in outerspace, for the Capacity Term (as defined herein), 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 consist of (a) **** Primary (as defined in Section 1.2, below) **** transponders (collectively, the "**** Transponders" and individually, the "**** Transponder") and **** Primary **** transponders set forth in Section 1.5, below, as described in Appendix A to this Agreement from that certain U.S. domestic satellite referred to by PanAmSat as "Galaxy 18", which is currently under construction and which is planned to replace "Galaxy XR" located in geostationary orbit at 123 degrees West Longitude, and (b) **** transponder (the "**** Transponder") and **** transponder set forth in Section 1.6, below, as described in Appendix A to this Agreement from the **** payload of that certain satellite referred to by PanAmSat as "Horizons 1" at 127 degrees West Longitude. The transponders on the Satellite and the beams in which these transponders are grouped are referred to as "Transponder(s)" and the "Beam(s)," respectively. Galaxy 18 or Horizons 1 or such other satellite as to which Customer may at the time be using capacity hereunder, as applied in context herein, is referred to as the "Satellite". The transponders on the Satellite and the beams in which these transponders are grouped are referred to as "Transponder(s)" and the "Beam(s)," respectively. PanAmSat shall not preempt or interrupt the provision of the Customer's Transponder Capacity to Customer, except as specifically permitted under this Agreement. The terms of this Agreement shall not modify or amend the terms of the following

**** CONFIDENTIAL TREATMENT

agreements between the parties: (a) Galaxy X Transponder Purchase Agreement dated as of August 24, 1995, as amended; and the (b) Full-Time Transponder Capacity Agreement dated October 31, 2002.

1.2 **** Payload for Galaxy 18, **** Payload for Horizons 1 and Transponder Designation. Galaxy 18 will have **** Transponders. **** Transponders on Galaxy 18 will be designated as "Primary". The **** Transponders on Galaxy 18 will be designated as "Reserve." "Primary Transponders" shall mean **** Transponders which are not preemptible and as to which the "Protected Parties," if a "Confirmed Failure" (each as hereafter defined) occurs, shall have the right to preempt a Reserve **** Transponder in accordance with Section 5.3. "Reserve Transponders" shall mean **** Transponders which shall be preemptible, in accordance with Section 5.3, by the Protected Parties of Primary **** Transponders located on the Satellite that have suffered a Confirmed Failure. Use of **** Transponders shall not give such Protected Party the right to preempt or use any **** Transponders or **** Transponder spares on the Satellite. Use of **** Transponders shall not give such Protected Party the right to preempt or use any **** Transponders or **** Transponder spares on the Satellite. As used herein, "Protected Parties" means Transponder owners, lessees, customers, and users, whether "Primary" or "Reserve," including without limitation, those who may take service via Satellite capacity provided by PanAmSat, but who may have no direct right to access the capacity themselves, such as compressed digital channel customers. Horizons 1 has **** Transponders with no associated designation of "Primary" or "Reserve". Subject to Section 5.3 and Appendix B, the particular Transponder(s) that shall make up the **** Transponders shall be identified in accordance with Appendices A and B. The initial Transponder assignment(s) for **** Transponders shall be ****. Subject to Section 5.1 and Appendix B, the particular Transponder that shall make up the **** Transponder shall be identified in accordance with Appendices A and B. The initial Transponder assignment(s) for **** Transponder shall be specified by PanAmSat prior to the Commencement Date (as defined below).

1.3 Transmission Plan. No later than ten (10) days prior to the Commencement Date (as defined herein), Customer shall provide PanAmSat with a transmission plan (the "Transmission Plan"). Subject to PanAmSat's prior written

approval of the Transmission Plan, Customer shall be permitted to transmit **** digital radio frequencies ("RF") carriers to and from each Transponder or Transponder Segment that constitutes the Customer's Transponder Capacity. Customer shall also be permitted, subject to PanAmSat's prior written approval, to modify the Transmission Plan from time to time. PanAmSat shall not unreasonably withhold or delay its approval of a Transmission Plan or modification thereto, which approval shall be solely based upon the considerations identified in Section 4.1 of this Agreement. Customer may modify the Transmission Plan for the **** Transponders on Galaxy 18 to facilitate emergency provisioning and restoration of services without PanAmSat's prior approval, provided that the uplink power density per carrier into the antenna flange **** and the carriers have the same

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**** CONFIDENTIAL TREATMENT

specifications as those carrier types previously approved. In the event that Customer modifies the Transmission Plan to facilitate emergency provisioning and restoration of services, Customer shall submit a new Transmission Plan to PanAmSat for its approval on the next business day. PanAmSat's approval of a Transmission Plan shall not constitute, nor does PanAmSat make, any representation, warranty, or covenant regarding the efficacy of the use of any number of carriers or other alternative uses of Customer's Transponder Capacity.

1.4 Permitted Use. The Customer's Transponder Capacity may be used by Customer solely for transmission of its own digital and analog telecommunications services (whether in digital or Internet Protocol format), which, for purposes of this Agreement include the provision of value-added telecommunications services, wherein the Customer's provision of digital telecommunications services to its customers includes, without limitation, substantially more communications facilities than bare space segment capacity and Customer is responsible for all facilities communicating with, and for coordinating the use with PanAmSat of, the Customer's Transponder Capacity.

1.5 **** Optional Transponder(s): Within **** the Commencement Date (as defined in Article 2, below), if **** Transponder (the "**** Transponder") becomes available, then PanAmSat shall have the **** obligation to lease to Customer such Transponder by delivering to Customer a written notice of such availability (the "**** Transponder Availability Notice"), and Customer shall lease such Transponder from PanAmSat. The term of the lease of such **** Transponder shall commence on the date selected by Customer, however no later than the **** the Commencement Date, and the Monthly Fee for the **** Transponder shall be the same as **** Transponders provided under this Agreement. Customer must provide PanAmSat in writing the desired commencement date for the **** Transponder within thirty (30) days of PanAmSat's **** Availability Notice. Provided that Customer is leasing **** Transponders under this Agreement, PanAmSat shall have the **** obligation to offer Customer a **** Transponder on Galaxy 18 that becomes available through a redelivery of such Transponder from another customer within **** after the Commencement Date (the "**** Transponder"), by delivering to Customer a written notice of such availability (the "**** Transponder Availability Notice"). If Customer desires to lease such **** Transponder from PanAmSat, then Customer must provide PanAmSat in writing the desired commencement date for the **** Transponder **** PanAmSat's **** Availability Notice. The term of the lease of such **** Transponder shall commence on the date selected by Customer, however **** the date of the **** Transponder Availability Notice, and the Monthly Fee for the **** Transponder shall be **** Transponders provided under this Agreement. The lease of each such **** Transponder and **** Transponder shall continue through the end date for the Customer's **** Transponders as set forth in Article 2, below. Any added **** Transponder(s) shall constitute, and shall be deemed to be, a **** Transponder. The terms of this Section

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**** CONFIDENTIAL TREATMENT

1.5 shall not apply during the Termination Election Option Period (as defined in Article 19, below) or in the event that Customer elects to exercise its special termination option as set forth in Article 19.

1.6 **** Transponder. **** the Commencement Date for Customer's **** Transponder (as defined in Article 2, below), **** Transponder (the "**** Transponder") on Horizons 1 becomes available, then PanAmSat shall have the one-time obligation to lease to Customer such Transponder by delivering to Customer a written notice of such availability (the "**** Transponder Availability Notice"), and Customer shall lease such Transponder from PanAmSat. The term of the lease of such **** Transponder shall commence on the date selected by Customer, however, **** the Commencement Date for **** Transponder, and the Monthly Fee for the **** Transponder shall be the same as the first **** Transponder provided under this Agreement. Customer must provide PanAmSat in writing the desired commencement date for the **** Transponder **** of PanAmSat's **** Availability Notice. Upon the lease of the **** Transponder, the terms of the **** Backup Protection (as defined in Article 17, below) shall apply to the **** Transponder pursuant to the terms of Article 17.

ARTICLE 2. CAPACITY TERM. This Agreement shall be effective as of the Execution

Date. The "Capacity Term" for **** Transponders shall commence on the date that PanAmSat certifies to Customer that Galaxy 18 has been placed into commercial operation in its assigned orbital location, with the Customer's Transponder Capacity meeting the Performance Specifications and available for Customer's use (the "Commencement Date for **** Transponders"). The lease of the **** Transponder will begin on March 1, 2007 or the Commencement Date for **** Transponders, whichever occurs later. The Capacity Term for **** Transponders shall continue until the later of (a) 23:59 Greenwich Mean Time on the date that is one day earlier than the fourteenth year anniversary of such Commencement Date, or (b) the date which would result in the Capacity Term being equal to 75% of the estimated useful life of Galaxy 18 (the "Initially Predicted Galaxy 18 EOL") as set forth in the Estimated Life Notice. PanAmSat shall provide Customer with a written notice (the "Estimated Life Notice") of the then estimated life of Galaxy 18 at least fourteen (14) days prior to such Commencement Date. The foregoing notwithstanding, the Commencement Date for **** Transponders will not occur prior to the date that Galaxy XR is taken out of commercial service from 123 degrees West Longitude under the Galaxy X Transponder Purchase Agreement dated as of August 24, 1995, as amended. The "Capacity Term" for **** Transponder shall commence on the same date as the Commencement Date for **** Transponders as defined above (the "Commencement Date for **** Transponder"). The Capacity Term for **** Transponder shall continue until 23:59 Greenwich Mean Time on the date that is one day earlier than the fourteenth year anniversary of such Commencement Date for **** Transponder. The foregoing notwithstanding, the Commencement Date for **** Transponder(s) will not occur prior to the date that Galaxy XR is taken out of commercial

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**** CONFIDENTIAL TREATMENT

service from 123 degrees West Longitude under the Galaxy X Transponder Purchase Agreement dated as of August 24, 1995, as amended.

ARTICLE 3. CUSTOMER PAYMENTS.

3.1 Monthly Fee. From and after the Commencement Date for **** Transponders and the Commencement Date for **** Transponder, and the first day after each month thereafter, Customer agrees to pay the "Monthly Fee" shown in Appendix A hereto (prorated for partial months). The Monthly Fee includes the fee of \$**** for telemetry, tracking, and command services (the "TT&C Service Fee"). The monthly **** protection fee of \$**** is described in Article 14 or Article 15, as the case may be, for each of **** Transponders. The monthly **** protection fee of \$**** is described in Article 17 for **** Transponder.

3.2 [Intentionally Omitted].

3.3 Manner of Payment. Except as otherwise set forth in Section 3.1, Customer shall make all payments of the Monthly Fee, in advance, no later than the first business day of each month of the Capacity Term. Customer shall make all payments (i) in U.S. dollars without offset, deduction or withholding and (ii) by bank wire transfer to such bank account as PanAmSat may designate by notice to Customer, or by cashier's or certified check, from a U.S. bank, delivered to PanAmSat at such address as PanAmSat may designate by notice to Customer. In addition, Customer shall be responsible for any and all transfer, exchange, or other similar charges. All payments shall be deemed to be made only upon PanAmSat's receipt of collected funds.

3.4 Late Payment. Any payments due from Customer and not received by PanAmSat within five (5) days of the due date shall be subject to a delinquency charge (liquidated damages) at the rate of one and one-half percent (1-1/2%) per month, or the highest rate permitted by law, if less, on such overdue amount from the due date until it is actually received by PanAmSat. Customer acknowledges that such delinquency charge is reasonable under all the circumstances existing as of the Execution Date.

3.5 Taxes. With the exception of any U.S. income taxes on PanAmSat or any PanAmSat Company (as defined in Section 9.2 below), Customer shall pay and indemnify PanAmSat for any taxes, charges, levies, duties, usage or other fees (including, without limitation, value added taxes, universal service fund contribution charges, and other similar taxes and charges, if any) which may be asserted against PanAmSat, any PanAmSat Company (as defined in Section 9.2 below), or the Customer by any governmental entity with respect to or arising out of this Agreement (collectively, "Taxes"). If any Taxes are so asserted, Customer agrees to pay PanAmSat that amount, if any, which ensures that PanAmSat

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receives the same amount, after reduction for, or payment of, such Taxes, as it would have received had such Taxes not been asserted. If any Taxes are asserted with respect to the Satellite itself, the point of space that it occupies or the frequencies employed, and such Taxes are not specifically attributable to the Customer's Transponder Capacity, then Customer shall be responsible only for its pro rata allocation of such Taxes as determined by PanAmSat.

ARTICLE 4. CUSTOMER'S OBLIGATIONS.

4.1 Non-interference and Use Restrictions. Customer's transmissions to

and from the Satellite and its use of the Customer's Transponder Capacity shall comply with all applicable governmental laws, rules and regulations. Customer will follow established practices and procedures for frequency coordination and will not use the Customer's Transponder Capacity, or any portion thereof, in a manner which would or could be expected to, under standard engineering practice, harm the Customer's Transponder Capacity or interfere with the use of or harm any portion of the Transponder from which the Customer's Transponder Capacity is provided that is not assigned to Customer, any other Transponder, the Satellite, or any other in-orbit satellite or transponder on such satellite. Customer shall also comply with the "Operational Requirements" set forth in Appendix C, as the same may be modified from time to time by PanAmSat, in its reasonable discretion and on prior notice to Customer.

4.2 Terrestrial Facilities. Customer shall be responsible for the provision, installation, operation, maintenance of, and for securing all necessary licenses and/or authorizations for all earth station facilities and equipment ("Customer-Provided Facilities"), for transmitting signals to, or receiving signals from, the Satellite in accordance with the requirements set forth in this Agreement. Any provision by PanAmSat to Customer of earth station or other terrestrial facilities or services shall be the subject of a separate agreement.

4.3 Customer's Transmitting Stations. Customer will configure, equip and operate its transmit facilities so that the interface of these facilities, in outerspace, with the Satellite shall conform to the characteristics and technical parameters of the Satellite. Customer will follow PanAmSat's procedures for initiating, or terminating any transmission to the Satellite. Customer will operate all transmit facilities in a manner that allows for cessation of, and will cease, transmission immediately upon receiving notice from PanAmSat under Section 13.5(a) ("Telephone Notices"). Customer will furnish such information regarding the technical parameters of its transmissions as may be reasonably required by PanAmSat prior to commencing, during, and upon the conclusion of any transmission to the Satellite.

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PanAmSat shall have the right, but not the obligation, to inspect any Customer-Provided Facilities together with associated facilities and equipment used by Customer, or by a third party under the authority of Customer, to transmit to any of the Customer's Transponder Capacity. Customer or Customer's designated representative, shall accompany PanAmSat during every inspection of Customer-Provided Facilities. PanAmSat will use all reasonable efforts to schedule inspections to minimize the disruption of the operation of the facilities, and Customer shall make the facilities available for inspection at all reasonable times.

4.4 Customer Uplink Providers. Customer shall be permitted to contract with other parties to transmit its signals to, or receive its signals from the Satellite; provided, that Customer requires its contractors to comply with all of the requirements of this Agreement regarding transmissions to, or reception from, the Satellite. If Customer retains third parties as permitted by the previous sentence, these third parties' facilities shall be deemed to be Customer-Provided Facilities and the acts and omissions of these third parties in connection with the transmission or reception of Customer's signals shall be deemed to be the acts and omissions of such third parties and of Customer.

4.5 Third Party Use. Without implying any right of Customer to permit any third party use of the Customer's Transponder Capacity other than as permitted in Section 10.4, below, Customer shall be responsible to PanAmSat for any third party use or transmissions that is/are permitted by Customer to the same extent as it would be for Customer's own use or transmissions and references in this Agreement with respect to Customer's responsibilities to PanAmSat regarding Customer's use or transmissions shall be interpreted accordingly.

ARTICLE 5. OUTAGES.

5.1 Certain Outage Definitions. For purposes of determining the rights and responsibility of the parties in the event of a failure of Customer's Transponder Capacity, the following definitions apply:

(a) "Confirmed Outage" means a Measured Failure of Customer's Transponder Capacity to meet the Performance Specifications for a consecutive period of fifteen minutes or longer.

(b) "Confirmed Failure" means Measured Failure(s) of Customer's Transponder Capacity to meet the Performance Specifications for any of the following periods:

(i) a cumulative total of ten (10) hours in any consecutive thirty (30)-day period;

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(ii) ten (10) or more Confirmed Outages and within any consecutive thirty (30)-day period; or

(iii) any period of time following a catastrophic event that makes it clearly ascertainable that a failure described in any of clauses (i) or (ii) will occur.

(c) "Measured Failure" means a failure of Customer's Transponder Capacity to meet the Performance Specifications that is confirmed by PanAmSat in good faith, based upon objective engineering evidence available to it. Such a failure, if so confirmed, shall be deemed to commence when Customer notifies PanAmSat or PanAmSat otherwise has actual knowledge, recorded at PanAmSat's network operations center, of the occurrence of such a failure and shall be deemed to end when PanAmSat notifies Customer or Customer has actual knowledge (where applicable, recorded at Customer's office responsible for outage monitoring) that the Customer's Transponder Capacity has been restored to the Performance Specifications. For purposes of determining Confirmed Outages, any period during which Customer uses Customer's Transponder Capacity shall not count as a period of Measured Failure. For purposes of determining Confirmed Failure, any period during which Customer continues to use Customer's Transponder Capacity after being notified by PanAmSat to discontinue use to allow for testing or other remedial measures shall not count as a period of Measured Failure.

(d) "Simultaneously" means occurring within a 24 hour period.

(e) "Spare Equipment" means certain spare equipment units on the Satellite.

5.2 Exclusions. Neither a Confirmed Outage nor a Confirmed Failure shall be deemed to have occurred if a failure is due to: (a) the failure or non-performance of any Customer-Provided Facility; (b) the fault, negligent act, a failure to act of Customer, its employees, or agents; or (c) intermittent failures due to sun outages, meteorological, or astronomical disturbances.

5.3A Restoration for Customer's C-band Transponders.

Use of Spare Equipment. If, after the Commencement Date, the Customer's C-band Transponder suffers a Confirmed Failure, PanAmSat shall, as soon as possible and to the extent technically feasible, employ Spare Equipment on a first-needed, first-served basis as among Customer and Protected Parties as a substitute for an equipment unit which has failed. In the event that C-band Transponders of more than one Protected Party simultaneously suffer a Confirmed Failure, then the Protected Party of Primary Transponders on the Satellite shall have priority over the Protected Party of Reserve Transponders as to the use of the Spare Equipment. In the event that PanAmSat employs the

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Spare Equipment to Customer as a substitute for an equipment unit which has caused the affected **** Transponder to suffer a Confirmed Failure, then such Spare Equipment shall become part of the Transponder which is provided to Customer hereunder, and Customer, concurrently, shall no longer have any right to use the failed equipment unit. Customer acknowledges and agrees that the Spare Equipment redundancy plan of the Satellite may require PanAmSat to reassign certain power components among Transponders to make use of Spare Equipment. In circumstances in which a spare power component is required to be employed for any Protected Party and to do so requires a change in the power component assigned to Customer, Customer shall, on notice from PanAmSat, immediately cease transmitting to the Satellite to allow the power component that is assigned to its Transponder to be reassigned and a different unit (that meets the Performance Specifications) to be put in its place. To the extent that any period of interruptions results in a loss to Customer of the use of the **** Transponder during the installation of Spare Equipment, Customer shall have all the rights and remedies regarding Outage Credits and termination provided for in Sections 5 and 7.

Use of **** Reserve Transponders. If no Spare Equipment on the Satellite is available at the time that any of **** Transponders suffers a Confirmed Failure or if the use of such Spare Equipment would not correct the failure, then PanAmSat shall, as soon as possible and to the extent technically feasible, employ a Reserve Transponder on the Satellite as a substitute for such **** Primary Transponder which has suffered a Confirmed Failure, on first-needed, first served basis to satisfy PanAmSat's obligations to Customer and other Protected Parties with respect to the performance of their **** Primary Transponders; provided, however, that PanAmSat's obligation to provide **** Reserve Transponders to Customer shall continue only until such time as all of the **** Reserve Transponders are committed to use as substitutes for **** Primary Transponders on the Satellite which has suffered a Confirmed Failure. PanAmSat shall include in the transponder purchase or lease agreement of any third party who has purchased or leased a **** Reserve Transponder (or in any other agreement providing for the transfer of a **** Reserve Transponder) a requirement that PanAmSat may preempt such **** Reserve Transponder(s) after two hours notice from PanAmSat. **** Reserve Transponders utilized as substitutes shall meet the Performance Specifications. In the event that PanAmSat employs such **** Reserve Transponder for the failed **** Transponder on the Satellite, such **** Reserve Transponder shall become a **** Primary Transponder under this

Agreement with all of the rights associated with such designation, and shall be deemed to be **** Transponder for all purposes under this Agreement. Any Transponder or equipment that is replaced by PanAmSat under this Agreement shall cease being **** Transponder at the time of such replacement.

Simultaneous Failure-Priority with respect to the Use of the Spare Equipment. In the event that Primary Transponders of more than one Protected Party simultaneously suffer a Confirmed Failure, then

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the Protected Party (or such Protected Party's predecessor in interest) who first executed a transponder purchase, lease, use or capacity agreement shall have priority as to the use of the Spare Equipment with respect to said Protected Party's Primary Transponder which has suffered a Confirmed Failure, to the extent technically feasible.

Simultaneous Failure-Priority with respect to the Use of Reserve Transponders. In the event that Primary Transponders of more than one Protected Party simultaneously suffer a Confirmed Failure, and no Spare Equipment is available or if the use of such Spare Equipment has not or would not correct the failure, then the Protected Party (or such Protected Party's predecessor in interest) who first executed a **** transponder purchase, lease, use or capacity agreement shall have priority as to the use of the **** Reserve Transponders with respect to said Protected Party's **** Primary Transponder or Transponders which have suffered a Confirmed Failure.

Restoration Priority. If a Transponder is employed by more than one Protected Party, PanAmSat's decision may be made in accordance with the order that the earliest Protected Party(ies) (or their predecessors in interest) using the Transponder(s) executed transponder purchase, lease or use agreements with PanAmSat or its predecessors in interest. For the avoidance of doubt, if Customer takes additional capacity from PanAmSat, the date that Customer entered into such binding commitment for such additional capacity on the affected Transponder (and not the date of this Agreement), is the applicable date for determining the priority for such additional capacity to which Customer is entitled to restoration in the event of a simultaneous failure. All determinations as to when failures requiring protection shall have occurred, for purposes of determining whether the failures are "simultaneous," shall be made by PanAmSat in its sole discretion acting in good faith.

5.3B Restoration for **** Transponders. In the event of a Confirmed Failure of the **** Transponder, PanAmSat shall, as soon as possible and to the extent technically feasible, employ certain redundant equipment units on the Satellite ("Spare Equipment") on a first-needed, first-served basis as among Customer and other Transponder owners, customers, and users, including without limitation, those who may take service via Satellite capacity provided by PanAmSat, but who may have no direct right to access the capacity themselves, such as compressed digital channel customers ("Protected Parties"), as a substitute for an equipment unit which has failed; provided, that PanAmSat may elect to use "Substitute Capacity" (as provided below), if available, in lieu of using Spare Equipment. Customer acknowledges and agrees that the Spare Equipment redundancy plan of the Satellite may require PanAmSat to reassign certain SSPAs or TWTAs, as applicable, among Transponders to make use of Spare Equipment. In circumstances in which a spare SSPA or TWTA is required to be employed for any Protected Party and to do so requires a change in the SSPA or TWTA assigned to Customer, Customer shall, on notice from

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PanAmSat, immediately cease transmitting to the Satellite to allow the SSPA or TWTA that is assigned to its Transponder to be reassigned and a different unit (that meets the Performance Specifications) to be put in its place.

If: (a) the **** Transponder suffers a Confirmed Failure, and (b) the Spare Equipment associated with such **** Transponder is not available or the use of such Spare Equipment would not correct the failure, and (c) equivalent capacity on another **** Transponder meeting the Performance Specifications in the same Beam(s) of the Satellite as such **** Transponder and designated by PanAmSat for use (the "Substitute Capacity"), is available and its use by Customer in accordance with PanAmSat's Operational Requirements is not predicted to interfere with the use or rights of others using the Satellite, in each case as determined by PanAmSat in its sole discretion, acting in good faith, then PanAmSat shall, as soon as possible and to the extent technically feasible, employ such Substitute Capacity for the **** Transponder to satisfy PanAmSat's obligations under this Agreement. In the event that PanAmSat employs such Substitute Capacity for the failed **** Transponder, such Substitute Capacity shall be deemed to be **** Transponder for all purposes under this Agreement. Any Transponder or equipment unit that is replaced by PanAmSat under this Agreement shall cease being **** Transponder at the time of such replacement.

5.4 Outage Credits. If, for any such particular month during the Capacity Term, there is a Confirmed Failure of the Customer's Transponder

Capacity, PanAmSat shall credit to Customer's next payment an "Outage Credit" that shall be determined, on a Transponder by Transponder basis, by the following formula:

Outage Credit equals:

N multiplied by S;
M

Where,

N = the number of hours during a month that there has been a Confirmed Failure of the Customer's Transponder Capacity

M = the total number of hours in the month, and

S = Customer's Monthly Fee applicable to the Transponder for said month

5.5 Performance at Particular Locations. The city tables that are provided in the Performance Specifications of the Technical Appendix show minimum anticipated power at particular locations. In the event of a bona fide dispute regarding whether the Performance Specifications are being met, PanAmSat will take measurements from one of its teleports or at other convenient locations and extrapolate data for the particular city table locale. For the avoidance of doubt, the city table references do not constitute a representation or warranty by PanAmSat with respect to the existence (or lack thereof) of

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legal restrictions that may prevent or limit the use of the Customer's Transponder Capacity at particular locations.

5.6 Application to Individual Transponders. All determinations as to Confirmed Failures, Outage Credits, and protection rights to be made under this Article 5 shall be made on an individual Transponder by Transponder (or Transponder Segment, if applicable) basis.

5.7A Replacement of Satellite and/or Communications Payload for **** Capacity. During the Capacity Term, PanAmSat may replace the Satellite or one of its communications payloads (e.g. ****) with another satellite (a "Replacement Satellite") at the designated orbital location or at such other orbital location to which such Replacement Satellite may be authorized by the United States Federal Communications Commission ("FCC") to be located. In such circumstances, provided there is Conforming Capacity on the Replacement Satellite, PanAmSat shall provide such capacity to Customer (the "Replacement Capacity") and this Agreement shall continue with such Replacement Capacity in lieu of the capacity originally provided for the remainder of its scheduled Capacity Term. As used herein, Conforming Capacity means transponder capacity in the same frequency band (e.g., ****) with materially the same or better coverage and performance than the Performance Specifications specified herein and on a satellite that is located at the designated orbital location. PanAmSat shall provide an applicable Replacement Technical Appendix with Replacement Performance Specifications to Customer prior to the transfer to the Replacement Satellite. PanAmSat shall use all reasonable efforts to minimize any disruption of operations while the Customer's Transponder Capacity is being transferred from one satellite to the other and Customer shall be entitled to Outage Credits during any period that the **** Transponders may be unavailable from both satellites. In the event of a replacement of Customer's Transponder Capacity under this Section, all references in this Agreement to the Satellite, Customer's Transponder Capacity, the Technical Appendix and the Performance Specifications, shall thereafter be deemed to refer to the Replacement Satellite, the Replacement Capacity, the Replacement Technical Appendix and the Replacement Performance Specifications, respectively.

5.7B Replacement of Satellite and/or Communications Payload for **** Capacity. During the Capacity Term, PanAmSat may replace Horizons 1 or one of its communications payloads (e.g. ****) with another satellite (a "Replacement Satellite") at the same orbital location or at such other orbital location to which such Replacement Satellite may be authorized by the FCC and/or the Japan Ministry of Public Management, Home Affairs, Post and Telecommunications ("MPHPT") to be located. In such circumstances, provided there is available substantially comparable substitute capacity on the Replacement Satellite, PanAmSat shall provide such capacity to Customer (the "Replacement Transponder") and this Agreement shall continue with such Replacement Transponder in lieu of the

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capacity originally provided for the remainder of its scheduled Capacity Term. The Replacement Transponder shall be deemed substantially comparable if the performance specifications for the Replacement Transponder (the "Replacement

Transmission Parameters" and "Replacement Performance Specifications", respectively) have materially the same or better coverage and performance than the Performance Specifications for Horizons 1. PanAmSat shall provide Customer with Replacement Performance Specifications prior to the transfer to the Replacement Satellite. PanAmSat shall use all reasonable efforts to minimize any disruption of operations while the service is being transferred from one satellite to the other and Customer shall be entitled to Outage Credits during any period that the **** Transponder may be unavailable from both satellites. In the event of a replacement of the **** Transponder under this Section, all references in this Agreement to the Satellite, the Transponder, and the Performance Specifications, shall thereafter be deemed to refer to the Replacement Satellite, the Replacement Transponder and the Replacement Performance Specifications, respectively.

ARTICLE 6. PREEMPTIVE RIGHTS.

6.1 Preemptive Rights. Customer recognizes that it may be necessary, if the Satellite or any component thereof, loses power, or in other unusual or abnormal technical situations, or other unforeseen conditions, for PanAmSat deliberately to preempt or interrupt Customer's use of the Customer's Transponder Capacity, solely in order to protect the overall health and performance of the Satellite, or as otherwise necessitated by any reduction in available power. PanAmSat shall make such decisions in good faith. To the extent technically feasible, PanAmSat shall preempt or interrupt the use of the Transponders in the reverse of priority as set forth in Section 5.3 (i.e., last signed, first off) and, in the case of **** Transponders, preempt or interrupt the use of either or both **** Reserve Transponders before preempting or interrupting the use of any **** Primary Transponders. Further, to the extent technically feasible, PanAmSat shall give Customer at least 24 hours notice of such preemption or interruption and will use all reasonable efforts to schedule and conduct its activities during periods of such preemption or interruption so as to minimize the disruption to users of the Satellite. Customer shall immediately cease transmissions to the affected Transponder(s) at such time as Customer's Transponder Capacity is preempted or interrupted pursuant to this Section. To the extent that such preemption results in a loss to Customer of the use of the Customer's Transponder Capacity that otherwise would be sufficient to constitute a Confirmed Failure, Customer shall have all of the rights and remedies regarding Outage Credits and termination that are set forth in Articles 5 and 7.

6.2 Testing in the Event of Customer's Transponder Capacity Failure. If a Transponder that is part of Customer's Transponder Capacity is not meeting Performance Specifications, but Customer elects to continue to use such Customer's Transponder Capacity, as degraded, PanAmSat may interrupt

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Customer's use as necessary to perform testing or take any other action that may be appropriate to attempt to restore the affected Transponder to its Performance Specifications. In such event, PanAmSat shall coordinate activities with affected users of the Satellite and shall use all reasonable efforts to minimize the overall disruption. To the extent that any period of interruption results in a loss to Customer of the use of the Customer's Transponder Capacity that is sufficient to constitute a Confirmed Failure, Customer shall have all of the rights and remedies regarding Outage Credits and termination that are set forth in Articles 5 and 7.

ARTICLE 7. TERMINATION RIGHTS.

7.1 Termination for Late Delivery. Customer may terminate the lease of **** Transponders under this Agreement **** to PanAmSat (the "Notice Period"), unless the Commencement Date for **** Transponders occurs on or before the latest of (i) **** (the "Latest Date"), (ii) the Amended Latest Date (as defined below) or (iii) the last day of the Notice Period. For purposes of this Section, the "Amended Latest Date" shall mean any date which is later than the Latest Date (and any previously designated Amended Latest Date) that PanAmSat notifies Customer is the anticipated in-service date for Galaxy 18, without Customer having exercised the termination right set forth above **** days of such notice.

7.2 Termination for Confirmed Failure. If there is a Confirmed Failure of any of the Transponders (or Transponder Segments) that constitute the Customer's Transponder Capacity or, if on the Commencement Date, any of such Transponders do not meet their Performance Specifications, this Agreement shall automatically terminate as to such failed Transponder(s) unless within the "Cure Period," PanAmSat restores such capacity to the Performance Specifications including through the use of Spare Equipment, or, in the case of **** Transponder(s), Reserve Transponder, or provides **** protection (or alternate **** capacity) under Article 14 and/or Article 15 for Customer's **** Transponders, and **** protection under Article 17 for **** Transponder, as the case may be. In the event this Agreement is terminated under this Section 7.2 for all of Customer's Transponder Capacity (i.e., all such Capacity has suffered Confirmed Failure(s), without restoration as provided above), this Agreement shall terminate in its entirety. As used in this Section 7.2, the "Cure Period" means within: (i)**** of a failure whether or not such failure was caused by a

Force Majeure Event that does not involve an equipment failure on board an in orbit Satellite; or (ii) **** that restoration within the time frame permitted under clause (i) above, is not possible.

7.3 Taking the Satellite Out Of Commercial Slot. This Agreement shall terminate (a) on the date that the Satellite is taken out of commercial operation from the designated orbital location, unless

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PanAmSat provides Replacement Capacity to Customer pursuant to Section 5.7A and Section 5.7B, as the case may be.

7.4 Termination by PanAmSat for Cause.

(A) PanAmSat may immediately terminate this Agreement:

(I) if Customer fails to make payment of any amount due and such amount remains unpaid **** receiving from PanAmSat a notice of such nonpayment, or

(II) if Customer fails to cease any activity in violation of Sections 4.1, 6.1 or 7.6 upon receiving notice from PanAmSat in accordance with Section 13.5(a), or

(III) if Customer fails to cease any other activity in material violation of Customer's material obligations under this Agreement **** receiving from PanAmSat a notice of such violation.

(B) In the event that PanAmSat terminates this Agreement for any of the reasons set forth in subsection (A) above, in addition to all of PanAmSat's other remedies at law or in equity, PanAmSat may declare immediately due and payable a "Termination Fee" to be calculated as follows:

<TABLE>
<CAPTION>

Remaining Scheduled Capacity Term	Termination Fee
Up to 12 months	Monthly Fees **** Capacity Term
13 months or more	(a) **** of Monthly Fees, **** (b) **** Monthly Fees **** Capacity Term

</TABLE>

Customer shall inform PanAmSat at the time of termination, as to which Termination Fee Customer shall pay - the above text/schedule for the Termination Fee as described herein or acceleration of 100% of all remaining due Monthly Fees and certain mitigation provisions as set forth below.

Alternatively, in lieu of the Termination Fee described, above, in the event that PanAmSat terminates this Agreement for any of the reasons set forth in subsection (A) above, in addition to all of PanAmSat's other remedies at law or in equity, PanAmSat **** Monthly Fee **** Capacity Term under Article 2 **** termination. In the event that Customer has paid PanAmSat the Monthly Fees **** Capacity Term of this Agreement, then PanAmSat shall use reasonable efforts to re-market Customer's Transponder Capacity at commercially reasonable rates and, in the event PanAmSat subsequently reaches an agreement to provide service to a third party via the Customer's Transponder Capacity during

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the period Customer's Transponder Capacity otherwise would have been provided to Customer via such Transponder, PanAmSat **** Customer **** Transponder Capacity, applicable to such period, up to the Monthly Fees paid by Customer for such period for which Customer did not receive Customer's Transponder Capacity, **** (i) **** PanAmSat under this Agreement; (ii) any costs (including reasonable attorneys' fees) incurred by PanAmSat in attempting to collect such amounts from Customer or otherwise enforce its rights under this Agreement; (iii) any other damages incurred by PanAmSat as a result of Customer's breach of its obligations hereunder; (iv) any costs (including reasonable attorneys' fees) incurred by PanAmSat in marketing such Transponder capacity to, or negotiating a capacity agreement with, third parties; and (v) any costs incurred by PanAmSat in providing related services and equipment (not provided to Customer) that may be associated with the provision of such capacity. Nothing herein shall be deemed to require PanAmSat to enter into such a lease or use agreement if the nature of the party, the party's proposed use of the capacity or demand for terms and conditions for capacity, or other reasonable and appropriate factors, lead

PanAmSat to reasonably determine not to enter such a lease or use agreement; nor shall PanAmSat be obligated to use the capacity formerly used to provide Customer's Transponder Capacity to Customer ahead of any other capacity that PanAmSat may also have available.

In such circumstances, PanAmSat shall be entitled to use the Customer's Transponder Capacity for whatever purpose PanAmSat sees fit and Customer shall not be entitled to any equitable relief with respect to such use or any refund of amounts paid to PanAmSat. Customer acknowledges that PanAmSat's rights set forth in this subsection (B): (i) are reasonable under all of the circumstances existing as of this date; (ii) constitute liquidated damages for the loss of a bargain; and (iii) do not constitute a penalty.

7.5 Termination by Customer for Cause. Customer may terminate this Agreement if PanAmSat fails to cease any activity, or fails to perform any activity, in material violation of PanAmSat's material obligations under this Agreement **** Customer a notice of such violation or omission.

7.6 Right to Deny Access.

(A) PanAmSat may deny Customer's access to the Customer's Transponder Capacity in any circumstance in which PanAmSat would have the right to terminate this Agreement for cause under Section 7.4 above; provided, that any notice that would be required for termination under Section 7.4 is also given for any such denial of access. PanAmSat shall notify Customer of any denial of access in accordance with Section 13.5(b), below.

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(B) Customer shall cease transmissions to the Satellite upon notice of denial of access by PanAmSat under this Section 7.6. PanAmSat may continue to deny Customer access under this Section 7.6 until any breach of the Agreement by Customer is cured.

(C) If PanAmSat prevents Customer from accessing any or all of Customer's Transponder Capacity at a time when PanAmSat did not have the right to do so under this Agreement, then Customer shall be entitled **** Outage Credits as liquidated damages for the period during which access was denied, which shall be calculated in accordance with Section 5.4. Except as provided in the preceding sentence, a denial of access made by PanAmSat under this Section 7.6 shall not result in any Outage Credit to Customer for Monthly Fee payments, which shall continue to be due and payable.

7.7 Rights and Obligations upon Termination. Upon termination of this Agreement in accordance with any of Sections 7.2, 7.3 or 7.5 above, PanAmSat shall promptly refund to Customer any portion of the Monthly Fee previously paid applicable to any period after the date of such termination plus any unapplied Outage Credits to which Customer was entitled prior to termination. The termination of this Agreement for any reason shall extinguish all of PanAmSat's obligations to provide, and Customer's obligations to accept, the Customer's Transponder Capacity, but shall not relieve either party of any obligation that may have arisen prior to such termination, including (without limitation), under Section 7.4 above, nor shall termination affect the parties' obligations under Article 9 (Limitation of Liability and Indemnification), Article 11 (Confidentiality) and Article 13.1 (applicable law and jurisdiction provisions) that shall survive the termination of this Agreement.

ARTICLE 8. FORCE MAJEURE.

8.1 Excused Conduct. Other than an obligation to make payment, any failure or delay in performance by either party shall not be a breach of this Agreement, if such failure or delay results from any Act of God, governmental action (whether in its sovereign or contractual capacity), or any other circumstance reasonably beyond the control of such party, including, but not limited to, receive earth station sun outage, meteorological or astronomical disturbances, earthquake, hurricane, snowstorm, fire, flood, war, civil disorder, epidemics, quarantines, embargoes, each, a "Force Majeure Event"; provided, however, that "fire" shall only be a Force Majeure condition where PanAmSat has provided reasonable fire suppression systems and has not otherwise been negligent in causing the fire. The foregoing notwithstanding, PanAmSat shall provide Customer with Outage Credits in circumstances in which PanAmSat is unable to perform because of force majeure conditions, with the exception of force majeure conditions that are attributable to sun outages, meteorological or astronomical disturbances. Nothing herein shall be deemed to permit Customer to transmit to the Satellite in a manner that does not comply

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with Customer's obligations hereunder, i.e., if a Force Majeure Event prevents compliant transmission, no transmission should be made.

ARTICLE 9. LIMITATION OF LIABILITY AND INDEMNIFICATION.

9.1 Limitation of PanAmSat's Liability. ANY AND ALL EXPRESS AND IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, WARRANTIES OF MERCHANTABILITY OR

FITNESS FOR ANY PURPOSE OR USE, ARE EXPRESSLY EXCLUDED AND DISCLAIMED, EXCEPT THAT THE CERTIFICATION IS GIVEN, BY PANAMSAT UNDER ARTICLE 2, SHALL BE TRUE AS OF THE TIME THAT IT IS GIVEN. IT IS EXPRESSLY AGREED THAT PANAMSAT'S SOLE OBLIGATION AND CUSTOMER'S EXCLUSIVE REMEDIES FOR ANY CAUSE WHATSOEVER ARISING OUT OF OR RELATING TO THIS AGREEMENT UNDER ANY THEORY OF LAW OR EQUITY ARE LIMITED TO THOSE SET FORTH IN SECTION 5.4, ARTICLE 7 AND SECTION 9.5 BELOW AND ALL OTHER REMEDIES, INCLUDING (WITHOUT LIMITATION) ANY THAT MIGHT OTHERWISE APPLY UNDER ANY UNIFORM COMMERCIAL CODE OF ANY KIND ARE EXPRESSLY EXCLUDED. In no event shall PanAmSat be liable for any incidental or consequential damages or loss of revenues, whether foreseeable or not, occasioned by any defect in the Satellite, the Transponders or the provision of Customer's Transponder Capacity to Customer, any delay in the provision of Customer's Transponder Capacity to Customer, any failure of PanAmSat to provide Customer's Transponder Capacity, or any other cause whatsoever.

9.2 Limitation of Liability of Others. Without limiting the generality of the foregoing, Customer acknowledges and agrees that it shall have no right of recovery for the satisfaction of any cause whatsoever, arising out of or relating to this Agreement, against (a) any parent company of PanAmSat or any of its affiliated or commonly controlled entities (each, a "PanAmSat Company" and collectively, the "PanAmSat Companies"), (b) any supplier of services or equipment to PanAmSat in connection with the construction, launch, operation, maintenance, tracking, telemetry and control of the Satellite or the Customer's Transponder Capacity, or the provision of Customer's Transponder Capacity to Customer in any circumstances in which PanAmSat would be obligated to indemnify the supplier, or (c) any officer, director, employee or agent of PanAmSat or any PanAmSat Companies.

9.3 Indemnification. Customer shall indemnify and save harmless the "PanAmSat Group" (defined herein to mean PanAmSat, all PanAmSat Companies, and all officers, employees, agents, partners and shareholders of PanAmSat and/or the PanAmSat Companies) from any claims, liabilities, losses, costs, or damages, including reasonable attorneys' fees and costs, arising out of (a) Customer's use of the Customer's Transponder Capacity, including any actual or alleged libel, slander, obscenity,

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indecenty, infringement of copyright, breach in the privacy or security of transmissions; or (b) Customer's breach of its obligations under Section 4.1, 6.1 or 7.6; or (c) disputes between or among Customer and its transmission recipients or its programs or other transmission content suppliers; or (d) any warranty, representation, or statement Customer may make to a third party in connection with transmissions over the Satellite. The limitations of liability set forth in this Article 9 shall apply to, and the indemnifications set forth in this Article 9 shall run in favor of, the PanAmSat Group. For **** Transponder(s) on Horizons 1, the term "PanAmSat Group" shall be defined as PanAmSat, all PanAmSat Companies, and all officers, employees, agents, partners and shareholders of PanAmSat and/or any PanAmSat Companies, the LLC (as defined in Section 12.1B, below) and all officers, employees, agents, partners and shareholders of the LLC.

9.4 Limitation of Customer's Liability. In no event shall Customer be liable for any incidental or consequential damages or loss of revenues (other than for the Monthly Fees and/or Termination Fee due hereunder), whether foreseeable or not occasioned by any cause whatsoever; provided that this limitation shall not apply to Customer's obligations under Section 9.3.

9.5 Injunctive Relief. Nothing herein shall be deemed to preclude either party from seeking injunctive relief, if necessary, in order to prevent the other from willfully or intentionally breaching its material obligations under this Agreement or to compel the other to perform its material obligations under this Agreement in the event of a willful or intentional failure to comply with this Agreement.

ARTICLE 10. SUBORDINATION AND ASSIGNMENT.

10.1 No Property Interest Created. This Agreement does not grant, and Customer shall not assert, any property right or interest in or to, or lien upon, the property or assets of PanAmSat, including, but not limited to, Customer's Transponder Capacity, any PanAmSat satellite and/or any component(s) thereof and/or any related equipment (collectively, the "PanAmSat Assets"). Without prejudice to and/or waiver of the protection of the PanAmSat Assets provided for in the preceding sentence, Customer hereby grants to PanAmSat, as security for the obligations of Customer under this Agreement, a first priority security interest in any property right, title or interest of any kind which Customer may be deemed to have in and/or to all or any part of the PanAmSat Assets and/or any and all proceeds thereof.

10.2 Subordination. Customer acknowledges and agrees that PanAmSat has granted, and may grant in the future, security interests in the PanAmSat Assets to other parties, subject to the secured party's agreement to grant quiet enjoyment in accordance with provisions that are substantially similar to those set forth in Appendix E.

10.3 PanAmSat's Right to Assign. Customer agrees that PanAmSat may assign its rights and interests under this Agreement and to the Satellite and any or all sums due or to become due under this Agreement to an assignee for any reason. Customer agrees that upon receipt of notice from PanAmSat of such assignment, Customer shall perform all of its obligations directly for the benefit of the assignee and shall pay all sums due or to become due directly to the assignee, if so directed. Upon receipt of notice of such assignment, Customer agrees to execute and deliver to PanAmSat such documentation as assignee may reasonably require from PanAmSat. As used in this Section 10.3, assign shall mean to grant, sell, assign, encumber or otherwise convey directly or indirectly, in whole or in part.

10.4 Customer Assignment. Customer may assign its rights and interests under this Agreement, only in whole, and only after securing PanAmSat's express prior written consent, which consent shall not be unreasonably delayed, withheld or conditioned. The foregoing notwithstanding, Customer may on notice to PanAmSat assign its rights and interests under this Agreement, in whole, to (a) to an affiliated entity or (b) to an entity that is acquiring all or substantially all of GCI Communication Corp's assets, by merger or otherwise, in either case subject also to the following conditions: (i) the proposed assignee in writing assumes all of Customer's obligations with respect to this Agreement and agrees to be treated as Customer for all purposes under this Agreement; and (ii) such written undertaking is delivered to PanAmSat prior to or contemporaneously with the assignment. Further, Customer shall have the right to **** Transponders, ****; provided, however, that (a) the **** of the Agreement; (b) Customer shall remain responsible to PanAmSat ****; and (c) Customer shall make PanAmSat ****. As of the date on which Customer **** Transponders, Customer's right **** Transponders **** Transponders. Customer may **** under this Agreement **** (as defined below) which shall take such rights subject to the terms of this Agreement pursuant to such transfer documents as PanAmSat shall reasonably request, **** Galaxy XR; provided that no such transfer or assignment shall relieve Customer of any of its obligations hereunder without PanAmSat's written approval. As used herein, "****" shall mean an entity which ****. As used in this Section 10.4, ****. As used in this Agreement, "affiliate" shall mean any entity controlling, controlled by, or under common control with Customer.

10.5 Successors. Subject to all the provisions concerning assignments, above, this Agreement shall be binding on and shall inure to the benefit of any successors and assigns of the parties; provided, that no assignment of this Agreement shall relieve either party of its obligations to the other party. Any purported assignment by either party not in compliance with the provisions of this Agreement shall be null and void and of no force and effect.

ARTICLE 11. CONFIDENTIALITY. PanAmSat and Customer shall hold in confidence the information contained in or exchanged in connection with this Agreement. Notwithstanding the foregoing, disclosure, on a confidential basis, by either party is permitted: (a) to its principals, auditors, attorneys, investors, lenders, insurance agents, and proposed and actual successors in interest and (b) to comply with law and enforce its rights and perform its obligations under this Agreement.

ARTICLE 12. REPRESENTATIONS, WARRANTIES AND COVENANTS.

12.1A General. Subject to the understanding that certain applications may be pending or subsequently filed by PanAmSat with the FCC or other applicable governmental entity as to which PanAmSat's obligations are set forth in Section 12.2, PanAmSat and Customer each represents and warrants to, and agrees with, the other that:

(a) Authority. It has the right, power and authority to enter into and perform its obligations under this Agreement.

(b) Partnership and Corporate Approvals. It has taken all requisite partnership or corporate action, as applicable, to approve execution, delivery and performance of this Agreement, and this Agreement constitutes a legal, valid and binding obligation upon itself;

(c) Consents. The fulfillment of its obligations and conduct hereunder will not constitute a material violation of any existing applicable law, rule, regulation or order of any governmental authority, or contract to which it is subject. All public or private consents, permissions, agreements, licenses or authorizations necessary for the performance of its obligations under this Agreement to which it is subject have been obtained, or it will use all reasonable efforts to obtain, in a timely manner; and

(d) No Broker. It does not know of any broker, finder or intermediary involved in connection with the negotiations and discussions

incident to the execution of this Agreement, or of any broker, finder or intermediary who might be entitled to a fee or commission upon the consummation of the transactions contemplated by this Agreement.

12.1B Representations, Warranties And Covenants as to Horizons 1 Capacity. Customer understands and acknowledges that PanAmSat operates, and has the right to provide the Transponder capacity from the **** payload of Horizons 1, pursuant to its agreement with Horizons Satellite LLC (the "LLC") and that Horizons 1 is licensed to operate by both the FCC and the Japan Ministry of Public Management, Home Affairs, Post and Telecommunications ("MPHPT"). Subject to the understanding that

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certain applications may be pending or subsequently filed by PanAmSat, the PanAmSat Companies or the LLC with the FCC or the MPHPT other applicable governmental entity as to which PanAmSat's obligations are set forth in Sections 12.1 below, PanAmSat and Customer each represents and warrants to, and agrees with, the other that: (a) it has the right, power and authority to enter into and perform its obligations under the Agreement; (b) it has taken all requisite partnership or corporate action, as applicable, to approve execution, delivery and performance of the Agreement, and the Agreement constitutes a legal, valid and binding obligation upon itself; (c) the fulfillment of its obligations and conduct hereunder will not constitute a material violation of any existing applicable law, rule, regulation or order of any governmental authority, or contract to which it is subject; (d) all public or private consents, permissions, agreements, licenses or authorizations necessary for the performance of its obligations under the Agreement to which it is subject have been obtained, or PanAmSat will itself and/or PanAmSat shall cause the LLC to use all reasonable efforts to obtain, in a timely manner; and (e) it does not know of any broker, finder or intermediary involved in connection with the negotiations and discussions incident to the execution of the Agreement, or of any broker, finder or intermediary who might be entitled to a fee or commission upon the consummation of the transactions contemplated by the Agreement.

12.2 PanAmSat's Governmental Authorizations. PanAmSat launches and operates its satellites under the authority of the FCC. PanAmSat shall use all reasonable efforts to obtain and maintain all necessary U.S. governmental authorizations or permissions to operate the Satellite at the designated orbital location and to comply in all material respects with all FCC and other U.S. (and, to the extent that it may be required under its U.S. authorizations, other) governmental regulations regarding the operation of the Satellite. The LLC launched and operates its satellites under the authority of the FCC and the MPHPT. PanAmSat shall itself and/or it shall cause the LLC to use all reasonable efforts to obtain and maintain all necessary U.S. and Japanese governmental authorizations or permissions to operate the Satellite within plus or minus five (5) degrees of the planned orbital location of 127 degrees West Longitude (the "Horizons 1 Permitted Orbital Range") and to comply in all material respects with all FCC, MPHPT, and other U.S. and Japanese (and, to the extent that it may be required under its U.S. or Japanese authorizations, other) governmental regulations regarding the operation of Horizons 1. PanAmSat's agreement with the LLC gives PanAmSat all of the rights and authority to the **** Transponder(s) and the other elements of Horizons 1 necessary for their operation that are required for PanAmSat to perform its obligations to Customer under this Agreement.

ARTICLE 13. MISCELLANEOUS.

13.1 Applicable Law, Entire Agreement and Effectiveness. This Agreement shall be interpreted according to the laws of the State of Connecticut, U.S.A. and, where applicable, subject to

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compliance with the laws, rules and regulations of the United States, including, without limitation, those of the FCC and those governing communications, exports and re-exports, and any action or proceeding arising out of this Agreement shall be brought and maintained in Connecticut, without regard to any conflict of law provisions. In addition, as to the Horizons 1 capacity, this Agreement shall also be subject to the laws, rules and regulations of the Japan, to the extent that Japanese law would be applicable under Section 12.2. Customer consents to the jurisdiction of courts located in Connecticut and agrees that service of process in any action or proceeding shall be deemed sufficient if mailed, certified mail, return receipt, postage prepaid, to Customer at the address set forth in Section 13.5(b), as the same may be changed in accordance with that Section. This Agreement constitutes the entire agreement between the parties and supersedes any and all prior or contemporaneous statements, understandings, writings, commitments, or representations concerning its subject matter. This Agreement may not be amended or modified in any way, and none of its provisions may be waived, except by a prior writing signed by an authorized officer of each party. This Agreement shall not be binding or effective on any party until fully executed by both parties hereto.

13.1A U.S. International Traffic in Arms Regulations ("ITAR")- U.S. Export Control Restrictions. Notwithstanding anything in the Agreement to the

contrary: (a) the parties acknowledge and agree that if (i) Customer is a Foreign Person or Entity (as defined below), (ii) the Agreement is assigned by Customer to a Foreign Person or Entity (as defined below) or (iii) Customer otherwise requests that PanAmSat provide information to a Foreign Person or Entity (as Customer shall disclose in its request, to the best of its knowledge), PanAmSat's disclosure of information under the Agreement shall be subject to compliance with the laws, rules and regulations of the United States regarding export restrictions ("U.S. Export Laws"), and that such U.S. Export Laws may prohibit, limit or delay PanAmSat's ability to disclose information as otherwise required under this Agreement; and (b) to the extent that any information disclosed by PanAmSat to Customer under the Agreement is subject to U.S. Export Laws (including, without limitation, the ITAR, 22 CFR ss. 120-130), Customer shall handle such information in compliance with the applicable U.S. Export Laws and shall not disclose, transfer or otherwise export (as defined in ITAR ss. 120.17) such information to any foreign individual (including employees of Customer), foreign corporation (including subsidiaries or affiliates of Customer), foreign government or other foreign person (as defined in ITAR ss. 120.16), collectively herein, a "Foreign Person or Entity," except as authorized by the applicable U.S. Export Control Law or by written authorization of the U.S. government. This Section shall survive the termination of the Agreement for any reason.

13.2 Severability. Nothing contained in this Agreement shall be construed so as to require the commission of any act contrary to law. If any provision of this Agreement shall be invalid or

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unenforceable, the provisions of this Agreement so affected shall be curtailed and limited only to the extent necessary to permit compliance with the minimum legal requirements.

13.3 No Third Party Beneficiary. The provisions of this Agreement are for the benefit only of Customer and PanAmSat, and no third party may seek to enforce or benefit from these provisions, except that both parties acknowledge and agree that the non-interference requirements of Section 4.1 are intended for the benefit of both PanAmSat and all other Protected Parties, and that the provisions of Article 9 are intended for the benefit of the PanAmSat Group and that such intended beneficiaries may separately, or in addition to the parties hereto, seek to enforce such provisions.

13.4 Non-Waiver of Breach. Either party may specifically waive any breach of this Agreement by the other party; provided, that no such waiver shall be binding or effective unless in writing and signed by an authorized officer of the party to be bound and no such waiver shall constitute a continuing waiver of similar or other breaches. A waiving party may at any time, upon notice given in writing to the breaching party, direct future compliance with the waived term or terms of this Agreement, in which event the breaching party shall comply as directed from such time forward.

13.5 Notices.

(a) Telephone Notices. For the purpose of receiving notices from PanAmSat regarding preemption, interference or other technical problems, including with respect to Transponder failure and restoration, Customer shall maintain, through its remote control station(s) connected to each earth station transmitting signals to the Satellite, a telephone that is continuously staffed at all times during which Customer is transmitting signals to the Satellite and an automatic facsimile machine in operation and capable of receiving messages from PanAmSat at all times. THOSE PERSONS STAFFING CUSTOMER'S NETWORK OPERATIONS CENTER, FOR THE PURPOSES OF RECEIVING SUCH MESSAGES FROM PANAMSAT, MUST HAVE THE TECHNICAL CAPABILITY AND ABSOLUTE AUTHORITY IMMEDIATELY TO TERMINATE OR MODIFY THE TRANSMISSION OF ANY OR ALL REMOTE SITES IF NOTIFIED BY PANAMSAT. PanAmSat shall also maintain a telephone that is continuously staffed for the purposes of receiving notices regarding the matters identified above. All such notices shall be made in English and shall be effective upon the placement of a telephone call from one party to the other. Each party shall promptly confirm all telephone notices that may be given under this Agreement in writing in accordance with Section 13.5(b) below.

(b) General Notices. All notices and other communications from either party to the other, except as otherwise stated in this Agreement, shall be in English writing and shall be deemed

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received upon actual delivery or completed facsimile (with telephonic confirmation by the sender) addressed to the other party as follows:

To PanAmSat:

If by mail or by personal delivery to its principal place of business:

PanAmSat Corporation
20 Westport Road
Wilton, Connecticut 06897
Attention: General Counsel

If by facsimile:

Facsimile: 203-210-8683

Telephone: 203-210-8000
Attention: General Counsel

With a copy to:

If by mail or by personal delivery to its principal place of business: PanAmSat Corporation
1600 Forbes Way
Long Beach, CA 90810
Attention: Associate General Counsel

If by facsimile: Facsimile: (310) 525-5801
Telephone: (310) 525-5802
Attention: Associate General Counsel

To Customer:

If by mail or by personal delivery to its principal place of business: GCI Communication Corp.
2550 Denali Street, Suite 1000
Anchorage, Alaska 99503
Attention: Jim Sipes

If by facsimile: Facsimile: (907) 868-5673
Telephone: (907) 868-5557
Attention: Jim Sipes

With a copy to:

If by mail or by personal delivery to its principal place of business: GCI Communication Corp.
2550 Denali Street, Suite 1000
Anchorage, Alaska 99503
Attention: Corporate Counsel

If by facsimile: Facsimile: (907) 868-5676
Telephone: (907) 868-6857
Attention: Corporate Counsel

Telephone Notice for Operational Matters under Section 13.5(a) to Customer at GCI NOCC (800) 770-8725

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Each party will advise the other of any change in the address, designated representative or telephone or facsimile number.

13.6 Headings. The descriptive headings of the Articles and Sections of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

13.7 Documents. Each party agrees to provide information and to execute, and, if necessary, to file with the appropriate governmental entities and international organizations, such documents as the other party shall reasonably request in order to carry out the purposes of this Agreement and/or for the purpose of creating, perfecting, protecting or maintaining the security interest conferred hereby to PanAmSat or its first priority in accordance with Section 10.1 above.

13.8 Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original, and all such counterparts together shall constitute but one and the same instrument.

13.9 Health Report. Customer shall receive, on a monthly basis, the Galaxy 18 health status report in the form previously provided to Customer.

13.10 Inspection Rights of Customer. If the Customer's Transponder Capacity fails to meet the Performance Specifications sufficient to amount to a Confirmed Outage and such failure is directly caused by the failure of PanAmSat to provide telemetry, tracking and control ("TT&C"), and if PanAmSat is unable to provide information as to other causes for such Confirmed Outage, then Customer shall have the right to inspect the primary TT&C station for Galaxy 18 upon reasonable notice to PanAmSat during normal business hours accompanied by an employee of PanAmSat. Customer shall not have the right to inspect the TT&C station at any time or in any manner that could cause disruption to the operation of such TT&C station.

13.11 Quarterly Meetings. Customer and PanAmSat will hold quarterly meetings at mutually agreeable locations to discuss, on a confidential basis, the status of the construction of Galaxy 18; provided that neither party shall be required to disclose highly confidential or sensitive information to the other in these meetings.

ARTICLE 14. **** PROTECTION **** TRANSPONDERS. Provided that Customer has paid the Monthly Fee **** Transponders (the "**** Transponders") on a monthly basis,

PanAmSat shall provide, on a "first failed" basis with other PanAmSat customers also purchasing such **** protection, **** transponders which

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meet their transponder performance specifications on "Galaxy XIII" or its successor or replacement satellite located at 127(Degree) West Longitude (collectively, the "127(0) WL **** Transponders", and individually, the "127(0) WL **** Transponder"), in the event of an in orbit catastrophic failure of Galaxy 18 or in the event that any of **** Transponders suffers a Confirmed Failure and becomes a Failed Transponder. Subject to the conditions precedent set forth below, upon the Confirmed Failures **** Transponders and the occurrence **** Failed Transponders, PanAmSat will **** of the 127(0) WL **** Transponders. For the purposes of determining priority to the **** protection **** Transponder(s) among Customer and other PanAmSat customers also purchasing **** protection, **** Failed Transponder shall be entitled to receive the use of **** protection; in the event of a simultaneous failure, **** PanAmSat ****. If PanAmSat provides Customer with one (1) 127(0) WL **** Transponder on Galaxy XIII and Customer leases such transponder under this Section, then Customer's obligation to pay the **** protection fee for the affected Transponder shall cease. The conditions precedent to PanAmSat's obligation to provide and Customer's right to, the **** protection for **** Transponder(s) as set forth herein shall be the payment by Customer of the Monthly Fee payable concurrently with the Commencement Date and on the first day of each month thereafter, the availability/non-pre-emption of the 127(0) WL **** Transponders and Customer's full compliance, in all material respects, with the terms of this Agreement. As of the Execution Date of this Agreement, there exists no other lessee, customer or user on Galaxy 18 with the contractual right to use any of the 127(0) WL **** Transponders on Galaxy XIII.

ARTICLE 15. GALAXY REPLACEMENT PROTECTION DURING THE OPERATION OF GALAXY 18. PanAmSat and Customer agree that the terms of Article 15 **** Transponders provided under this Agreement that are not subject to Article 14, above (the "**** Transponders with the Galaxy Replacement Protection").

(a) Definition. "Galaxy Replacement" shall mean a satellite to be designated by PanAmSat as "Galaxy Replacement". "Galaxy Fleet Satellites" shall mean only those satellites operated by PanAmSat and shall mean no more than six (6) satellites: Galaxy IR, Galaxy IVR, Galaxy VR, Galaxy XI, Galaxy XIII, Galaxy XR or their successor or replacements. Galaxy Replacement shall be "Available" if each of the following conditions is satisfied: (i) Galaxy Replacement has been launched successfully **** transponders meeting its **** transponder performance specifications, is in orbit and has not itself suffered a "Catastrophic Failure", and has sufficient **** transponders on it that meet the **** transponder performance specifications to satisfy PanAmSat's **** commitment to Customer under this Agreement; and (ii) Galaxy Replacement is not already located or required to be located in the orbital position of another Galaxy Fleet Satellite for use as a replacement for such Galaxy Fleet Satellite which has experienced a Late Delivery or Catastrophic Failure (as defined for all Satellites pursuant to this Article 15).

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(b) In Orbit Protection From Galaxy Replacement. PanAmSat operates a satellite as Galaxy Replacement in order to provide actual, in orbit **** protection for the Galaxy Fleet Satellites, including without limitation, Galaxy 18.

(c) Use of Galaxy Replacement. Pursuant to Section 15(c) through Section 15(g), Customer shall have certain rights to lease transponders on Galaxy Replacement, provided that Customer has paid the Monthly Fee for each of the **** Transponders with the Galaxy Replacement Protection. If and when a **** Transponder on Galaxy Replacement is leased by Customer in accordance with Sections 15(c) through 15(g), Customer shall continue to pay the Monthly Fee in accordance with Appendix A. Nothing shall prevent PanAmSat from using Galaxy Replacement for other services or as a **** for satellites not part of the Galaxy Fleet Satellites so long as, if Galaxy Replacement is needed to **** Galaxy 18 in accordance with Sections 15(e) and 15(f) or the other Galaxy Fleet Satellites, then such other service or use is preemptible. PanAmSat shall be entitled to use Galaxy Replacement only in orbital positions within the domestic arc covering 74 degrees West Longitude through and including 133 degrees West Longitude. Galaxy Replacement shall not be moved to another orbital position at a rate faster than 1.5 degrees per day unless **** a failure of Galaxy 18 or another Galaxy Fleet Satellite which has suffered a Late Delivery or Catastrophic Failure. PanAmSat shall have the right, at its sole option, to operate Galaxy Replacement with an inactive **** payload on a standby mode, in which event PanAmSat will not be obligated to provide the protection without movement as set forth in Section 15(f), below. Customer understands that it shall have no in orbit protection in connection with any use by Customer of any transponder on Galaxy Replacement with the exception of spare equipment on board Galaxy Replacement.

(d) Galaxy Replacement Information. If, after the Commencement Date (meaning the successful delivery of **** Transponders on Galaxy 18, **** Transponder with the Galaxy Replacement Protection becomes a Failed Transponder for any reason, PanAmSat shall provide to Customer, in a timely manner, then current: (i) technical and operation information for Galaxy Replacement; and (ii) estimated life expectancy and orbital positions(s) of Galaxy Replacement.

(e) Use of Galaxy Replacement for Late Delivery and Catastrophic Failure. In the event of a "Late Delivery" and/or a "Catastrophic Failure" of Galaxy 18, then the following shall occur:

(i) PanAmSat, subject to FCC approval (which PanAmSat shall promptly use its best efforts to obtain), shall cause Galaxy Replacement, provided it is Available, to be moved to the orbital position of Galaxy 18 within fifteen (15) days of the earlier of notification to PanAmSat or PanAmSat's knowledge of such Late Delivery and/or Catastrophic Failure;

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(ii) Customer shall use the number of **** transponders on Galaxy Replacement equivalent to the number of the then-leased **** Transponders with the Galaxy Replacement Protection and shall pay the Monthly Fee in accordance with Appendix A; and

(iii) Customer shall continue such use of such Galaxy Replacement **** transponder(s) until the earliest to occur of: (x) the successful placement with the requisite number of Transponders meeting the Transponder Performance Specifications by PanAmSat of a replacement satellite in Galaxy 18's orbital position; (y) the end of Galaxy Replacement's useful life; or (z) the end of the Capacity Term. PanAmSat agrees that the "Late Delivery" and/or "Catastrophic Failure" definitions for all Galaxy Fleet Satellites shall require the same level of failure for all other Galaxy Fleet Satellites for the purposes of determining whether PanAmSat is obligated to move Galaxy Replacement to a new orbital location.

(f) Galaxy Replacement Protection Without Movement. If, after successful delivery of **** Transponders on Galaxy 18, **** Transponder with the Galaxy Replacement Protection becomes a Failed Transponder and Galaxy 18 has not itself suffered a Catastrophic Failure, then, the following shall occur:

(i) If Galaxy Replacement is Available and has an active **** payload, PanAmSat shall make available, and if PanAmSat does so make available, Customer shall have the right (at its option), provided that such **** transponder on Galaxy Replacement is "non-committed" (as defined below), to lease the number of **** transponder(s) on Galaxy Replacement equivalent to the number of the failed **** Transponder(s) with the Galaxy Replacement Protection. Customer shall have the right to lease such **** transponder in whatever location Galaxy Replacement may then be; provided, that Customer commits to such a lease within thirty (30) days following the occurrence of the event giving rise to the right;

(ii) Customer shall pay the Monthly Fee in accordance with Appendix A; and

(iii) Customer shall continue such lease of such Galaxy Replacement **** transponder(s) until the earliest to occur of (w) the successful placement with the requisite number of Transponders meeting or exceeding the Transponder Performance Specifications by PanAmSat of a replacement satellite in Galaxy 18's orbital position or the successful operation of Customer's Transponder Capacity in accordance with the Performance Specifications; (x) the end of Galaxy Replacement's useful life; (y) the movement or use of Galaxy Replacement in the event of a Late Delivery or Catastrophic Failure of any other Galaxy Fleet Satellite; or (z) the end of the Capacity Term. Any lease under this Section 15(f) shall terminate upon thirty (30) days written notice from Customer to PanAmSat to terminate such lease.

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A **** transponder on Galaxy Replacement shall be deemed to be "non-committed" if such **** transponder is not already being used by an entity having priority over Customer pursuant to the exercise of its right to use such **** transponder as a result of payment to PanAmSat for an in orbit satellite backup protection, in connection with its purchase, lease or use of a transponder or transponders on a Galaxy Fleet Satellite.

(g) Entitlement to Usage. If lessees of primary **** transponders on any Galaxy Fleet Satellite become simultaneously entitled to lease **** transponders on Galaxy Replacement, then the lessee of the primary **** transponder (or lessee's predecessor in interest) who first executed a

transponder purchase or lease agreement with PanAmSat for the purchase or lease of primary transponder shall have a priority as to the Galaxy Replacement transponders.

(h) Option to Terminate Backup Protection from Galaxy Replacement. In the event that the Galaxy Replacement is located at an orbital slot further east of 91 degrees West Longitude, PanAmSat will notify Customer in writing of such location (the "Notice of Relocation"), and Customer will have the right to terminate the protection from Galaxy Replacement set forth in Article 15 within thirty days after PanAmSat's Notice of the Relocation by delivering to PanAmSat a written notice to do so. If, however, during the Capacity Term of the Agreement, Galaxy Replacement is moved to an orbital location of 91 degrees West Longitude or further west of 91 degrees West Longitude and Customer had terminated the backup protection from Galaxy Replacement as described above, then PanAmSat will notify Customer (in writing) of such new orbital location of Galaxy Replacement, and the **** protection from Galaxy Replacement shall be reinstated as of the date designated by Customer, which date must occur within twelve (12) months after PanAmSat's notice of the new orbital location (such date designated by Customer to be referred to as the "Reinstatement Date of the **** Protection from the Galaxy Replacement"). As of the Reinstatement Date of the **** Protection from Galaxy Replacement, PanAmSat will provide, and Customer shall accept, the **** protection as set forth in Article 15 of the Agreement. During the period that the termination of the **** protection is in effect, the Monthly Fee shall be reduced by the **** protection fee of \$****, and, once the **** protection is reinstated, then the Monthly Fee shall be increased by the **** protection fee of \$****. If, during the period of the termination the **** protection is in effect (i.e., Customer has terminated the **** protection from Galaxy Replacement as Galaxy Replacement is located at an orbital slot further east of 91 degrees West Longitude), a Catastrophic Failure of Galaxy 18 occurs, then Customer will have no right to terminate the lease of those **** Transponders on Galaxy 18 that otherwise would have been subject to the **** protection from Galaxy Replacement, if PanAmSat provides alternate **** capacity with materially the same or better coverage and performance as the Performance Specifications of Galaxy 18 (and equivalent to the number of the then-leased Transponders on Galaxy 18), from another satellite within the orbital arc from 121 degrees West Longitude through and including 133 degrees West Longitude.

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ARTICLE 16. PROVISION OF NEW **** PROTECTION FOR GALAXY FLEET SATELLITES. From the execution of this Agreement, if PanAmSat provides additional **** protection satellite (or other offer of an additional **** protection currently anticipated to be "Galaxy 12") for the Galaxy Fleet Satellites in supplement to the protection from Galaxy Replacement, to all of the other customers on Galaxy 18, in PanAmSat's good faith judgment and interpretation, taking into account different wording that may be used in different agreements, then PanAmSat shall notify Customer of such additional **** protection provisions, and PanAmSat shall provide, and Customer shall accept, such additional **** protection provisions, which shall be added to this Agreement as an amendment, along with any applicable technical appendix, ****.

ARTICLE 17. **** Protection: Provided that Customer has paid the Galaxy XR **** Protection Fee (as defined below) on a monthly basis, PanAmSat shall provide certain **** protection from **** transponder on Galaxy XR (to be selected by PanAmSat in its sole discretion), if the **** protection from such capacity (the "**** Transponder") is "Available" as defined in this Article 17 (the "**** Protection"). If the Satellite on which the **** Transponder is located suffers a catastrophic failure or the **** Transponder suffers a Confirmed Failure and PanAmSat is unable to restore service pursuant to the terms of Section 5.3B of the Agreement, then PanAmSat shall provide Customer, and Customer shall use, the **** Transponder on Galaxy XR located at 123 degrees West Longitude, within 24 hours of the occurrence of the Confirmed Failure and the Failed Transponder or the catastrophic failure, as the case may be; provided, however, that the **** Protection is Available. Customer agrees to use such capacity on a **** Transponder on Galaxy XR in accordance with the terms of this Agreement, and Customer agrees to continue to pay to PanAmSat a Monthly Fee, which shall be reduced by \$****. The term "Available" shall mean that (i) Galaxy XR has been successfully launched and commenced service at the 123(degree) WL orbital location with all of the transponders meeting their performance specifications; (ii) Galaxy XR has not itself suffered a catastrophic failure; (iii) the **** Transponder continues to meet its performance specifications; and (iv) the **** Transponder has not been subject to a prior call on a "first-failed" basis with other customers with the right to the **** Protection. The monthly rate for the **** Protection (the "Galaxy XR **** Protection Fee") shall be \$**** payable only if the **** Transponder is Available. When the **** Transponder ceases to be Available, then the \$**** fee for **** Protection shall cease. The \$**** fee shall resume if and when the **** Transponder becomes Available. Payments for a partial month shall be pro-rated. The conditions precedent to Customer's right to **** Protection as set forth herein shall be the payment by Customer of the Monthly Fee (which includes the Galaxy XR **** Protection Fee of \$****), the Availability of the **** Transponder and Customer's full compliance, in all material respects, with the terms of this Agreement. If and when Customer leases the **** Transponder on Horizons 1 pursuant to Section 1.6, above, then the terms of this Article 17 will apply to the leased **** Transponder.

ARTICLE 18. TERMINATION OF THE FULL-TIME TRANSPONDER CAPACITY AGREEMENT DATED OCTOBER 31, 2002. Concurrently with the execution of this Agreement, Customer and PanAmSat shall enter into a termination of the Full-Time Transponder Capacity Agreement dated October

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31, 2002 pursuant to which the lease of Galaxy XR **** transponder no. 10 will be terminated as of the Commencement Date for **** Transponders on Galaxy 18.

ARTICLE 19: SPECIAL TERMINATION OPTION: From the Execution Date of this Agreement through June 1, 2007 (the "Termination Election Period"), Customer will **** Transponders, in the event that Customer **** that ****; provided, however, that Customer **** beginning on the ****. Customer **** this Article **** PanAmSat a **** by PanAmSat during the Termination Election Period, along with a letter ****. If Customer **** Transponders during the Termination Election Period as set forth above in this Article, then **** Transponders **** (the "****"), and ****, Customer shall pay PanAmSat **** \$**** Transponders, for a total termination fee of \$****, Customer shall provide PanAmSat **** Transponders **** PanAmSat, and **** Transponders and ****. On or after the Execution Date of this Agreement **** (a) **** or (b) **** PanAmSat. (For example, if PanAmSat **** Unless Customer ****, Customer shall ****, regardless of **** Transponders ****.

Each of the parties has duly executed and delivered this Agreement as of the Execution Date.

GCI COMMUNICATION CORP.

By: /s/ Jimmy R. Sipes

Name: Jimmy R. Sipes

Title: VP, Network Services

PANAMSAT CORPORATION

By: /s/ Michael Antonovich

Name: Michael Antonovich

Title: EVP, Global Sales & Marketing

and

By: /s/ James B. Frownfelter

Name: James B. Frownfelter

Title: President & COO

On behalf of PanAmSat Corporation and JSAT International, Inc., as the provider of the **** Payload of Horizons 1

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LIST OF APPENDICES

- A. Customer's Transponder Capacity and Payment Schedule
- B. Technical Appendix
 - B-1 Galaxy 18
 - B-2 Horizons 1
 - B-3 Galaxy Replacement
- C. Operational Requirements
- D. [Intentionally Omitted]
- E. Sample Subordination Provision

**** CONFIDENTIAL TREATMENT

APPENDIX A

CUSTOMER'S TRANSPONDER CAPACITY AND PAYMENT SCHEDULE FOR

GCI COMMUNICATIONS CORP.

**** Transponders:

<TABLE>
<CAPTION>

Satellite	Band	MHz	Transponder	Monthly Fee Per Transponder
<S> Galaxy 18	<C> ****	<C> ****	<C> No. __	<C> US\$**** *
Galaxy 18	****	****	No. __	US\$**** *
Galaxy 18	****	****	No. __	US\$**** *
Galaxy 18	****	****	No. __	US\$**** *
Galaxy 18	****	****	No. __	US\$**** *
Galaxy 18	****	****	No. __	US\$**** **
Galaxy 18	****	****	No. __	US\$**** **
For the **** TransponderGalaxy 18	****	****	No. __	US\$**** **
For the **** TransponderGalaxy 18	****	****	No. __	US\$**** **

</TABLE>

*Monthly Fee includes US\$**** for TT&C Service Fee, and the **** protection fee of US\$**** for each of **** Transponders under Article 14. If the 127(0) WL **** Transponder is not available or when Customer is using a Transponder on Galaxy XIII (or its successor satellite), the Monthly Fee for such affected **** Transponder shall be reduced to US\$****. If, however, the 127(0) WL **** Transponder later becomes available, then Monthly Fee for such affected ****

**** CONFIDENTIAL TREATMENT

Transponder shall increase to US\$****. The 127(0) WL **** protection fee shall be pro-rated for a partial month.

Monthly Fee includes US\$** for TT&C Service Fee, and the Galaxy Replacement **** protection fee of US\$**** for each of **** Transponders with the Galaxy Replacement Protection under Article 15. If the Galaxy Replacement Transponder is not available or when Customer is using a Transponder on Galaxy Replacement, the Monthly Fee for such affected **** Transponder with the Galaxy Replacement Protection shall be reduced to US\$****. If, however, the Galaxy Replacement Transponder later becomes available, then Monthly Fee for such affected **** Transponder with the Galaxy Replacement Protection shall increase to US\$****. The Galaxy Replacement Protection Fee shall be pro-rated for a partial month.

**** Transponders:

<TABLE>
<CAPTION>

Satellite	Band	MHz	Transponder	Monthly Fee Per Transponder
<S> Horizons 1	<C> ****	<C> ****	<C> No. ___	<C> US\$**** **
For the **** Transponder Horizons 1	****	****	No. ___	US\$**** **

</TABLE>

****Monthly Fee includes US\$**** for TT&C Service Fee and the Galaxy XR **** Protection Fee of US\$****. If the **** Transponder ceases to be Available (as defined in Article 17), the Monthly Fee will be reduced to US\$****. If, however, the **** Protection later becomes Available (as defined in Article 17), then the Monthly Fee shall increase to US\$****. The Galaxy XR **** Protection Fee shall be pro-rated for a partial month.

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APPENDIX B-1

TECHINCIAL APPENDIX - GALAXY 18

[This appendix consists of technical engineering information and is not included in the filing of the agreement with the SEC as being not material to investor decisions.]

APPENDIX B-2

TECHINCIAL APPENDIX - HORIZONS 1

[This appendix consists of technical engineering information and is not included in the filing of the agreement with the SEC as being not material to investor decisions.]

APPENDIX B-3

TECHINCIAL APPENDIX - GALAXY REPLACEMENT

[This appendix consists of technical engineering information and is not included in the filing of the agreement with the SEC as being not material to investor decisions.]

**** CONFIDENTIAL TREATMENT

APPENDIX C

EARTH STATION AND OPERATIONAL REQUIREMENTS
FOR ANALOG AND DIGITAL SERVICES VIA PANAMSAT **** TRANSPONDERS

[This appendix consists of technical engineering information and is not included in the filing of the agreement with the SEC as being not material to investor decisions.]

APPENDIX E
SAMPLE SUBORDINATION PROVISION

Subordination. Customer hereby acknowledges that this Agreement and all rights granted to Customer hereunder are subject and subordinate to a security interest and lien (as the same may be assigned, the "Security Interest") in favor of [Secured Party] (the "Secured Party") in and to this Agreement, the Customer's Transponder Capacity and other rights under this Agreement and/or the Satellite (and/or the proceeds from the sale or other disposition of all or any portion thereof, or any insurance that may be received by PanAmSat as a result of any loss or destruction of, or damage to, the Customer's Transponder Capacity (or other rights) and/or the Satellite and to all renewals, modifications, consolidations, replacements and extensions of any security agreement, mortgage or other document reflecting any such Security Interest, including that certain [Security Agreement] by and between PanAmSat and Secured Party; provided, that any such Secured Party agrees that Customer shall continue to have the benefits of this Agreement notwithstanding any default on the part of PanAmSat under the

agreement providing for such Security Interest (the "Security Agreement"), so long as:

- (i) Customer is not in default under the terms and conditions of this Agreement, which default has continued after expiration of any applicable cure period stated in this Agreement;
- (ii) Customer does not pay any of its obligations under this Agreement (other than a deposit) more than thirty (30) days prior their scheduled payment date under this Agreement;
- (iii) after receipt of notice from the Secured Party of a default by PanAmSat under the Security Agreement, this Agreement is not supplemented, amended or extended (except by its terms with respect to specified extension periods) or otherwise modified in any manner without the consent of the Secured Party;
- (iv) after receipt of notice from the Secured Party of a default by PanAmSat under the Security Agreement, Customer executes a separate instrument with the Secured Party pursuant to which it agrees with the Secured Party to make and makes all payments thereafter as instructed by the Secured Party; and
- (v) this subordination provision is not amended.

This clause shall be self-operative and no further instruction of subordination shall be required by any security agreement, mortgage or other document reflecting such Security Interest to make this subordination effective. In confirmation of such acknowledged subordination, Customer shall execute promptly any instrument or certificate which PanAmSat or the Secured Party may reasonably request.

SECTION 302 CERTIFICATION

I, Ronald A. Duncan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of General Communication, Inc. for the period ended March 31, 2006;
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.

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May 8, 2006

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

SECTION 302 CERTIFICATION

I, John M. Lowber, certify that:

1. I have reviewed this quarterly report on Form 10-Q of General Communication, Inc. for the period ended March 31, 2006;
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.

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May 8, 2006

/s/ John M. Lowber
John M. Lowber
Senior Vice President, Chief Financial
Officer, Secretary and Treasurer

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

In connection with the Quarterly Report of General Communication, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2006 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. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: May 8, 2006

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

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

In connection with the Quarterly Report of General Communication, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John M. Lowber, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: May 8, 2006

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