

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 September 30, 2007

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 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 large 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

The number of shares outstanding of the registrant's classes of common stock as of October 31, 2007 was:

49,957,484 shares of Class A common stock; and
3,256,623 shares of Class B common stock.

GENERAL COMMUNICATION, INC.
FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2007

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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 identified under "Risk Factors" in Item 1A of our December 31, 2006 annual report on Form 10-K, and elsewhere in this Quarterly Report. 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.

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statement, and the related risks, uncertainties and other factors speak only as of the date on which they were originally made and we expressly disclaim any obligation or undertaking to update or revise any forward-looking statement to reflect any change in our expectations with regard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

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)

ASSETS	(Unaudited)	
	September 30, 2007	December 31, 2006
Current assets:		
Cash and cash equivalents	\$ 24,945	57,647
Restricted cash	---	4,612
Receivables	90,168	78,811
Less allowance for doubtful receivables	2,681	2,922
Net receivables	87,487	75,889
Deferred income taxes	12,559	20,685
Prepaid expenses	5,349	5,729
Inventories	4,310	3,362
Property held for sale	1,280	2,316
Notes receivable from related parties	44	1,080
Other current assets	1,034	1,988
Total current assets	137,008	173,308
Property and equipment in service, net of depreciation	478,805	454,879
Construction in progress	65,071	29,994
Net property and equipment	543,876	484,873
Cable certificates	191,565	191,565
Goodwill	42,181	42,181
Wireless certificates	26,925	1,497
Other intangible assets, net of amortization	11,328	7,011
Deferred loan and senior notes costs, net of amortization	6,353	7,091
Other assets	8,419	7,133
Total other assets	286,771	256,478
Total assets	\$ 967,655	914,659

See accompanying notes to interim consolidated financial statements.

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

(Amounts in thousands)

(Unaudited)

LIABILITIES, MINORITY INTEREST, AND STOCKHOLDERS' EQUITY	September 30, 2007	December 31, 2006
Current liabilities:		
Current maturities of obligations under long-term debt and capital leases	\$ 2,368	1,792
Accounts payable	34,149	28,404
Deferred revenue	16,057	16,566
Accrued payroll and payroll related obligations	14,407	14,598
Accrued liabilities	8,252	8,377
Accrued interest	3,010	8,710
Subscriber deposits	766	489
Total current liabilities	79,009	78,936
Long-term debt		
Obligations under capital leases, excluding current maturities	526,565	487,737
Obligation under capital lease due to related party, excluding current maturity	2,275	2,229
Deferred income taxes	495	561
Other liabilities	86,331	86,998
Total liabilities	13,544	12,725
Minority interest	708,219	669,186
Commitments and contingencies		
Stockholders' equity:		
Common stock (no par):		
Class A. Authorized 100,000 shares; issued 49,953 and 50,191 shares at September 30, 2007 and December 31, 2006, respectively; outstanding 49,666 and 49,804 shares at September 30, 2007 and December 31, 2006, respectively	149,786	157,502
Class B. Authorized 10,000 shares; issued 3,257 and 3,370 shares at September 30, 2007 and December 31, 2006, respectively; outstanding 3,255 and 3,368 shares at September 30, 2007 and December 31, 2006, respectively; convertible on a share-per-share basis into Class A common stock	2,751	2,846
Less cost of 288 and 258 Class A and Class B common shares held in treasury at September 30, 2007 and December 31, 2006, respectively	(1,388)	(1,436)
Paid-in capital	24,939	20,641
Notes receivable with related parties issued upon stock option exercise	---	(738)
Retained earnings	76,863	66,658
Total stockholders' equity	252,951	245,473
Total liabilities, minority interest, and stockholders' equity	\$ 967,655	914,659

See accompanying notes to interim consolidated financial statements.

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
		(as amended)		(as amended)
(Amounts in thousands, except per share amounts)	2007	2006	2007	2006
Revenues	\$ 133,864	125,081	388,035	356,123
Cost of goods sold (exclusive of depreciation and amortization shown separately below)	47,878	41,523	133,229	116,065
Selling, general and administrative expenses	48,956	43,391	144,966	125,639
Depreciation and amortization expense	22,837	20,390	66,033	60,723
Operating income	14,193	19,777	43,807	53,696
Other income (expense):				
Interest expense	(9,042)	(8,995)	(26,683)	(26,245)
Loan and senior note fees	(751)	(251)	(1,147)	(753)
Interest income	82	759	427	1,398
Minority interest	37	181	26	350
Other expense, net	(9,674)	(8,306)	(27,377)	(25,250)
Income before income tax expense and cumulative effect of a change in accounting principle	4,519	11,471	16,430	28,446
Income tax expense	2,306	4,989	7,672	13,058
Income before cumulative effect of a change in accounting principle	2,213	6,482	8,758	15,388
Cumulative effect of a change in accounting principle, net of income tax expense of \$44	---	---	---	64
Net income available to common shareholders	\$ 2,213	6,482	8,758	15,452
Basic net income available to common shareholders per common share:				
Income available to common shareholders before cumulative effect of a change in accounting principle	\$ 0.04	0.12	0.16	0.28
Cumulative effect of a change in accounting principle	---	---	---	---
Net income available to common shareholders	\$ 0.04	0.12	0.16	0.28
Diluted net income available to common shareholders per common share:				
Income available to common shareholders before cumulative effect of a change in accounting principle	\$ 0.04	0.12	0.15	0.28
Cumulative effect of a change in accounting principle	---	---	---	---
Net income available to common shareholders	\$ 0.04	0.12	0.15	0.28

See accompanying notes to interim consolidated financial statements.

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006
(Unaudited)

(Amounts in thousands)

	2007	2006 (as amended)
Cash flows from operating activities:		
Net income	\$ 8,758	15,452
Adjustments to reconcile net income to net cash provided by operating activities (net of effects of acquisition):		
Depreciation and amortization expense	66,033	60,723
Deferred income tax expense	7,453	12,574
Bad debt expense	4,654	2,606
Share-based compensation expense	4,133	4,410
Other noncash income and expense items	2,071	2,003
Change in operating assets and liabilities, net of acquisition	(18,765)	(17,548)
Net cash provided by operating activities	<u>74,337</u>	<u>80,220</u>
Cash flows from investing activities:		
Purchases of property and equipment	(105,236)	(63,983)
Purchase of business	(19,530)	---
Restricted cash	4,612	(3,000)
Purchases of other assets and intangible assets	(4,996)	(2,621)
Other	25	643
Net cash used in investing activities	<u>(125,125)</u>	<u>(68,961)</u>
Cash flows from financing activities:		
Borrowing on Senior Credit Facility	50,000	---
Repayment of debt and capital lease obligations	(26,655)	(1,355)
Purchase of treasury stock to be retired	(7,979)	(29,315)
Proceeds from common stock issuance	3,123	8,472
Payment of debt issuance costs	(402)	---
Purchase of treasury stock	(1)	(2)
Payments received on notes receivable with related parties issued upon stock option exercise	---	443
Net cash provided by (used in) financing activities	<u>18,086</u>	<u>(21,757)</u>
Net decrease in cash and cash equivalents	(32,702)	(10,498)
Cash and cash equivalents at beginning of period	<u>57,647</u>	<u>44,362</u>
Cash and cash equivalents at end of period	<u>\$ 24,945</u>	<u>33,864</u>

See accompanying notes to interim consolidated financial statements.

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

The accompanying unaudited interim 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, 2006, 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.

(l) 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:

- Long-distance telephone service between Alaska and the remaining United States and foreign countries,
- Cable television services throughout Alaska,
- Facilities-based competitive local access services in Anchorage, Fairbanks, Juneau, Wasilla, Eagle River, Kodiak, and Ketchikan, Alaska as of September 30, 2007 with on-going expansion into additional Alaska communities,
- Internet access services,
- Origination and termination of traffic in Alaska for certain common carriers,
- Private line and private network services,
- Managed services to certain commercial customers,
- Broadband services, including our SchoolAccess[®] offering to rural school districts, our ConnectMD[®] offering to rural hospitals and health clinics, and managed video conferencing,
- Sales and service of dedicated communications systems and related equipment,
- 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,
- Distribution of white and yellow pages directories to residential and business customers in certain markets we serve and on-line directory products, and
- Resale and sale of postpaid and sale of prepaid 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 as well as a variable interest entity in which we are the primary beneficiary as defined by Financial Accounting Standards Board ("FASB") Interpretation ("FIN") No. 46R, "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51." FIN 46R addresses the consolidation of business enterprises to which the usual condition (majority voting interest) does not apply. This interpretation focuses on controlling financial interests that may be achieved through arrangements that do not involve voting interests. It concludes that, in the absence of clear control through voting interests, a company's exposure (variable interest) to the economic risks and potential rewards from the variable interest entity's assets and activities are the best evidence of control. If an enterprise holds a majority of the variable interests of an entity, it would be considered the primary beneficiary. The primary beneficiary is required to consolidate the assets, liabilities and results of operations of the variable interest entity in its financial statements. All significant intercompany transactions are eliminated.

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

Alaska DigiTel, LLC ("Alaska DigiTel") Acquisition

On January 2, 2007, we acquired 81.9% of the equity interest and 20.0% of the voting interest of Alaska DigiTel, an Alaska wireless provider, for \$29.5 million. We have a variable interest in Alaska DigiTel in which we are the primary beneficiary as defined by FIN 46R. We view our investment as an incremental way to participate in future growth of the Alaska wireless industry. We consolidated Alaska DigiTel in accordance with FIN 46R and their results of operations are included in the Consolidated Income Statement for the entire nine months ended September 30, 2007. The purchase price allocation has not been finalized at September 30, 2007 and it will be completed when the valuation analysis is final. The Alaska DigiTel purchase price has been preliminarily allocated as follows: cash \$10.0 million, receivables, net \$2.4 million, other current assets \$850,000, property and equipment \$12.8 million, wireless certificates \$25.4 million, other intangible assets \$4.4 million, current liabilities \$4.1 million, debt \$15.7 million and minority interest \$6.5 million. The total assets of Alaska DigiTel were \$54.6 million at September 30, 2007. Alaska DigiTel's revenues for the nine months ended September 30, 2007 were \$21.3 million and are primarily included in our consumer segment. Alaska DigiTel had outstanding debt of \$538,000 at September 30, 2007 that is collateralized by \$801,000 of its property in service. Alaska DigiTel's creditors do not have recourse to GCI's assets.

Assuming we had consolidated Alaska DigiTel on January 1, 2006, our revenues, income before cumulative effect of a change in accounting principle and basic and diluted earnings per common share ("EPS") for the three and nine months ended September 30, 2006 would have been as follows (amounts in thousands, except per share amounts):

	Three Months Ended	Nine Months Ended	September 30, 2006
Pro forma consolidated revenue	\$ 130,951	371,061	
Pro forma income before cumulative effect of a change in accounting principle	\$ 6,405	14,790	
EPS:			
Basic and diluted – pro forma	\$ 0.12	0.27	

(c) Earnings per Common Share

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

	Three Months Ended September 30,					
	2007			2006 (as amended)		
	Income (Num- erator)	Shares (Denom- inator)	Per-share Amounts	Income (Num- erator)	Shares (Denom- inator)	Per-share Amounts
Basic EPS:						
Net income available to common shareholders	\$ 2,213	52,852	\$0.04	\$ 6,482	53,345	\$0.12

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

Three Months Ended September 30,

	2007			2006 (as amended)		
	Income (Num- erator)	Shares (Denom- inator)	Per-share Amounts	Income (Num- erator)	Shares (Denom- inator)	Per-share
Effect of Dilutive Securities:						
Unexercised stock options	---	1,267	---	---	1,529	---
Diluted EPS:						
Net income available to common shareholders	2,213	---	---	6,482	---	---
Effect of share based compensation that may be settled in cash or shares	(147)	84	---	---	---	---
Net income adjusted for effect of share based compensation that may be settled in cash or shares	<u>\$ 2,066</u>	<u>54,203</u>	<u>\$0.04</u>	<u>\$ 6,482</u>	<u>54,874</u>	<u>\$0.12</u>

Nine Months Ended September 30,

	2007			2006 (as amended)		
	Income (Num- erator)	Shares (Denom- inator)	Per-share Amounts	Income (Num- erator)	Shares (Denom- inator)	Per-share Amounts
Basic EPS:						
Income before cumulative effect of a change in accounting principle	\$ 8,758	53,103	\$0.16	\$ 15,388	54,030	\$0.28
Cumulative effect of a change in accounting principle	---	53,103	---	64	54,030	0.00
Net income available to common shareholders	<u>\$ 8,758</u>	<u>53,103</u>	<u>\$0.16</u>	<u>\$ 15,452</u>	<u>54,030</u>	<u>\$0.28</u>
Effect of Dilutive Securities:						
Unexercised stock options	---	1,415	---	---	1,518	---
Diluted EPS:						
Income before cumulative effect of a change in accounting principle	\$ 8,758	---	---	\$ 15,388	---	---
Effect of share based compensation that may be settled in cash or shares	(688)	93	---	---	---	---
	<u>8,070</u>	<u>54,611</u>	<u>\$0.15</u>	<u>15,388</u>	<u>55,548</u>	<u>\$0.28</u>
Cumulative effect of a change in accounting principle	---	---	---	64	55,548	0.00
Net income adjusted for effect of share based compensation that may be settled in cash or shares	<u>\$ 8,070</u>	<u>54,611</u>	<u>\$0.15</u>	<u>\$ 15,452</u>	<u>55,548</u>	<u>\$0.28</u>

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

Stock options for the three and nine months ended September 30, 2007 and 2006, which have been excluded in the computations of diluted EPS because the effect of including these stock options would have been anti-dilutive, consist of the following (shares, in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2007	2006	September 30, 2007	2006
Weighted average shares associated with outstanding stock options	2,573	1,748	1,622	1,372
Effect of share-based compensation that may be settled in cash or shares	---	130	---	124
	<u>2,573</u>	<u>1,878</u>	<u>1,622</u>	<u>1,496</u>

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 issued common stock for the nine months ended September 30, 2007 and 2006 (shares, in thousands):

	Class A	Class B
Balances at December 31, 2005	51,200	3,843
Class B shares converted to Class A	27	(27)
Shares issued under stock option plan	1,270	---
Shares issued under the Director Compensation Plan	17	---
Shares retired	<u>(2,335)</u>	<u>(436)</u>
Balances at September 30, 2006	<u>50,179</u>	<u>3,380</u>
Balances at December 31, 2006	50,191	3,370
Class B shares converted to Class A	113	(113)
Shares issued under stock option plan	449	---
Shares issued under the Director Compensation Plan	23	---
Shares retired	<u>(823)</u>	<u>--</u>
Balances at September 30, 2007	<u>49,953</u>	<u>3,257</u>

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. GCI's Board of Directors authorized us to make up to \$75.0 million of repurchases through September 30, 2007, under which we have made repurchases of \$63.5 million through September 30, 2007. 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 used to repurchase additional shares in future quarters. 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 Rule 10b-18 under the Securities Exchange Act of 1934, as amended.

During the nine months ended September 30, 2007 we received in lieu of a cash payment on a note receivable 112,000 shares of our Class A common stock at a cost of \$1.7 million. During the

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

nine months ended September 30, 2007 and 2006 we repurchased 724,000 and 2,463,000 shares of our Class A and B common stock at a cost of \$9.7 million and \$29.3 million, respectively. The cost of the repurchased common stock is recorded in Retained Earnings on our Consolidated Balance Sheets. At September 30, 2007, 36,000 repurchased shares of our Class A common stock had not yet been retired. At September 30, 2007, we have authorization to purchase up to \$11.5 million of our common stock.

(e) Asset Retirement Obligations

Following is a reconciliation of the beginning and ending aggregate carrying amount of our asset retirement obligations at September 30, 2007 and 2006 (amounts in thousands):

Balance at December 31, 2005	\$ 3,210
Accretion expense for the nine months ended September 30, 2006	129
Liability settled	(4)
Balance at September 30, 2006	\$ 3,335
Balance at December 31, 2006	\$ 3,408
Liability incurred	85
Accretion expense for the nine months ended September 30, 2007	106
Liability settled	(3)
Balance at September 30, 2007	\$ 3,596

Our asset retirement obligations are included in Other Liabilities.

(f) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to estimates and assumptions include the allowance for doubtful receivables, valuation allowances for deferred income tax assets, depreciable and amortizable lives of assets, the carrying value of long-lived assets including goodwill and cable and wireless certificates, and the accrual of cost of goods sold (exclusive of depreciation and amortization expense) ("Cost of Goods Sold"). Actual results could differ from those estimates.

(g) Accounting for Uncertainty in Income Taxes

On January 1, 2007, we adopted FIN 48, "Accounting for Uncertainty in Income Taxes" which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Adoption of FIN 48 on January 1, 2007 did not have a material effect on our results of operations, financial position, and cash flows.

We file federal income tax returns in the U.S. and in various state jurisdictions. We are no longer subject to U.S. or state tax examinations by tax authorities for years before 2004. Certain U.S. federal income tax returns for years 1995 and following are not closed by relevant statutes of limitations due to unused net operating losses reported on those income tax returns.

We recognize accrued interest on unrecognized tax benefits in interest expense and penalties in selling, general and administrative expenses. We did not have any unrecognized tax benefits as of September 30, 2007 and 2006, and, accordingly, we did not recognize any interest expense.

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

Additionally, we did not record any penalties during the nine months ended September 30, 2007 and 2006.

(h) Classification of Taxes Collected from Customers

We report sales, use, excise, and value added taxes assessed by a governmental authority that is directly imposed on a revenue-producing transaction between us and a customer on a net basis in our income statement. We report certain immaterial surcharges on a gross basis in our income statement.

(i) Reclassifications and Immaterial Error Corrections

Reclassifications have been made to the 2006 financial statements to make them comparable with the 2007 presentation.

We corrected immaterial errors for the three and nine months ended September 30, 2006 as follows (amounts in thousands):

	Three Months Ended	Nine Months Ended
	September 30, 2006	
Revenues decrease	\$ (740)	(740)
Cost of Goods Sold increase	(240)	---
Selling, general and administrative expense (increase) decrease	(902)	111
Income tax expense decrease	1,293	290
Net income decrease	<u>\$ (589)</u>	<u>(339)</u>

The corrections included reversing a change in estimate relating to a discount owed by a service provider recorded during the third quarter which should have been recorded in the second quarter, reducing certain payroll liabilities in the second quarter which were previously reported as reduced during the third quarter, correcting a duplicate payment to a service provider made during the second quarter previously reported as corrected during the third quarter, capitalization of associated benefits on capitalized labor during the second quarter previously reported as recorded during the third quarter, adjusting income tax expense in the third quarter to properly present the correction of an error in the second quarter income tax provision, and application of a statutory change to the rates charged to our common carrier customers during the third quarter, along with the associated effect on our company-wide success sharing accrual, during the three and nine months ended September 30, 2006 previously corrected during the fourth quarter of 2006. We also recorded the impact of these adjustments on our income tax expense. Additionally, we reclassified \$1.1 million of expenses for the nine months ended September 30, 2006 related to a stock option award from cumulative effect of a change in accounting principle to selling, general and administrative expenses, and the related tax effect.

(2) Consolidated Statements of Cash Flows Supplemental Disclosures

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

Nine month period ended September 30,	2007	2006 (as amended)
Increase in accounts receivable	\$ (12,478)	(13,245)
Decrease in prepaid expenses	1,393	1,716
Increase in inventories	(314)	(1,137)
(Increase) decrease in other current assets	960	(30)
Increase in accounts payable	1,041	5,984
Decrease in deferred revenues	(2,705)	(782)

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Nine month period ended September 30,	2007	2006 (as amended)
Decrease in accrued payroll and payroll related obligations	(1,388)	(5,568)
Increase (decrease) in accrued liabilities	(548)	1,732
Decrease in accrued interest	(5,700)	(6,681)
Increase in subscriber deposits	83	93
Increase in components of other long-term liabilities	891	370
	<u>\$ (18,765)</u>	<u>(17,548)</u>

We paid interest totaling approximately \$32.3 million and \$32.8 million during the nine months ended September 30, 2007 and 2006, respectively.

We received \$213,000 and \$0 income tax refunds during the nine months ended September 30, 2007 and 2006. We paid income taxes of \$80,000 and \$312,000 during the nine months ended September 30, 2007 and 2006, respectively.

During the nine months ended September 30, 2006 we financed \$2.2 million for the acquisition of two buildings through a capital lease obligation.

We retired Class A common stock in the amount of \$11.3 million and \$27.4 million during the nine months ended September 30, 2007 and 2006, respectively.

In February 2007, our President and Chief Executive Officer tendered 112,000 shares of his GCI Class A common stock to us at \$15.50 per share for a total value of \$1.7 million. The stock tender was in lieu of a cash payment on his note receivable with related party and a note receivable with related party issued upon stock option exercise, both of which originated in 2002.

Upon our acquisition of Alaska DigiTel, we consolidated \$12.8 million in property and equipment, \$25.4 million in wireless certificates, \$4.4 million in other intangible assets, and \$15.7 million in debt.

During the nine months ended September 30, 2007, \$8.2 million in non-cash additions to property and equipment were recorded consisting of \$6.7 million in unpaid purchases as of September 30, 2007 and \$1.5 million in buildings that were transferred from property held for sale.

During the nine months ended September 30, 2006, we had \$2.2 million in non-cash additions for unpaid purchases of property and equipment as of September 30, 2006.

(3) Intangible Assets

Our wireless certificates increased \$25.4 million and other intangible assets increased \$4.4 million upon the consolidation of Alaska DigiTel during the nine months ended September 30, 2007 as further described in note 1(b). Our wireless certificates are indefinite-lived assets. The increase in other intangible assets is due to the recognition of customer relationships with a weighted average amortization period of forty-six months.

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Amortization expense	\$ 908	560	2,666	1,348

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,	
2007	\$ 3,324
2008	2,986
2009	2,667
2010	2,146
2011	738

(4) Share-Based Compensation

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

We use a Black-Scholes-Merton option pricing model to estimate the fair value of share-based awards. 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, we have categorized these awards into two groups for valuation purposes.

The weighted average grant date fair value of awards granted during the nine months ended September 30, 2007 and 2006 was \$9.56 per share and \$6.43 per share, respectively. The total fair value of awards vesting during the nine months ended September 30, 2007 and 2006 was \$2.9 million and \$2.8 million, respectively.

Share-based compensation expense is classified as selling, general and administrative expense in our consolidated income statement. Unrecognized share-based compensation expense was approximately \$17.2 million as of September 30, 2007, relating to a total of 3.1 million unvested awards. We expect to recognize this share-based compensation expense over a weighted average period of approximately 3.2 years.

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The following is a summary of our Stock Option Plan activity for the nine months ended September 30, 2007:

	Shares (in thousands)	Weighted Average Exercise Price
Outstanding at December 31, 2006	5,867	\$ 8.22
Options granted	849	\$13.04
Restricted stock awards granted	502	\$ 13.04
Exercised	(449)	\$ 6.95
Forfeited	(67)	\$ 8.63
Outstanding at September 30, 2007	<u>6,702</u>	<u>\$ 9.03</u>
Available for grant at September 30, 2007	<u>1,684</u>	

The following is a summary of activity for stock option grants that were not made pursuant to the Stock Option Plan for the nine months ended September 30, 2007:

	Shares (in thousands)	Weighted Average Exercise Price
Outstanding at December 31, 2006 and September 30, 2007	<u>150</u>	<u>\$6.50</u>
Available for grant at September 30, 2007	<u>---</u>	

In January 2001 we entered into an aircraft operating lease agreement with a company owned by our President and Chief Executive Officer. The lease was amended effective January 1, 2002 and February 25, 2005. Upon signing the lease, the lessor was granted an option to purchase 250,000 shares of GCI Class A common stock at \$6.50 per share, of which 150,000 shares remain and are exercisable at September 30, 2007.

The total intrinsic values, determined as of the date of exercise, of options exercised during the nine months ended September 30, 2007 and 2006 were \$3.4 million and \$6.4 million, respectively. We received \$3.1 million and \$8.5 million in cash from stock option exercises during the nine months ended September 30, 2007 and 2006, respectively. We used cash of \$0 and \$5.5 million to settle stock option agreements during the nine months ended September 30, 2007 and 2006, respectively. We discontinued offering a cash-settlement exercise option to employees on October 23, 2006 and do not intend to cash-settle option exercises in the future.

(5) Long-term Debt

In September 2007 we exercised our right to add an Incremental Facility of up to \$100.0 million to our existing Senior Credit Facility. The Incremental Facility was structured in the form of a \$55.0 million increase to the existing term loan component of our Senior Credit Facility and a \$45.0 million increase to the existing revolving loan component of our Senior Credit Facility. The \$100.0 million Incremental Facility will become due under the same terms and conditions as set forth in the existing Senior Credit Facility.

The Incremental Facility increased the interest rate on the term loan component of our Senior Credit Facility from LIBOR plus 1.50% to LIBOR plus 2.00%. The interest rate on the revolving loan component of the previous Senior Credit Facility was LIBOR plus a margin dependent upon our Total Leverage Ratio ranging from 1.00% to 1.75%. The Incremental Facility increased the revolving credit

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facility interest rate for our Senior Credit Facility to LIBOR plus the following applicable margin dependent upon our Total Leverage ratio:

Total Leverage Ratio (as defined)	Applicable Margin
≥3.75	2.25%
≥3.25 but <3.75	2.00%
≥2.75 but <3.25	1.75%
<2.75	1.50%

\$55.0 million was drawn on the term loan component of the Incremental Facility at the time of the debt modification. Our term loan is fully drawn and we have letters of credit outstanding totaling \$4.2 million at September 30, 2007, which leaves \$95.8 million available for unconditional immediate borrowing under the revolving credit facility.

This transaction was a substantial modification of a portion of our existing Senior Credit Facility resulting in a \$343,000 write-off of previously deferred loan fees during the three and nine months ended September 30, 2007 in our Consolidated Income Statement. Deferred loan fees of \$317,000 associated with the portion of our existing Senior Credit Facility determined not to have been substantially modified continue to be amortized over the remaining life of the Senior Credit Facility.

In connection with the Incremental Facility, we paid bank fees and other expenses of \$403,000 during the three and nine months ended September 30, 2007 of which \$208,000 were written-off in the three and nine months ended September 30, 2007 and \$195,000 were deferred and will be amortized over the remaining life of the Senior Credit Facility.

As of September 30, 2007 maturities of long-term debt under the Senior Credit Facility were as follows (amounts in thousands):

Years ending December 31,	
2007	\$ 537
2008	2,146
2009	2,140
2010	2,135
2011	102,702
2012 and thereafter	101,637
	\$ 211,297

(6) 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.

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, data and wireless services to common carrier customers.

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

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Managed Broadband - We offer data services to rural school districts and rural hospitals and health clinics through our SchoolAccess[®] and ConnectMD[®] 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 three and nine months ended September 30, 2007 and 2006 are allocated to our segments using segment margin for the years ended December 31, 2006 and 2005, respectively. Bad debt expense for the three and nine months ended September 30, 2007 and 2006 is allocated to our segments using a combination of specific identification and allocations based upon segment revenue for the three and nine months ended September 30, 2007 and 2006, respectively.

We evaluate performance and allocate resources based on earnings from operations before depreciation and amortization expense, net interest expense, income tax expense and share-based compensation 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, 2006 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.

Summarized financial information for our reportable segments for the three and nine months ended September 30, 2007 and 2006 follows (amounts in thousands):

Three months ended September 30,	Consumer	Network Access	Commer- cial	Managed Broadband	Total Reportable Segments
<u>2007</u>					
Revenues:					
Intersegment	\$ ---	831	1,343	---	2,174
External	56,623	42,657	27,215	7,369	133,864
Total revenues	<u>\$ 56,623</u>	<u>43,488</u>	<u>28,558</u>	<u>7,369</u>	<u>136,038</u>
Earnings from external operations before depreciation, amortization, net interest expense, income taxes and share-based compensation expense					
	<u>\$ 11,135</u>	<u>20,790</u>	<u>4,522</u>	<u>2,248</u>	<u>38,695</u>
<u>2006 (as amended)</u>					
Revenues:					
Intersegment	\$ ---	---	1,257	---	1,257
External	45,243	44,899	28,511	6,428	125,081
Total revenues	<u>\$ 45,243</u>	<u>44,899</u>	<u>29,768</u>	<u>6,428</u>	<u>126,338</u>
Earnings from external operations before depreciation, amortization, net interest expense, income taxes and share-based compensation expense					
	<u>\$ 8,009</u>	<u>25,597</u>	<u>5,086</u>	<u>2,665</u>	<u>41,357</u>

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	Consumer	Network Access	Commer- cial	Managed Broadband	Total Reportable Segments
<u>Nine months ended September 30,</u>					
<u>2007</u>					
Revenues:					
Intersegment	\$ ---	2,194	3,972	---	6,166
External	164,788	124,599	77,405	21,243	388,035
Total revenues	\$ 164,788	126,793	81,377	21,243	394,201
Earnings from external operations before depreciation, amortization, net interest expense, income taxes and share-based compensation expense					
	\$ 31,858	63,131	12,590	6,420	113,999

2006 (as amended)

Revenues:					
Intersegment	\$ ---	---	3,981	---	3,981
External	132,129	124,099	80,652	19,243	356,123
Total revenues	\$ 132,129	124,099	84,633	19,243	360,104
Earnings from external operations before depreciation, amortization, net interest expense, income taxes and share-based compensation expense					
	\$ 25,273	69,494	17,645	6,767	119,179

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006 (as amended)	2007	2006 (as amended)
Reportable segment revenues	\$ 136,038	126,338	394,201	360,104
Less intersegment revenues eliminated in consolidation	2,174	1,257	6,166	3,981
Consolidated revenues	\$ 133,864	125,081	388,035	356,123

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2007	2006 (as amended)	2007	2006 (as amended)
Reportable segment earnings from external operations before depreciation and amortization expense, net interest expense, income taxes and share-based compensation expense	\$ 38,695	41,357	113,999	119,179
Less depreciation and amortization expense	22,837	20,390	66,033	60,723
Less share-based compensation expense	1,628	1,009	4,133	4,410
Less other income	37	181	26	350
Consolidated operating income	14,193	19,777	43,807	53,696
Less other expense, net	9,674	8,306	27,377	25,250
Consolidated income before income tax expense and cumulative effect of a change in accounting principle	\$ 4,519	11,471	16,430	28,446

(7) Commitments and Contingencies

Litigation, Disputes, and Regulatory Matters

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

Wireless Service Equipment Obligation

We have entered into an agreement to purchase hardware and software capable of providing wireless service to small markets in rural Alaska as a reliable substitute for standard wire line service. The agreement has a total commitment of \$23.1 million. We paid a \$2.1 million down payment in 2007 and expect to pay \$2.3 million, \$8.8 million, \$6.9 million, and \$3.0 million during the years ended December 31, 2007, 2008, 2009, and 2010, respectively.

Capital Lease Obligation

On March 31, 2006, through our subsidiary GCI Communication Corp. ("GCC") we entered into an agreement to lease transponder capacity on Intelsat, Ltd.'s ("Intelsat") Galaxy 18 spacecraft that is expected to be launched March 5, 2008. We will also lease capacity on the Horizons 1 satellite, which is owned jointly by Intelsat and JSAT International, Inc. The leased capacity is expected to replace our existing transponder capacity on Intelsat's Galaxy 10R satellite when it reaches its end of life, which is expected in mid-May 2008.

We will lease 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

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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 launch.

Submarine Cable Obligation

In September 2007 we entered into an agreement to purchase the submarine cable, amplifiers and line terminal equipment for our Southeast Alaska submarine fiber optics project. In addition to providing the equipment for the new submarine line, the contract includes additional equipment to upgrade the Alaska United West submarine cable system and also includes an option to increase capacity on the Alaska United East submarine cable system. The agreement has a total commitment of \$11.2 million. We paid a \$1.2 million down payment in October 2007 and expect to pay the remaining \$10.0 million in 2008.

Anchorage Unbundled Network Elements Arbitration

On September 30, 2005, the Alaska Communications Systems Group, Inc. ("ACS") subsidiary serving Anchorage filed a petition with the Federal Communications Commission ("FCC"), seeking forbearance from the requirement that it provide access to unbundled network elements ("UNE"), 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. On December 28, 2006, the FCC granted ACS the requested relief from the provision of unbundled loops and transport in five of its eleven tariffed wire centers. The relief is conditioned on the requirement that ACS make loops and certain subloops available in those wire centers where relief was granted, by no later than the transition period, at the same rates, terms and conditions as those negotiated between GCI and ACS for Fairbanks, until commercially negotiated rates are reached. A one-year transition period applies, until December 28, 2007, before the forbearance grant takes effect.

On March 15, 2007, GCI and ACS entered into an agreement (the "Settlement Agreement") to settle issues related to the FCC's December 28, 2006 decision and other matters. Under the Settlement Agreement, ACS and GCI entered into a Global Interconnection Agreement (subject to the review and approval of the Regulatory Commission of Alaska ("RCA")) that covers all ACS study areas, including ACS's Sitka-Bush and Glacier State study areas. The Settlement Agreement also provides that ACS will continue to provide GCI with access to UNE loops in the Anchorage, Fairbanks, and Juneau study areas at a rate of \$23.00 per UNE loop per month. The per-loop price is subject to an upward or downward adjustment depending on the aggregate number of UNE and wholesale lines GCI is purchasing from ACS in all of ACS's study areas. The initial term of the Settlement Agreement is five years.

On March 21, 2007, GCI and ACS filed motions to withdraw their appeals of the FCC decision, before United States Court of Appeals for the District of Columbia Circuit and the United States Court of Appeals for the Ninth Circuit, respectively, which motions have been granted. Additional appeals that were filed by others have been dismissed and on June 28, 2007, the RCA approved the interconnection agreement that incorporated the terms of the settlement. Under the Settlement Agreement, we expect cost of goods sold to increase approximately \$1.0 million during the year ended December 31, 2007. Due to the conversion of lines from ACS' facilities to our own the increased per UNE loop cost will be partially off-set by the purchase of fewer such loops therefore we do not expect this settlement to have a material adverse effect on our financial results for future years.

On May 22, 2006, the ACS subsidiary serving Anchorage filed a petition with the FCC, seeking forbearance from regulation of interstate broadband and access services. On August 20, 2007, the FCC granted in part and denied in part the requested relief, requiring that ACS comply with certain safeguards to ensure the relief granted would not result in harm to consumers or competition. On September 19, 2007, GCI and ACS both filed petitions for reconsideration on discrete findings in the order. The petitions are pending and we cannot predict the final outcome of the proceeding at this time.

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Universal Service

The Universal Service Fund ("USF") pays subsidies to Eligible Telecommunications Carriers ("ETC") to support the provision of local access service in high-cost areas. Under FCC regulations, we have qualified as a competitive ETC in the Anchorage, Fairbanks, Juneau, Matanuska-Susitna Valley, and Ketchikan service areas. Without ETC status, we would not qualify for USF subsidies in these areas or other rural areas where we propose to offer local access services, and our revenue for providing local access services in these areas would be materially adversely affected.

The Federal State Joint Board on Universal Service ("Joint Board") has recommended the imposition of a state-by-state interim cap on high cost funds to be distributed to ETCs. If the Joint Board recommendation is adopted by the FCC, this cap will reduce the high cost fund amounts available to competitive ETCs such as us as new competitive ETCs are designated and as existing competitive ETCs acquire new customers. In addition, the Joint Board is reviewing long-term options for curbing growth in the fund to make additional recommendations for FCC action. We cannot predict at this time the outcome of the FCC proceeding to consider the interim cap proposal, the ongoing Joint Board review, or their respective impacts on us. Both these and any future regulatory, legislative, or judicial actions could affect the operation of the USF and result in a change in our revenue for providing local access services in new and existing markets and facilities-based wireless services in new markets.

United Utilities ("UUI") and Unicom Telecommunications Agreement to Purchase

We have signed an agreement to purchase the stock of the UUI and Unicom telecommunications subsidiaries of United Communications, Inc. ("UCI") for \$40.0 million. Additionally we may assume approximately \$37.0 million in debt as part of the acquisition. This transaction is subject to customary closing conditions, including regulatory approval. We have filed applications with the RCA and FCC seeking the requisite regulatory consent for the transaction. This transaction will close upon regulatory approval which is expected in the third quarter of 2008.

Alaska Wireless Communications, LLC. ("Alaska Wireless") Memorandum of Understanding

We have signed a memorandum of understanding to purchase Alaska Wireless for approximately \$15.0 million to \$16.0 million. This transaction is subject to customary closing conditions, including regulatory approval. We have not yet filed applications with the FCC seeking the requisite regulatory consent to the transaction. This transaction will close upon regulatory approval which is expected in the third quarter of 2008.

**PART I.
ITEM 2.**

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

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 U.S. generally accepted accounting principles. 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."

Immaterial Error Corrections

We corrected immaterial errors for the three and nine months ended September 30, 2006 as follows (amounts in thousands):

	Three Months Ended	Nine Months Ended
	September 30, 2006	
Revenues decrease	\$ (740)	(740)
Cost of Goods Sold increase	(240)	---
Selling, general and administrative expense (increase) decrease	(902)	111
Income tax expense decrease	1,293	290
Net income decrease	\$ <u>(589)</u>	<u>(339)</u>

The corrections included reversing a change in estimate relating to a discount owed by a service provider recorded during the third quarter which should have been recorded in the second quarter, reducing certain payroll liabilities in the second quarter which were previously reported as reduced during the third quarter, correcting a duplicate payment to a service vendor made during the second quarter previously reported as corrected during the third quarter, capitalization of associated benefits on capitalized labor during the second quarter previously reported as recorded during the third quarter, adjusting income tax expense in the third quarter to properly present the correction of an error in the second quarter income tax provision, and application of a statutory change to the rates charged to our common carrier customers during the third quarter, along with the associated effect on our company-wide success sharing accrual, during the three and nine months ended September 30, 2006 previously corrected during the fourth quarter of 2006. We also recorded the impact of these adjustments on our income tax expense. Additionally, we reclassified \$1.1 million of expenses for the nine months ended September 30, 2006 related to a stock option award from cumulative effect of a change in accounting principle to selling, general and administrative expenses, and the related tax effect.

General Overview

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

The 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:

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

An overview of our services and products follows.

Voice Services and Products

Long-distance

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, 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 or events. 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.

In June 2007 AT&T Inc. announced its acquisition of Dobson Communications Corporation ("Dobson"), a significant Network Access segment customer, subject to regulatory approval. We are unable to predict the acquisition's effect upon our Network Access segment revenues, but we are in discussions with AT&T Inc. to renegotiate our service and wireless resale contract.

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

Our long-distance service faces significant competition from ACS, AT&T Alascom, Inc. ("Alascom"), long-distance resellers, and other 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

We generate local access services revenues from four primary sources: (1) basic dial tone services; (2) private line and special access services; (3) origination and termination of long-distance calls for other common carriers; and (4) features and other charges, including voice mail, caller ID, distinctive ring, inside wiring and subscriber line charges.

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 USF.

We estimate that our September 30, 2007 and 2006 total lines in service represent a statewide market share of approximately 27% and 26%, respectively. At September 30, 2007 and 2006 approximately 53% and 34%, respectively, of our lines are provided on our own facilities including digital local phone service ("DLPS").

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 Alascom in Anchorage for consumer services. Alascom has received certification from the RCA to provide local access services in Fairbanks and Juneau. In February 2007, we began offering local access service in certain Matanuska Telephone Association ("MTA") exchanges and face significant competition from MTA. 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.

In 2005 and 2006 the RCA issued orders granting us certification to serve the service areas of Ketchikan Public Utility, Cordova Telephone Cooperative, Copper Valley Telephone Cooperative, MTA, the Glacier State area served by ACS of the Northland, Alaska Telephone Company, Interior Telephone Company, United-KUC and Mukluk Telephone Company. The affected rural local exchange carriers have appealed various aspects of the certification rulings. We cross-appealed on whether the RCA had issued an untimely order beyond the statutory deadline when it approved the portion of the application granting us authority to serve Wrangell, Petersburg, Seward, Sitka and Nome. The Superior Court issued a ruling on October 5, 2007 holding that the RCA's approval had been untimely and that our authority to serve those areas was effective immediately by operation of law. We are uncertain when the rulings will be received on the remaining issues in the appeal.

In accordance with our interconnection agreement with MTA we began offering facilities-based local access services in Eagle River, Chugiak and Wasilla on February 16, 2007, April 5, 2007, and September 24, 2007, respectively. We intend to initiate service in an additional exchange in the MTA study area in 2007. In accordance with our interconnection agreement with MTA we began offering resale services in Eagle River, Chugiak, and the remainder of the MTA study area on February 16, 2007, April 5, 2007, and September 24, 2007, respectively. We began offering local access services in Ketchikan and Kodiak on June 18, 2007, and August 13, 2007, respectively.

We are offering and plan to offer service in these new areas using a combination of methods. To a large extent, we plan to use our existing coaxial cable network to deliver local services. Where we do not have cable facilities, we may resell other carriers' services, lease portions of an existing carrier's network or seek wholesale discounts.

We plan to have deployed 55,000 DLPS lines which utilize our coaxial cable facilities by December 31, 2007. 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.

The USF pays subsidies to ETCs to support the provision of local access service in high-cost areas. Under FCC regulations, we have qualified as a competitive ETC in the Anchorage, Fairbanks, Juneau, the Matanuska-Susitna Valley, and Ketchikan service areas. Without ETC status, we would not qualify for USF subsidies in these areas or other rural areas where we propose to offer local access services, and our revenue for providing local access services in these areas would be materially adversely affected.

The Federal-State Joint Board on Universal Service is currently reviewing options for curbing growth in the fund and plans to make recommendations to the FCC. We cannot predict at this time the outcome of this

proceeding or its impact on us. This and any future regulatory, legislative, or judicial actions could affect the operation of the USF and result in a change in our revenue for providing local access services in new and existing markets and facilities-based wireless services in new markets.

We have signed an agreement to purchase the UUI and Unicom telecommunications subsidiaries of UCI for \$40.0 million. Additionally we may assume approximately \$37.0 million in debt as part of the acquisition. This transaction is subject to customary closing conditions, including regulatory approval. We have filed applications with the RCA and FCC seeking the requisite regulatory consent for the transaction. The results of operations generated by the acquired companies will impact our voice and data services in all of our segments. This transaction will close upon regulatory approval which is expected in the third quarter of 2008.

Directories

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

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 (3) advertising sales.

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

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.

Our cable service offerings are bundled with various combinations of our long-distance, local access, and Internet services and beginning in the second quarter of 2007 include an offering of free cable service. Value-added premium services are available for additional charges.

In the fourth quarter of 2006 we increased rates charged for certain cable services in seven communities, including the state's five largest population centers. The rates increased approximately 5% for those customers who experienced an adjustment.

Data Services and Products

Internet

We generate Internet services revenues from three primary sources: (1) access product services, including cable modem, dial-up, and dedicated access; (2) network management services; and (3) wholesale access for other common carriers.

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 Networks

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. 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. 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.

Managed Broadband Services

We generate managed broadband services revenue through our SchoolAccess[®], ConnectMD[®] and managed video conferencing products. Our customers may purchase end-to-end broadband services solutions blended with other transport and software products. There are several competing companies in Alaska that actively sell broadband services. 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.

SchoolAccess[®] is a suite of services designed to advance the educational opportunities of students in underserved regions of the country. Our SchoolAccess[®] division provides Internet and distance learning services designed exclusively for the school environment. The Schools and Libraries Program of the USF makes discounts available to eligible rural school districts for telecommunication services and monthly Internet service charges. The program is intended to ensure that rural school districts have access to affordable services.

Our network, Internet and software application services provided through our Managed Broadband segment's Medical Services division are branded as ConnectMD[®]. Our ConnectMD[®] services are currently provided under contract to medical businesses in Alaska, Washington and Montana. The Rural Health Care Program of the USF makes discounts available to eligible rural health care providers for telecommunication services and monthly Internet service charges. The program is intended to ensure that rural health care providers pay no more for telecommunications services in the provision of health care services than their urban counterparts. Customers utilize ConnectMD[®] services to securely move data, images, voice traffic, and real time multipoint interactive video.

We offer a managed video conferencing product for use in distance learning, telemedicine and group communication and collaboration environments. The product is designed to offer customers enhanced communication services that support video, audio and data presentation. Our product benefits customers by reducing travel costs, improving course equity in education and increasing the quality of health services available to patients. The product bundles our data products, video conferencing services and optional rental of video conferencing endpoint equipment. Our video conferencing services include multipoint conferencing, integrated services digital network gateway and transcoding services, online scheduling and conference control, and videoconference recording, archiving and streaming. We provide 24-hour technical support via telephone or online.

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 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.

On January 1, 2007 we invested \$29.5 million in Alaska DigiTel in exchange for an 81.9% equity interest. We do not have voting control of Alaska DigiTel. 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 wireless products will continue to compete with Alaska DigiTel in the Alaska market.

In June 2007 AT&T Inc. announced its acquisition of Dobson to include Dobson's Alaska wireless facilities subject to regulatory approval. We are unable at this time to predict the acquisition's effect upon our agreement to resell Dobson services, but we are in discussions with AT&T Inc. to renegotiate our service and wireless resale contract.

Beginning in 2008 we plan to provide facilities-based wireless service to small markets in rural Alaska as a reliable substitute for standard wire line service.

We have signed a memorandum of understanding to purchase Alaska Wireless for approximately \$15.0 million to \$16.0 million. This transaction is subject to customary closing conditions, including regulatory approval. We have not yet filed applications with the FCC seeking the requisite regulatory consent to the transaction. The results of operations generated by the acquired company will impact our wireless services in our Consumer and Commercial segments. This transaction will close upon regulatory approval which is expected in the third quarter of 2007.

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):

	Three Months Ended		Percentage	Nine Months Ended		Percentage
	September 30,		Change ¹	September 30,		Change ¹
	2007	2006(as amended)	2007 vs. 2006(as amended)	2007	2006(as amended)	2007 vs. 2006(as amended)
(Unaudited)						
Statements of Operations Data:						
Revenues:						
Consumer segment	42.3%	36.2%	25.2%	42.5%	37.1%	24.7%
Network Access segment	31.9%	35.9%	(5.0 %)	32.1%	34.9%	0.4%
Commercial segment	20.3%	22.8%	(4.6%)	20.0%	22.6%	(4.0%)
Managed Broadband segment	5.5%	5.1%	14.6%	5.4%	5.4%	10.4%
Total revenues	100.0%	100.0%	7.0%	100.0%	100.0%	9.0%
Selling, general and administrative expenses	36.6%	34.7%	12.8%	37.4%	35.3%	15.4%
Depreciation and amortization expense	17.1%	16.3%	12.0%	17.0%	17.1%	8.7%
Operating income	10.6%	15.8%	(28.2%)	11.3%	15.1%	(18.4%)
Other expense, net	7.2%	6.6%	16.5%	7.1%	7.1%	8.4%
Income before income tax expense and cumulative effect of a change in accounting principle in 2006	3.4%	9.2%	(60.6%)	4.2%	8.0%	(42.2%)
Income before cumulative effect of a change in accounting principle in 2006	1.7%	5.2%	(65.9%)	2.3%	4.3%	(43.1%)
Net income	1.7%	5.2%	(65.9%)	2.3%	4.3%	(43.3%)

¹ Percentage change in underlying data.

Three Months Ended September 30, 2007 (“third quarter of 2007”) Compared to Three Months Ended September 30, 2006 (as amended) (“third quarter of 2006”)

Overview of Revenues and Cost of Goods Sold

Total revenues increased 7.0% from \$125.1 million in the third quarter of 2006 to \$133.9 million in the third quarter of 2007. Revenue increases in our Consumer and Managed Broadband segments were partially off-set by decreases in our Network Access and Commercial segments. See the discussion below for more information by segment.

Total Cost of Goods Sold increased 15.3% from \$41.5 million in the third quarter of 2006 to \$47.9 million in the third quarter of 2007. Cost of Goods Sold increases in our Consumer, Network Access and Managed Broadband segments were partially offset by a decrease in our Commercial segment. See the discussion below for more information by segment.

Consumer Segment Overview

Consumer segment revenue represented 42.3% of third quarter 2007 consolidated revenues. The components of Consumer segment revenue are as follows (amounts in thousands):

	Third quarter		Percentage Change
	2007	2006	
Voice	\$ 11,714	11,679	0.3%
Video	23,834	22,486	6.0%
Data	8,704	7,450	16.8%
Wireless	12,371	3,628	241.0%
Total Consumer segment revenue	\$ 56,623	45,243	25.2%

Consumer segment Cost of Goods Sold represented 44.5% of third quarter 2007 consolidated Cost of Goods Sold. The components of Consumer segment Cost of Goods Sold are as follows (amounts in thousands):

	Third quarter		Percentage Change
	2007	2006 (as amended)	
Voice	\$ 4,600	4,841	(5.0%)
Video	8,727	7,597	14.9%
Data	713	547	30.3%
Wireless	7,262	3,653	98.8%
Total Consumer segment Cost of Goods Sold	\$ 21,302	16,638	28.0%

Selected key performance indicators for our Consumer segment follow:

	September 30,		Percentage Change
	2007	2006	
Voice:			
Long-distance subscribers ¹	89,700	91,200	(1.6%)
Long-distance minutes carried (in millions)	33.2	34.3	(3.2%)
Total local access lines in service ²	69,500	67,400	3.1%
Local access lines in service on GCI facilities ²	45,900	27,500	66.9%

Video:

Basic subscribers ³	125,600	121,800	3.1%
Digital programming tier subscribers ⁴	62,600	56,500	10.8%
HD/DVR converter boxes ⁵	43,600	22,800	91.2%
Homes passed	222,100	218,100	1.8%
Average monthly gross revenue per subscriber ⁶	\$63.44	\$61.66	2.9%

Data:

Cable modem subscribers ⁷	84,100	76,800	9.5%
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	September 30,		Percentage Change
	2007	2006	
Wireless:			
Wireless lines in service ⁸	66,100	21,700	204.6%
Average monthly gross revenue per subscriber ⁹	\$58.25	\$49.27	29.2%

¹ A long-distance subscriber is defined as a customer account that is invoiced a monthly long-distance plan fee or has made a long-distance call during the month.

² A local access line in service is defined as a revenue generating circuit or channel connecting a customer to the public switched telephone network.

³ A basic cable subscriber is defined as one basic tier of service delivered to an address or separate subunits thereof regardless of the number of outlets purchased.

⁴ A digital programming tier subscriber is defined as one digital programming tier of service delivered to an address or separate subunits thereof regardless of the number of outlets or digital programming tiers purchased. Digital programming tier subscribers are a subset of basic subscribers.

⁵ A high definition/digital video recorder converter box is defined as one box rented by a digital programming or basic tier subscriber. A digital programming or basic tier subscriber is not required to rent an HD/DVR converter box to receive service.

⁶ Quarter-to-date average monthly consumer video revenues divided by the average of consumer video basic subscribers at the beginning and ending of the period.

⁷ A cable modem subscriber is defined by the purchase of cable modem service regardless of the level of service purchased. If one entity purchases multiple cable modem service access points, each access point is counted as a subscriber. Cable modem subscribers may also be basic subscribers though basic cable service is not required to receive cable modem service.

⁸ A wireless line in service is defined as a revenue generating wireless device and includes Alaska DigiTel lines in service in 2007.

⁹ Quarter-to-date average monthly consumer wireless revenues divided by the average of consumer wireless subscribers at the beginning and ending of the period. The 2007 average monthly gross revenue per subscriber includes Alaska DigiTel consumer revenue and subscribers.

Consumer Segment Revenues

The increase in voice revenue is primarily due to a \$358,000 or 5.7% increase in local service revenue due to an increase in the monthly network access fee and increased local access lines. The increase is partially off-set by a \$108,000 or 6.7% decrease in support from the Universal Service Program and decreased long-distance subscribers and decreased long-distance billable minutes carried for these subscribers.

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

- A 3.1% increase in programming services revenue to \$19.4 million primarily resulting from an increase in digital programming tier subscribers and increased rates charged for certain cable services effective in the fourth quarter of 2006, and
- A 22.5% increase in equipment rental revenue to \$4.1 million primarily resulting from our customers' increased use of digital distribution technology.

The increase in data revenue is primarily due to a 17.2% increase in cable modem revenue to \$7.2 million. The cable modem revenue increase is primarily due to increased subscribers and their selection of more value-added premium features in the third quarter of 2007 as compared to the third quarter of 2006.

The increase in wireless revenue is due to our January 1, 2007 acquisition of Alaska DigiTel and a \$3.0 million or 81.4% increase in the wireless revenue from our resale agreement primarily due to increased subscribers. Consumer segment wireless revenues from our Alaska DigiTel investment totaled \$5.8 million in the third quarter of 2007.

Consumer Segment Cost of Goods Sold

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

- Cost savings resulting from the increased provision of services through our own facilities in the last three months of 2006 and the first nine months of 2007,

- Decreased voice minutes carried, and
- Reduced access costs resulting from the distribution and termination of our traffic on our own local access services network instead of paying other carriers to distribute and terminate our traffic. The statewide average cost savings is approximately \$0.012 and up to \$0.055 per minute for originating and terminating interstate and intrastate traffic, respectively.

Due to the Settlement Agreement, as further described above in Part I, Item I, Note 7, we expect Consumer voice Cost of Goods Sold to increase approximately \$523,000 during the year ended December 31, 2007. Due to the conversion of lines from ACS' facilities to our own the increased per UNE loop cost will be partially off-set by the purchase of fewer such loops therefore we do not expect this settlement to have a material adverse effect on our financial results for future years.

The video Cost of Goods Sold increase is primarily due to increased channels offered to our subscribers in three of the state's five largest population centers, the fourth quarter 2006 expiration of arrangements with suppliers from which we earned rebates and refunds upon us meeting specified goals, and increased rates paid to programmers and increased subscribers.

The wireless Cost of Goods Sold increase is primarily due to our January 1, 2007 acquisition of Alaska DigiTel and a \$1.4 million or 37.6% increase in our wireless service Cost of Goods Sold related to increased wireless service revenue from our resale agreement. Consumer segment wireless Cost of Goods Sold from our Alaska DigiTel investment totaled \$2.2 million in the third quarter of 2007.

Network Access Segment Overview

Network access segment revenue represented 31.9% of third quarter 2007 consolidated revenues. The components of Network Access segment revenue are as follows (amounts in thousands):

	Third quarter		Percentage Change
	2007	2006	
Voice	\$ 25,856	31,772	(18.6%)
Data	14,920	13,127	13.7%
Wireless	1,881	---	NM
Total Network Access segment revenue	\$ 42,657	44,899	(5.0%)

NM – Not meaningful.

Network Access segment Cost of Goods Sold represented 24.1% of third quarter 2007 consolidated Cost of Goods Sold. The components of Network Access segment Cost of Goods Sold are as follows (amounts in thousands):

	Third quarter		Percentage Change
	2007	2006	
Voice	\$ 8,291	7,452	11.3%
Data	3,169	2,434	30.2%
Wireless	94	---	NM
Total Network Access segment Cost of Goods Sold	\$ 11,554	9,886	16.9%

NM – Not meaningful.

Selected key performance indicators for our Network Access segment follow:

	September 30,		Percentage Change
	2007	2006	
Voice:			
Long-distance minutes carried (in millions)	321.4	373.6	(14.0%)
Data:			
Internet service provider access lines in service ¹	2,600	3,100	(16.1%)

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

Network Access Segment Revenues

The decrease in voice revenue is primarily due to decreased billable minutes and a 4.0% decrease in our rate per minute on billable minutes carried for our common carrier customers. The average rate per minute decrease is primarily due to a change in the composition of traffic and a 3.0% rate decrease mandated by federal law which will result in annual rate decreases of 3.0%.

The increase in data revenue is primarily due to an increase in circuits sold.

The Network Access segment wireless revenue results from our January 1, 2007 acquisition of Alaska DigiTel.

Network Access Segment Cost of Goods Sold

The increase in voice Cost of Goods Sold is primarily due to an average cost per minute increase due to a change in the composition of traffic and a \$523,000 unfavorable rate adjustment from a vendor. In the course of business we estimate unbilled long-distance services Cost of Goods Sold based upon minutes of use processed through our network and established rates. Such estimates are revised when subsequent billings are received, payments are made, billing matters are researched and resolved, tariffed billing periods lapse, or when disputed charges are resolved.

The increase in data Cost of Goods Sold is primarily due to costs associated with the increased circuits sold discussed above and \$754,000 in costs to repair breaks in our undersea and terrestrial fiber-optic cable systems.

Commercial Segment Overview

Commercial segment revenue represented 20.3% of third quarter 2007 consolidated revenues. The components of Commercial segment revenue are as follows (amounts in thousands):

	Third quarter		Percentage Change
	2007	2006	
Voice	\$ 7,803	8,204	(4.9%)
Video	2,148	2,122	1.2%
Data	15,949	17,523	(9.0%)
Wireless	1,315	662	98.6%
Total Commercial segment revenue	\$ 27,215	28,511	(4.6%)

Commercial segment Cost of Goods Sold represented 27.9% of third quarter 2007 consolidated Cost of Goods Sold. The components of Commercial segment Cost of Goods Sold are as follows (amounts in thousands):

	Third quarter		Percentage Change
	2007	2006 (as amended)	
Voice	\$ 4,836	4,828	0.2%
Video	408	359	13.6%
Data	6,951	8,016	(13.3%)
Wireless	1,157	734	57.6%
Total Commercial segment Cost of Goods Sold	\$ 13,352	13,937	(4.2%)

Selected key performance indicators for our Commercial segment follow:

	September 30,		Percentage Change
	2007	2006	
Voice:			
Long-distance subscribers ¹	10,800	11,500	(6.1%)
Long-distance minutes carried (in millions)	33.5	33.8	(0.9%)
Total local access lines in service ²	42,700	41,700	2.4%
Local access lines in service on GCI facilities ²	11,900	8,000	48.8%
Data:			
Cable modem subscribers ³	8,300	7,200	15.3%
Wireless:			
Wireless lines in service ⁴	7,200	4,100	75.6%

¹ A long-distance subscriber is defined as a customer account that is invoiced a monthly long-distance plan fee or has made a long-distance call during the month.

² A local access line in service is defined as a revenue generating circuit or channel connecting a customer to the public switched telephone network.

³ A cable modem subscriber is defined by the purchase of cable modem service regardless of the level of service purchased. If one entity purchases multiple cable modem service access points, each access point is counted as a subscriber.

⁴ A wireless line in service is defined as a revenue generating wireless device and includes Alaska DigiTel lines in service in 2007.

We leased a portion of our 800-mile fiber optic system capacity that extends from Prudhoe Bay to Valdez via Fairbanks, and provided management and maintenance services for this capacity to a significant customer. The lessee signed a contract with a competitor in March 2005, started the transition of their circuits from our fiber optic cable system to our competitor's microwave system in June 2006, and completed the transition in April 2007. In November 2006, we signed an agreement with our competitor to lease capacity on our fiber optic cable system and provide certain other services to them in association with their contract.

Commercial Segment Revenues

The decrease in voice revenue is primarily due to decreased long-distance subscribers and decreased minutes carried for our Commercial segment customers. Revenues associated with increased local access lines in service partially off-set these decreases.

The decrease in data revenue is primarily due to a \$2.9 million or 67.7% decrease in revenue earned from the lease and provision of management and maintenance services on a portion of our 800-mile fiber optic system capacity that extends from Prudhoe Bay to Valdez via Fairbanks as described above. The decrease is partially off-set by a \$1.1 million increase in managed services project revenue.

The increase in wireless revenue is primarily due to increased subscribers to our wireless offerings from our resale agreement.

Commercial Segment Cost of Goods Sold

The increase in voice Cost of Goods Sold is primarily due to increased local access lines in service. Savings resulting from increased provision of services through our own facilities in the last three months of 2006 and the first nine months of 2007, decreased voice minutes carried, and decreased costs associated with decreased long-distance subscribers largely off-set the increase.

The decrease in data Cost of Goods Sold resulted primarily from a 93.0% decrease in Cost of Goods Sold to \$168,000 resulting from the decrease in revenue earned from the lease and provision of management and maintenance services on a portion of our 800-mile fiber optic system capacity discussed above. The decrease was partially off-set by an increase in contract labor and internal labor due to the increase in managed services project revenue discussed above.

Due to the Settlement Agreement, as further described above in Part I, Item I, Note 7, we expect Commercial voice Cost of Goods Sold to increase approximately \$497,000 during the year ended December 31, 2007. Due to the conversion of lines from ACS' facilities to our own the increased per UNE loop cost will be partially off-set by the purchase of fewer such loops therefore we do not expect this settlement to have a material adverse effect on our financial results for future years.

The wireless Cost of Goods Sold increase is primarily due to increased wireless service revenue from our resale agreement.

Managed Broadband Segment Overview

Managed Broadband segment revenue represented 5.5% of third quarter 2007 consolidated revenues and Cost of Goods Sold represented 3.5% of third quarter 2007 consolidated Cost of Goods Sold. The Managed Broadband segment includes data products only.

Selected key performance indicators for our Managed Broadband segment follow:

	September 30,		Percentage Change
	2007	2006	
Managed Broadband segment:			
SchoolAccess [®] customers	51	48	6.3%
Rural health customers	21	22	(4.5%)

Managed Broadband Segment Revenues

Managed Broadband segment revenue increased 14.6% to \$7.4 million in the third quarter of 2007. The increase is due to several product sales that did not occur in third quarter 2006 and increased circuits purchased by our rural health and school access customers.

Managed Broadband Segment Cost of Goods Sold

Managed Broadband segment Cost of Goods Sold increased 57.3% to \$1.7 million in the third quarter of 2007 primarily due to costs associated with the product sales and increased circuits purchased as discussed above.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 12.8% to \$49.0 million in the third quarter of 2007 primarily due to the following:

- Recognition of \$4.4 million in additional expense resulting from our January 1, 2007 acquisition of Alaska DigiTel,
- A \$2.1 million increase in labor costs, and
- A \$1.3 million increase in bad debt expense primarily due to increases in allowances established for certain Managed Broadband services customers in the third quarter of 2007 and decreases in allowances established for certain Managed Broadband services customers in the third quarter of 2006.

The selling, general and administrative expenses increase is partially offset by a \$1.3 million decrease related to certain promotion expenses in the third quarter of 2006 which did not occur in the third quarter of 2007, and a \$688,000 decrease in our company-wide success sharing bonus accrual

As a percentage of total revenues, selling, general and administrative expenses increased to 36.6% in 2007 from 34.7% in 2006, primarily due to the increases described above without a proportional increase in revenues.

Depreciation and Amortization Expense

Depreciation and amortization expense increased 12.0% to \$22.8 million in the third quarter of 2007.

The increase is primarily due to our \$83.4 million investment in equipment and facilities placed into service during 2006 for which a full year of depreciation is being recorded in 2007 and the \$73.2 million investment in equipment and facilities placed into service during the nine months ended September 30, 2007 for which a partial year of depreciation will be recorded in 2007.

Other Expense, Net

Other expense, net of other income, increased 16.5% to \$9.7 million in the third quarter of 2007 primarily due to the following:

- In the third quarter of 2007, we substantially modified our Senior Credit Facility resulting in loan fee expense of \$551,000,
- A \$677,000 or 89.2% decrease in interest income in 2007 resulting from a decrease in our average cash and cash equivalents balance in 2007 as compared to 2006, and
- A \$607,000 or 6.7% increase in interest costs due to an increase in our average outstanding debt balance in 2007 as compared to 2006.

The increases described above are partially offset by an increase in capitalized interest from \$0 in the third quarter of 2006 to \$560,000 in the third quarter of 2007.

Income Tax Expense

Income tax expense totaled \$2.3 million and \$5.0 million in the third quarter of 2007 and 2006, respectively. Our effective income tax rate increased from 43.5% in the third quarter of 2006 to 51.0% in the third quarter of 2007 due primarily to the lower pre-tax net income without a comparable decrease in non-deductible items.

At September 30, 2007, we have (1) tax net operating loss carryforwards of approximately \$128.3 million that will begin expiring in 2010 if not utilized, and (2) alternative minimum tax credit carryforwards of approximately \$2.8 million available to offset regular income taxes payable in future years. We estimate that we will utilize net operating loss carryforwards of \$12.0 million to \$16.0 million during the year ended December 31, 2007. Our utilization of certain net operating loss carryforwards is subject to limitations pursuant to Internal Revenue Code section 382.

We have recorded deferred tax assets of approximately \$52.5 million associated with income tax net operating losses that were generated from 1995 to 2005, and that expire from 2010 to 2027, and with charitable contributions that were converted to net operating losses in 2006 and 2007, and that expire in 2026 and 2027, respectively.

Tax benefits associated with recorded deferred tax assets are considered to be more likely than not realizable through future reversals of existing taxable temporary differences and future taxable income exclusive of reversing temporary differences and carryforwards. The amount of deferred tax assets considered realizable, however, could be reduced if estimates of future taxable income during the carryforward period are reduced which would result in additional income tax expense. We estimate that our effective annual income tax rate for financial statement purposes will be 44% to 47% in the year ended December 31, 2007.

Nine Months Ended September 30, 2007 ("2007") Compared to Nine Months Ended September 30, 2006 (as amended) ("2006")

Overview of Revenues and Cost of Goods Sold

Total revenues increased 9.0% from \$356.1 million in 2006 to \$388.0 million in 2007. Revenue increases in our Consumer, Network Access, and Managed Broadband segments were partially off-set by a decrease in our Commercial segment. See the discussion below for more information by segment.

Total Cost of Goods Sold increased 14.8% from \$116.1 million in 2006 to \$133.2 million in 2007. Cost of Goods Sold increased in all of our segments.

Consumer Segment Overview

Consumer segment revenue represented 42.5% of 2007 consolidated revenues. The components of Consumer segment revenue are as follows (amounts in thousands):

	2007	2006	Percentage Change
Voice	\$ 34,549	34,443	0.3%
Video	71,372	66,816	6.8%
Data	24,807	21,669	14.5%
Wireless	34,060	9,201	270.2%
Total Consumer segment revenue	\$ 164,788	132,129	24.7%

Consumer segment Cost of Goods Sold represented 46.9% of 2007 consolidated Cost of Goods Sold. The components of Consumer segment Cost of Goods Sold are as follows (amounts in thousands):

	2007	2006 (as amended)	Percentage Change
Voice	\$ 13,599	15,588	(12.8%)
Video	26,181	22,684	15.4%
Data	2,087	1,624	28.5%
Wireless	20,570	9,584	114.6%
Total Consumer segment Cost of Goods Sold	\$ 62,437	49,480	26.2%

Selected key performance indicators for our Consumer segment follow:

	2007	2006	Percentage Change
Voice:			
Long-distance minutes carried (in millions)	101.0	107.1	(5.4%)
Video:			
Average monthly gross revenue per subscriber ¹	\$63.54	\$60.94	4.0%
Wireless:			
Average monthly gross revenue per subscriber ²	\$55.87	\$49.86	12.1%

¹ Year-to-date average monthly consumer video revenues divided by the average of consumer video basic subscribers at the beginning and ending of the period.

² Year-to-date average monthly consumer wireless revenues divided by the average of consumer wireless subscribers at the beginning and ending of the period. The 2007 average monthly gross revenue per subscriber includes Alaska DigiTel consumer revenue and subscribers.

Please refer to our three-month results of operations discussion for additional selected key performance indicators as of September 30, 2007 and 2006.

Consumer Segment Revenues

The increase in voice revenue is primarily due to a \$620,000 or 16.5% increase in support from the Universal Service Program and increased local access lines. The increase is partially off-set by decreased long-distance subscribers and decreased long-distance billable minutes carried for these subscribers.

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

- A 4.1% increase in programming services revenue to \$58.4 million in 2007 primarily resulting from an increase in digital programming tier subscribers in 2007 and increased rates charged for certain cable services effective in the fourth quarter of 2006, and
- A 23.1% increase in equipment rental revenue to \$11.9 million in 2007 primarily resulting from our customers' increased use of digital distribution technology.

The increase in data revenue is primarily due to a 15.0% increase in cable modem revenue to \$20.9 million. The increase in cable modem revenue is primarily due to increased subscribers and their selection of more value-added premium features.

The increase in wireless revenue is due to our January 1, 2007 acquisition of Alaska DigiTel and a \$8.5 million or 92.3% increase in the wireless service revenue from our resale agreement primarily due to an increase in subscribers. Consumer segment wireless revenues from our Alaska DigiTel investment totaled \$16.4 million in 2007.

Consumer Segment Cost of Goods Sold

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

- Cost savings resulting from the increased provision of services through our own facilities in the last three months of 2006 and the first nine months of 2007,
- Decreased voice minutes carried, and
- Reduced access costs resulting from the distribution and termination of our traffic on our own local access services network instead of paying other carriers to distribute and terminate our traffic. The statewide average cost savings is approximately \$0.012 and up to \$0.055 per minute for originating and terminating interstate and intrastate traffic, respectively.

The video Cost of Goods Sold increase is primarily due to increased channels offered to our subscribers in three of the state's five largest population centers, the fourth quarter 2006 expiration of arrangements with suppliers from which we earned rebates and refunds upon meeting specified goals, increased rates paid to programmers and increased subscribers.

The wireless Cost of Goods Sold increase is primarily due to our January 1, 2007 acquisition of Alaska DigiTel and a \$4.6 million or 48.2% increase in our wireless service Cost of Goods Sold related to increased wireless services revenue from our resale agreement. Consumer segment wireless Cost of Goods Sold from our Alaska DigiTel investment totaled \$6.4 million in 2007.

Network Access Segment Overview

Network access segment revenue represented 32.1% of 2007 consolidated revenues. The components of Network Access segment revenue are as follows (amounts in thousands):

	2007	2006	Percentage Change
Voice	\$ 74,704	84,100	(11.2%)
Data	45,317	39,999	13.3%
Wireless	4,578	---	NM
Total Network Access segment revenue	\$ 124,599	124,099	0.4%

NM – Not meaningful.

Network Access segment Cost of Goods Sold represented 22.3% of 2007 consolidated Cost of Goods Sold. The components of Network Access segment Cost of Goods Sold are as follows (amounts in thousands):

	2007	2006	Percentage Change
Voice	\$ 21,490	21,393	0.5%
Data	7,947	6,063	31.1%
Wireless	315	---	NM
Total Network Access segment Cost of Goods Sold	\$ 29,752	27,456	8.4%

Selected key performance indicators for our Network Access segment follow:

	2007	2006	Percentage Change
Voice:			
Long-distance minutes carried (in millions)	954.9	993.2	(3.9%)

Please refer to our three-month results of operations discussion for additional selected key performance indicators as of September 30, 2007 and 2006.

Network Access Segment Revenues

The decrease in voice revenue is primarily due to decreased billable minutes and a 6.3% decrease in our rate per minute on billable minutes carried for our common carrier customers. The average rate per minute decrease is primarily due to a change in the composition of traffic and a 3.0% rate decrease mandated by federal law which will result in annual rate decreases of 3.0%.

The increase in data revenue is primarily due to an increase in circuits sold.

The Network Access segment wireless revenue results from our January 1, 2007 acquisition of Alaska DigiTel.

Network Access Segment Cost of Goods Sold

The increase in voice Cost of Goods Sold is primarily due to an average cost per minute increase due to a change in the composition of traffic and a \$523,000 unfavorable rate adjustment from a vendor. This increase is partially off-set by an \$879,000 favorable adjustment based upon a refund for which negotiations were completed in 2007. In the course of business we estimate unbilled long-distance services Cost of Goods Sold based upon minutes of use processed through our network and established rates. Such estimates are revised when subsequent billings are received, payments are made, billing matters are researched and resolved, tariffed billing periods lapse, or when disputed charges are resolved.

The increase in data Cost of Goods Sold is primarily due to costs associated with the increased circuits sold discussed above and \$754,000 in costs to repair breaks in our undersea and terrestrial fiber-optic cable systems.

Commercial Segment Overview

Commercial segment revenue represented 20.0% of 2007 consolidated revenues. The components of Commercial segment revenue are as follows (amounts in thousands):

	2007	2006	Percentage Change
Voice	\$ 23,583	24,324	(3.0%)
Video	5,918	5,781	2.4%
Data	44,421	48,833	(9.0%)
Wireless	3,483	1,714	103.2%
Total Commercial segment revenue	\$ 77,405	80,652	(4.0%)

Commercial segment Cost of Goods Sold represented 27.4% of 2007 consolidated Cost of Goods Sold. The components of Commercial segment Cost of Goods Sold are as follows (amounts in thousands):

	2007	2006 (as amended)	Percentage Change
Voice	\$ 13,816	15,135	(8.7%)
Video	1,214	1,054	15.2%
Data	18,368	17,850	2.9%
Wireless	3,091	1,892	63.4%
Total Commercial segment Cost of Goods Sold	\$ 36,489	35,931	1.6%

Selected key performance indicators for our Commercial segment follow:

	2007	2006	Percentage Change
Voice:			
Long-distance minutes carried (in millions)	100.6	103.2	(2.5%)

Please refer to our three-month results of operations discussion for additional selected key performance indicators as of September 30, 2007 and 2006.

Commercial Segment Revenues

The decrease in data revenue is primarily due to a \$7.6 million or 64.2% decrease in revenue earned from the lease and provision of management and maintenance services on a portion of our 800-mile fiber optic system capacity that extends from Prudhoe Bay to Valdez via Fairbanks as described above. The decrease is partially off-set by a \$3.0 million increase in managed services project revenue.

The increase in wireless revenue is primarily due to increased subscribers to our wireless offerings from our resale agreement.

Commercial Segment Cost of Goods Sold

The decrease in voice Cost of Goods Sold is primarily due to decreased long-distance subscribers, savings resulting from increased provision of services through our own facilities in the last three months of 2006 and the first nine months of 2007, and decreased voice minutes carried. Costs associated with increased local access lines in service partially off-set these decreases.

The increase in data Cost of Goods Sold resulted primarily from an increase in contract labor and internal labor classified as Cost of Goods Sold due to the increase in managed services project revenue discussed above. The increase was partially off-set by a 90.8% decrease in Cost of Goods Sold to \$274,000 resulting from the decrease in revenue earned from the lease and provision of management and maintenance services on a portion of our 800-mile fiber optic system capacity discussed above.

The wireless Cost of Goods Sold increase is primarily due to increased wireless service revenue from our resale agreement.

Managed Broadband Segment Overview

Managed Broadband segment revenue represented 5.4% of 2007 consolidated revenues and Cost of Goods Sold represented 3.4% of 2007 consolidated Cost of Goods Sold. The Managed Broadband segment includes data products only.

Please refer to our three-month results of operations discussion for additional selected key performance indicators as of September 30, 2007 and 2006.

Managed Broadband Segment Revenues

Managed Broadband segment revenue increased 10.4% to \$21.2 million in 2007. The increase is primarily due to increased circuits purchased by our rural health and school access customers and several 2007 product sales that did not occur in 2006.

Managed Broadband Segment Cost of Goods Sold

Managed Broadband segment Cost of Goods Sold increased 42.3% to \$4.6 million in 2007 primarily due to costs associated with the product sales and increased circuits purchased as discussed above.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 15.4% to \$145.0 million in 2007 primarily due to the following:

- Recognition of \$11.3 million in additional expense resulting from our January 1, 2007 acquisition of Alaska DigiTel,
- A \$4.4 million increase in labor costs, and
- A \$1.5 million increase in bad debt expense due to increased revenues and subscriber counts in certain of our Consumer and Commercial segment products, increases in allowances established for certain Managed Broadband services customers, and the realization of a recovery from MCI, Inc. (merged with Verizon Communications, Inc.) in 2006 through a reduction to bad debt expense which did not recur in 2007.

The selling, general and administrative expenses increase is partially offset by a \$1.6 million decrease related to certain promotion expenses in 2006 which did not occur in 2007.

As a percentage of total revenues, selling, general and administrative expenses increased to 37.4% in 2007 from 35.3% in 2006, primarily due to the increases described above without a proportional increase in revenues.

Depreciation and Amortization Expense

Depreciation and amortization expense increased 8.7% to \$66.0 million in 2007. The increase is primarily due to our \$83.4 million investment in equipment and facilities placed into service during 2006 for which a full year of depreciation will be recorded in 2007 and the \$73.2 million investment in equipment and facilities placed into service during the nine months ended September 30, 2007 for which a partial year of depreciation will be recorded in 2007.

Other Expense, Net

Other expense, net of other income, increased 8.4% to \$27.4 million in 2007 primarily due to the following:

- In the third quarter of 2007, we substantially modified our Senior Credit Facility resulting in loan fee expense of \$551,000,
- A \$971,000 or 69.5% decrease in interest income in 2007 resulting from a decrease in our average cash and cash equivalents balance in 2007 as compared to 2006, and
- A \$1.5 million or 5.7% increase in interest costs primarily due to an increase in our average outstanding debt balance in 2007 as compared to 2006.

The increases described above are partially offset by an increase in capitalized interest from \$0 in 2006 to \$1.1 million in 2007

Income Tax Expense

Income tax expense totaled \$7.7 million and \$13.1 million in 2007 and 2006, respectively. Our effective income tax rate increased from 45.9% in 2006 to 46.7% in 2007.

Cumulative Effect of a Change in Accounting Principle

On January 1, 2006 we adopted SFAS No. 123(R), "Share-Based Payment." SFAS 123(R) required 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 (benefit) of adopting SFAS No. 123(R) attributed to accruing for expected forfeitures on outstanding share-based awards totaled \$108,000 (as amended), which was reduced by income tax expense of \$44,000 (as amended), and is reported as a cumulative effect of a change in accounting principle during 2006.

Multiple System Operator ("MSO") Operating Statistics

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

Our capital expenditures by standard reporting category for the nine months ended September 30, 2007 and 2006 follows (amounts in thousands):

	2007	2006
Line extensions	\$ 46,775	12,712
Customer premise equipment	16,289	9,869
Scalable infrastructure	3,404	634
Support capital	1,092	890
Upgrade/rebuild	897	3,743
Commercial	181	55
Sub-total	68,638	27,903
Remaining reportable segments capital expenditures	36,598	36,449
	\$ 105,236	64,352

The standardized definition of a customer relationship is the number of customers that receive at least one level of service utilizing our cable service facilities, encompassing voice, video, and data services, without regard to which services customers purchase. At September 30, 2007 and 2006 we had 125,200 and 123,700 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 September 30, 2007 and 2006 we had 284,500 and 248,600 revenue generating units, respectively.

Liquidity and Capital Resources

Our principal sources of current liquidity are cash and cash equivalents. We believe, but can provide no assurances, that we will be able to meet our current and long-term liquidity and capital requirements and fixed charges through our cash flows from operating activities, existing cash, cash equivalents, 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.

Cash flows from operating activities totaled \$74.3 million for the nine months ended September 30, 2007 as compared to \$80.2 million for the nine months ended September 30, 2006.

Other sources of cash during the nine months ended September 30, 2007 included a \$50.0 million borrowing on our Senior Credit Facility, \$4.6 million of collateral released and returned to us and \$3.1 million from the issuance of our Class A common stock. Uses of cash during the nine months ended September 30, 2007 included expenditures of \$105.2 million for property and equipment, including construction in progress, \$19.5 million to acquire Alaska DigiTel, \$15.1 million to repay a note payable and convertible debenture previously owed by Alaska DigiTel, repayment of \$11.6 million of our Senior Credit Facility, purchase of \$8.0 million of common stock to be retired, and the purchase of \$5.0 million of other assets and intangible assets.

Working capital totaled \$58.0 million at September 30, 2007, a \$36.4 million decrease as compared to \$94.4 million at December 31, 2006. The decrease is primarily due to cash paid for capital expenditures, the Alaska DigiTel acquisition and debt repayment as previously described.

Net receivables increased \$11.6 million from December 31, 2006 to September 30, 2007 primarily due to timing of payments on trade receivables from several large customers, the addition of \$3.5 million net

receivables due to the acquisition of Alaska DigiTel, and a seasonal increase in trade receivables for Managed Broadband services provided to hospitals and health clinics.

Senior Notes

At September 30, 2007 we were in compliance with all loan covenants relating to our 7.25% senior notes due 2014.

Senior Credit Facility

In September 2007 we exercised our right to add an Incremental Facility of up to \$100.0 million to our existing Senior Credit Facility. The Incremental Facility was structured in the form of a \$55.0 million increase to the existing term loan component of our Senior Credit Facility and a \$45.0 million increase to the existing revolving loan component of our Senior Credit Facility. The \$100.0 million Incremental Facility will become due under the same terms and conditions as set forth in the existing Senior Credit Facility.

The Incremental Facility increased the interest rate on the term loan component of our Senior Credit Facility from LIBOR plus 1.50% to LIBOR plus 2.00%. The interest rate on the revolving loan component of the previous Senior Credit Facility was LIBOR plus a margin dependent upon our Total Leverage Ratio ranging from 1.00% to 1.75%. The Incremental Facility increased the revolving credit facility interest rate for our Senior Credit Facility to LIBOR plus the following applicable margin dependent upon our Total Leverage ratio:

Total Leverage Ratio (as defined)	Applicable Margin
≥3.75	2.25%
≥3.25 but <3.75	2.00%
≥2.75 but <3.25	1.75%
<2.75	1.50%

\$55.0 million was drawn on the term loan component of the Incremental Facility at the time of the debt modification and at September 30, 2007. Our term loan is fully drawn and we have letters of credit outstanding totaling \$4.2 million at September 30, 2007, which leaves \$95.8 million available for unconditional immediate borrowing under the revolving credit facility.

This transaction was a substantial modification of our existing Senior Credit Facility and we therefore recognized \$343,000 in Loan and Senior Note Fees during the three and nine months ended September 30, 2007 in our Consolidated Income Statement. Deferred loan fees of \$317,000 associated with the portion of our existing Senior Credit Facility determined not to have been substantially modified continue to be amortized over the remaining life of the Senior Credit Facility.

In connection with the Incremental Facility, we paid bank fees and other expenses of \$403,000 during the three and nine months ended September 30, 2007 of which \$208,000 were written off in the three and nine months ended September 30, 2007 and \$195,000 was capitalized and will be amortized over the remaining life of the Senior Credit Facility.

As of September 30, 2007 maturities of long-term debt under the Senior Credit Facility were as follows (amounts in thousands):

Years ending December 31,	
2007	\$ 537
2008	2,146
2009	2,140
2010	2,135
2011	102,702
2012 and thereafter	101,637
	<u>\$ 211,297</u>

At September 30, 2007 we were in compliance with all loan covenants relating to our Senior Credit Facility.

Capital Lease Obligation

On March 31, 2006, through our subsidiary GCC we entered into an agreement to lease transponder capacity on Intelsat's Galaxy 18 spacecraft that is expected to be launched March 5, 2008. We will also lease capacity on the Horizons 1 satellite, which is owned jointly by Intelsat and JSAT International, Inc. The leased capacity is expected to replace our existing transponder capacity on Intelsat's Galaxy 10R satellite when it reaches its end of life.

We will lease 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 launch.

Capital Expenditures

Our expenditures for property and equipment, including construction in progress, totaled \$105.2 million and \$64.0 million during the nine months ended September 30, 2007 and 2006, 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 2007 expenditures for property and equipment for our core operations, including construction in progress, to total \$145.0 million to \$150.0 million, depending on available opportunities and the amount of cash flow we generate during 2007.

We have entered into an agreement to purchase hardware and software capable of providing wireless service to small markets in rural Alaska as a reliable substitute for standard wire line service. The agreement has a total commitment of \$23.1 million. We paid a \$2.1 million down payment in 2007 and expect to pay \$2.3 million, \$8.8 million, \$6.9 million, and \$3.0 million during the years ended December 31, 2007, 2008, 2009, and 2010, respectively.

In September 2007 we entered into an agreement to purchase the submarine cable, amplifiers and line terminal equipment for our Southeast Alaska submarine fiber optics project. In addition to providing the equipment for the new submarine line, the contract includes additional equipment to upgrade the Alaska United West submarine cable system and also includes an option to increase capacity on the Alaska United East submarine cable system. The agreement has a total commitment of \$11.2 million. We paid a \$1.2 million down payment in October 2007 and expect to pay the remaining \$10.0 million in 2008.

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. GCI's Board of Directors authorized us to make up to \$75.0 million of repurchases through September 30, 2007, under which we have made repurchases of \$63.5 million through September 30, 2007. We are authorized to continue our stock repurchases of up to \$5.0 million per quarter indefinitely and to use stock option exercise proceeds, in our discretion, to repurchase additional shares. If stock repurchases are less than the total approved quarterly amount the difference may be carried forward and used to repurchase additional shares in future quarters. During the nine months ended September 30, 2007 we repurchased 724,000 shares of our common stock at a cost of approximately \$9.7 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 and Commitments

Effective January 1, 2007 we invested \$29.5 million in Alaska DigiTel in exchange for an 81.9% equity interest. We do not have voting control of Alaska DigiTel. We funded the transaction from existing cash balances and by drawing down \$15.0 million under the revolving portion of our senior credit facility in December 2006.

In October 2007 we signed an agreement to purchase the stock of the UUI and Unicom telecommunications subsidiaries of UCI for \$40.0 million expected to be paid upon closing. Additionally we may assume approximately \$37.0 million in debt as part of the acquisition. We will fund the transaction from cash on hand, by drawing down additional debt, or a combination of the two. UUI together with its subsidiary, United-KUC, provides local telephone service to 60 rural Alaska communities across Alaska. Unicom operates DeltaNet, a long-haul broadband microwave network ringing the Yukon-Kuskokwim Delta – a region of approximately 30,000 square miles in western Alaska. By the summer of 2008, DeltaNet, which is still in construction but has already commenced operations where completed microwave towers have been placed into service, will link more than 40 villages to Bethel, the region's hub. This transaction is subject to customary closing conditions, including regulatory approval. The acquisition will be finalized upon RCA and FCC approval. This transaction will close upon regulatory approval which is expected in the third quarter of 2008.

In August 2007 we signed a memorandum of understanding to acquire all of the interests in Alaska Wireless for \$12.0 million to \$13.0 million, expected to be paid upon closing. In addition to the initial acquisition payment we have agreed to a contingent payment of approximately \$3.0 million in 2010 if certain financial conditions are met. We will fund the transaction from cash on hand, by drawing down additional debt, or a combination of the two. Alaska Wireless is a GSM cellular provider serving approximately 4,000 subscribers in the Dutch Harbor, Alaska area. In addition to the acquisition, we will enter into a management agreement with the existing owners of Alaska Wireless. The business will continue to operate under the Alaska Wireless name and the current management team will continue to manage the day-to-day operations. The acquisition will be finalized upon FCC approval. This transaction will close upon regulatory approval which is expected in the third quarter of 2008.

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.

Schedule of Certain Known Contractual Obligations

The following table details future projected payments associated with certain known contractual obligations as of December 31, 2006, the date of our most recent fiscal year-end balance sheet. Our schedule of certain known contractual obligations has been updated to reflect the following:

- Modification of our Senior Credit Facility,
- Previously described agreements to:
 - Purchase hardware and software capable of providing wireless service to small markets in rural Alaska,
 - Purchase the submarine cable, amplifiers and line terminal equipment for our Southeast Alaska submarine fiber optics project and additional equipment to upgrade the Alaska United West submarine cable system,
 - Acquire the stock of the UUI and Unicom telecommunications subsidiaries of UCI, and
 - Acquire Alaska Wireless.

- The completion of our Alaska DigiTel acquisition in January 2007, and
- The Intelsat Galaxy 18 launch date change.

	Payments Due by Period				
	Total	Less than 1 Year	1 to 3 Years	4 to 5 Years	More Than 5 Years
	(Amounts in thousands)				
Long-term debt	\$ 532,825	1,965	4,386	104,837	421,637
Interest on long-term debt	252,955	36,341	77,141	76,480	62,993
Capital lease obligations, including interest	135,776	467	17,044	19,361	98,904
Operating lease commitments	68,564	16,866	17,903	11,480	22,315
Purchase obligations	68,579	28,730	34,849	5,000	---
Other	55,500	---	52,500	3,000	---
Total contractual obligations	\$ 1,114,199	84,369	203,823	220,158	605,849

For long-term debt included in the above table, we have included principal payments on our Senior Credit Facility and Senior Notes. Interest on amounts outstanding under our Senior Credit Facility is based on variable rates. We used the current rate paid in September 2007 on our modified Senior Credit Facility to estimate our future interest payments. Our Senior Notes require semi-annual interest payments of \$11.6 million through February 2014. For a discussion of our Senior Notes and Senior Credit Facility see note 7 in the "Notes to Consolidated Financial Statements" included in Part II of our December 31, 2006 annual report on Form 10-K. For a discussion of our modified Senior Credit Facility see note 5 in the accompanying "Notes to Interim Consolidated Financial Statements."

For a discussion of our capital and operating leases, see note 15 in the "Notes to Consolidated Financial Statements" included in Part II of our December 31, 2006 annual report on Form 10-K. Capital lease obligations include the future projected payments expected for the Intelsat Galaxy 18 transponder capacity lease as described above.

Purchase obligations include a remaining commitment to purchase a certain number of outdoor, network powered multi-media adapters and other vendor equipment of \$5.1 million and a remaining \$6.2 million commitment for our Alaska Airlines agreement as further described in note 15 in the "Notes to Consolidated Financial Statements" included in Part II of our December 31, 2006 annual report on Form 10-K. The contracts associated with these commitments are non-cancelable. Purchase obligations also include a commitment to purchase a minimum of \$5.0 million to \$5.5 million in additional IRU capacity in two installments through 2011, our \$23.1 million agreement to purchase hardware and software capable of providing wireless service to small markets in rural Alaska as described above, and our \$11.2 million agreement to purchase the submarine cable, amplifiers and line terminal equipment for our Southeast submarine fiber optics project and additional equipment to upgrade the Alaska United West submarine cable system. The contracts associated with these commitments are non-cancelable. Additionally, purchase obligations include open purchase orders for goods and services for capital projects and normal operations totaling \$16.0 million which are not included in our Consolidated Balance Sheets at December 31, 2006, because the goods had not been received or the services had not been performed at December 31, 2006. The open purchase orders are cancelable.

The "Other" line item consists of our \$40.0 million agreement to acquire the stock of the UUI and Unicom telecommunications subsidiaries of UCI and our \$15.0 million to \$16.0 million agreement to purchase Alaska Wireless as described above.

We believe, but can provide no assurances, that we will be able to fund future projected payments associated with our certain known contractual obligations through our cash flows from operating activities, existing cash, cash equivalents, 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.

Critical Accounting Policies

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

Those policies considered to be critical accounting policies for the nine months ended September 30, 2007 are the allowance for doubtful accounts, impairment and useful lives of intangible assets, accruals for unbilled costs, and the valuation allowance for net operating loss deferred tax assets. A complete discussion of our critical accounting policies can be found in Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations in our December 31, 2006 annual report on Form 10-K.

Other significant accounting policies, not involving the same level of measurement uncertainties as those listed 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 and other 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 included in Part II of our December 31, 2006 annual report on Form 10-K.

Geographic Concentration and the Alaska Economy

We have one major customer, Verizon Communications, Inc. We also provide services to Sprint Nextel Corporation and Dobson. 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. We 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to interest rate risk, which is our primary risk, as well as various types of market risk in the normal course of business. 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 2.25% 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 September 30, 2007, we have borrowed \$211.3 million subject to interest rate risk. On this amount, each 1% increase in the LIBOR interest rate would result in \$2,113,000 of additional gross interest cost on an annualized basis.

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") Rule 13a - 15(e)) under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer. Based on that evaluation and as described below under "Changes in Internal Controls" (Item 4(b)), we identified a material weakness in our internal control over financial reporting (as defined in Exchange Act Rule 12b-2). Because of this material weakness, which is in the process of being remediated as described below under "Changes in Internal Controls" (Item 4(b)), our management, including our Chief Executive Officer and our Chief Financial Officer, concluded that our disclosure controls and procedures were not effective as of September 30, 2007, which is the end of the period covered by this report.

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.

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

(b) Changes in Internal Controls

During the first quarter of 2007, we corrected billing system rate errors so billings are being issued and recorded using correct rates. We also initiated processes, procedures and controls over the review and input of billing rates used in the affected billing system. During the first quarter of 2007, we implemented policies and procedures for the effective analysis and implementation of accounting pronouncements as applied to non-routine transactions by retaining external consultants to advise us on non-routine accounting transactions. We will continue to vigorously monitor the effectiveness of these processes, procedures and controls, and will make any further changes as management determines appropriate.

At June 30, 2007, a material weakness existed associated with inadequately designed internal controls in our financial reporting process related to the calculation of share-based compensation expense. Specifically, a number of stock option agreements were amended during the three months ended June 30, 2007 to comply with Internal Revenue Code section 409A. Share based compensation expense associated with the unusually high volume of stock option agreement amendments was initially recorded incorrectly but was corrected after June 30, 2007 but prior to the issuance of our second quarter 2007 Form 10-Q. During the third quarter of 2007, we began remediation of this material weakness by performing manual recalculations of shared-based compensation expense and reviewing and approving the recalculations. Due to the low volume of stock options and awards granted during the third quarter we were unable to demonstrate remediation. We believe we will be able to demonstrate remediation in the fourth quarter of 2007.

Except as described above, there were no changes in our internal control over financial reporting during the quarter ended September 30, 2007 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Internal control over financial reporting is 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.

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

PART II

Item 1. Legal Proceedings

We are involved in various lawsuits 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.

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

(a) Not applicable.

(b) Not applicable.

(c) The following table provides information about repurchases of shares of our Class A and Class B common stock during the quarter ended September 30, 2007:

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
July 1, 2007 to July 31, 2007	---	\$ ---	5,569,420	\$11,478,834
August 1, 2007 to August 31, 2007	---	\$ ---	5,569,420	\$11,478,834
September 1, 2007 to September 30, 2007	---	\$ ---	5,569,420	\$11,478,834
Total	---			

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 indefinitely 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.

² The total amount approved for repurchase was \$75.0 million through September 30, 2007 consisting of \$60.0 million through December 31, 2006 and an additional \$15.0 million during the nine months ended

September 30, 2007. We made repurchases of \$63.5 million through September 30, 2007. If stock repurchases are less than the total approved quarterly amount the difference may be carried forward and used to repurchase additional shares in future quarters, subject to board approval.

Item 6. Exhibits

Exhibit No.	Description
3.2	Amended and Restated Bylaws of the Company dated August 20, 2007
10.142	Third Amendment to the Amended and Restated Credit Agreement among GCI Holdings, Inc., GCI Communication Corp., GCI Cable, Inc., GCI Fiber Communication Co., Potter View Development Co., Inc., and Alaska United Fiber System Partnership, GCI, Inc., the banks, financial institutions, and other lenders party hereto and Calyon New York Branch as Administrative Agent, dated as of September 14, 2007
10.143	Joinder Agreement dated as of September 28, 2007 among BNP Paribas, U.S. Bank National Association, GCI Holdings, Inc., GCI Communication Corp., GCI Cable, Inc., GCI Fiber Communication Co., Potter View Development Co., Inc., and Alaska United Fiber System Partnership, GCI, Inc., and Calyon New York Branch as Administrative Agent
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

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
<u>/s/ Ronald A. Duncan</u> Ronald A. Duncan	President and Director (Principal Executive Officer)	<u>November 2, 2007</u>
<u>/s/ John M. Lowber</u> John M. Lowber	Senior Vice President, Chief Financial Officer, Secretary and Treasurer (Principal Financial Officer)	<u>November 2, 2007</u>
<u>/s/ Lynda L. Tarbath</u> Lynda L. Tarbath	Vice President, Chief Accounting Officer (Principal Accounting Officer)	<u>November 2, 2007</u>

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

**ARTICLE I
OFFICES**

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

**ARTICLE II
SEAL**

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

[S E A L]

**ARTICLE III
SHAREHOLDER MEETINGS**

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

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

¹ As last amended and restated on August 20, 2007.

meeting shall be the election of directors and the transaction of such other business as properly may be brought before the meeting.

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

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

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

Section 5. Quorum. The holders of a majority of the stock issued and outstanding and entitled to vote, present in person or represented by proxy, will constitute a quorum at all meetings of the Shareholders for the transaction of business except as otherwise provided by applicable law or by the Articles of Incorporation. The Shareholders present in person or represented by proxy at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Shareholders to leave less than a quorum, if any action taken other than adjournment is approved by at least a majority of shares required to constitute a

quorum. If, however, such quorum initially is not present or represented at any meeting of the Shareholders, those Shareholders present in person or represented by proxy and entitled to vote will have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented. At such reconvened meeting at which a quorum is present or represented, any business may be transacted which might have been transacted at the original meeting.

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

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

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

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

Section 8. Presiding Officer; Order of Business; Conduct of Meeting. (a) Meetings of the Shareholders shall be presided over by the Chairman of the Board, or if

the Chairman is not present, by the President, or if the President is not present, by a Vice President. The Secretary of the Corporation, or, in the Secretary's absence, an Assistant Secretary, shall act as secretary of every meeting. In the absence of the Secretary or Assistant Secretary, the chairman of the meeting may choose any person present to act as secretary of the meeting.

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

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

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

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

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

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

(1) Call to order;

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

(3) Appoint inspector of election, if necessary;

(4) Determine whether a quorum is present;

(5) Make reports;

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

- (7) Elect directors;
- (8) Address special business stated in the notice of meeting;
- (9) Address other business;
- (10) Adjourn.

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

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

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

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

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

Section 11. Action Without a Meeting. Any action, except the election of

directors, which may be taken by the vote of Shareholders at a meeting of Shareholders may be taken without a meeting if authorized by the written consents of Shareholders, identical in content setting out the action to be taken, signed by the holders of all outstanding shares entitled to vote on the action.

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

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

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

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

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

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

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

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

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

- (A) pursuant to the Corporation's notice of meeting;
- (B) by or at the direction of the Board; or
- (C) by a Shareholder,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(3) In the event the Corporation calls a special meeting of Shareholders for the purpose of electing one or more directors to the Board, any such Shareholder may nominate a person or persons, as the case may be, for election to that position as specified in the Corporation's notice of meeting, if the notice containing the

same information as would be required under (b)(2)-(6) of this Section 14 for an annual meeting is delivered to and received by the Secretary at the principal executive offices of the Corporation not earlier than the 150th day prior to that special meeting and not later than the close of business on the later of the 120th day prior to that special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting or of the nominees proposed by the Board to be elected at that meeting.

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

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

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

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

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

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

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

(4) The provisions of (d) of this Section 14 shall not prevent the consideration and approval or disapproval at the meeting of reports of officers, directors and committees of the Board. However, in connection with such reports, no new

business shall be acted upon at the meeting unless stated, submitted and received in accordance with the provisions of this Section 14.

(5) For purposes of this Section 14,

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

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

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

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

- (A) would be improper under state law;
- (B) would be a violation of law;
- (C) would be a violation of proxy rules;
- (D) is a personal grievance or special interest;
- (E) is not relevant;
- (F) Corporation lacks power or authority to implement;
- (G) relates to management functions;
- (H) relates to election;
- (I) conflicts with the Corporation's proposal;
- (J) was substantially implemented;

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

(L) is a resubmission of another proposal; or

(M) relates to a specific amount of dividend.

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

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

ARTICLE IV

BOARD OF DIRECTORS

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

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

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

(2) Until changed as provided in this Section 2, the number of directors on the Board shall be seven;

(3) Each director shall be of a legal age, which shall be defined for purposes of this Section 2 as an age between and including 21 and 70 years, and in the event a person shall reach the upper limit of that age while a director, that person's term as director shall immediately terminate and that director shall resign from the Board;

(4) Each nominee as, and each person appointed or otherwise elected as, a director of the Board shall at all times satisfy other qualifications as set forth in the Company's Nominating and Corporate Governance Committee Charter approved by the Board; and

(5) Directors on the Board shall not need to be Shareholders and shall not need to be residents of the State of Alaska.

(b) Upon the establishment of the Board as having three or more members ("Class Date"), the Board will be divided into three classes: Class I, Class II and Class III. Each such class will consist, as nearly as possible, of one-third of the whole number of the Board. Directors in office on the Class Date will be divided among such classes and in such manner, consistent with the provisions of this Article IV, as the Board may determine by resolution. The initial Class I directors so determined shall serve until the next Annual Meeting following such date. The initial Class II directors so determined shall serve until the second Annual Meeting following such date. The initial Class III directors so determined shall serve until the third Annual Meeting following such date. In the case of each such class, such directors shall serve, subject to their earlier death, resignation or removal in accordance with the Articles of Incorporation, these Bylaws and the laws of the State of Alaska, until their respective successors shall be elected and shall qualify. At each Annual Meeting after the date of such filing, the directors chosen to succeed those whose terms shall have expired shall be elected to hold office for a term to expire at the third succeeding Annual Meeting after their election and, subject to their earlier death, resignation or removal in accordance with the Articles of Incorporation, these Bylaws and the laws of the State of Alaska, until their respective successors shall be elected and shall qualify. If the number of directors is changed, any increase or decrease shall be apportioned among such classes so as to maintain all classes as equal in number as possible, and any additional director elected to any class shall hold office for a term which shall coincide with the terms of the other directors in such class.

(c) As used in these Bylaws, the terms "whole Board" or "entire Board" shall mean the number of directors the Corporation would have under these Bylaws at the time of determination if there were no vacancies.

Section 3. Elections. (a) Other than as provided in Section 2 of this Article IV, the directors of the Corporation shall be elected at the Annual Meeting or at a

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special meeting of Shareholders called for that purpose, by at least a simple majority of the quorum for that meeting.

(b) Any vacancy occurring in the Board caused by death, resignation, removal and any newly created directorship resulting from an increase in the number of directors on the Board, may be filled by the directors then in office, although such directors are less than a quorum, or by the sole remaining director. Each director chosen to fill a vacancy or a newly created directorship shall hold office until the next election of the Class for which such director shall have been chosen or, if no class is established, then until the next election of directors and, subject to that director's earlier death, resignation or removal in accordance with the Articles of Incorporation, these Bylaws and the laws of the State of Alaska, until that director's successor shall be duly elected and shall qualify.

(c) Any director may resign at any time by giving written notice to the Board of Directors, the President, Chairman of the Board, or the Secretary of the Corporation. Any such resignation will take effect upon receipt of such notice or at any later time specified in the notice. Unless otherwise specified in the notice, the acceptance of such resignation will not be necessary to make any postdated resignation by notice in writing to the resigning director. In the event the resignation of a director is tendered to take effect at a future time, a successor may be elected to take office when the resignation becomes effective.

(d) The Shareholders may elect a director to fill any vacancy not filled by the Board.

(e) The term of a director terminates upon the election and qualification of a successor.

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

(b) If, after the filling of a vacancy by the Board, the directors who have been elected by the Shareholders constitute less than a majority of the directors, a holder or holders of an aggregate of 10 percent or more of the shares outstanding at the time may call a special meeting of Shareholders to elect the entire Board.

(c) The Board may declare vacant the office of a director who has been declared of unsound mind by a court order.

(d) The superior court may, at the suit of the Board or of Shareholders holding at least 10 percent of the number of outstanding shares of any class, remove from office a director for fraudulent or dishonest acts, gross neglect of duty, or gross abuse of authority or discretion with reference to the Corporation and may bar from reelection a director removed in that manner for a period prescribed by the court. In this instance, the Corporation will be made a party to the suit.

(e) Except as set forth in (a)-(d) of this Section 4, a director may not be removed from office before the expiration of the term of office of that director.

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

(b) The following areas of responsibility are expressly reserved to the Board and will not be delegated to any committees of the Board:

(1) Declaring dividends or distributions;

(2) Approving or recommending to Shareholders actions or proposals required by the Alaska Corporations Code to be approved by Shareholders;

(3) Designating candidates for the office of director, for purposes of proxy solicitation or otherwise, or fill vacancies on the board or any committee of the board;

(4) Amending the Bylaws;

(5) Approving a plan or merger not requiring Shareholder approval;

(6) Capitalizing retained earnings;

(7) Authorizing or approving the reacquisition of shares unless under a general formula or method specified by the board;

(8) Authorizing or approving the issuance or sale of, or a contract to issue or sell, shares or designating the terms of a series of a class of shares, unless the Board, having acted regarding general authorization for the issuance or sale of shares, a contract to issue or sell, or the designation of a series, authorizes a committee, under a general formula or method specified by the Board by resolution or by adoption of a stock option or other plan, to fix the terms of a contract for the sale of the shares and to fix the terms upon which the shares may be issued or sold, including, without limitation, the price, the dividend rate, provisions for redemption, sinking fund, conversion, voting or preferential rights, and provisions for other features of a class of shares, or a series of a class of shares, with full power in the committee to adopt a final resolution setting out all the terms of a series for filing with the commissioner of the Department of Community & Economic Development under the Alaska Corporations Code; or

(9) Authorizing, approving, or ratifying contracts or other transactions between the Corporation and one or more of its directors, or between the Corporation and a corporation, firm, or association in which one or more of its directors has a material financial interest as defined under AS 10.06.478 of the Alaska Corporations Code.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE V

OFFICERS

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

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

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

Section 4. President. The President shall be the chief executive officer of the Corporation. The President shall be a member of the Board. The President shall exercise such duties as customarily pertain to the office of President and shall have

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

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

Section 6. Treasurer. The Treasurer shall be the chief financial officer and, unless the Board otherwise declares by resolution, the chief accounting officer of the Corporation. Unless the Board otherwise declares by resolution, the Treasurer shall have general custody of all the funds and securities of the Corporation and have general supervision of the collection and disbursement of funds of the Corporation. The Treasurer shall endorse for collection on behalf of the Corporation checks, notes and other obligations, and shall deposit the same to the credit of the Corporation in such bank or banks or depository as the Board may designate. The Treasurer may sign, with the Chairman of the Board, President, or such other person or persons as may be designated for the purpose by the Board, all bills of exchange or promissory notes of the Corporation. The Treasurer shall enter or cause to be entered regularly in the books of the Corporation a full and accurate account of all moneys received and paid by the Treasurer on account of the Corporation; shall at all reasonable times exhibit books and accounts of the Treasurer to any director of the Corporation upon application at the office of the Corporation during business hours; and, whenever required by the Board or the President, shall render a statement of accounts for the Corporation. The Treasurer shall perform such other duties as may be prescribed from time to time by the Board or by the Bylaws. The Treasurer may be required to give bond for the faithful performance of duties of that office in such sum and with such surety as shall be approved by the Board. The Board may authorize one or more accounting firms to perform any act or discharge any responsibility of the Treasurer. Any individual appointed by the Board as Assistant Treasurer shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer and shall perform such other duties and have such other powers as the Board may from time to time prescribe.

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

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

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

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

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

authority to execute and deliver proxies and consents on behalf of this Corporation in connection with the exercise by this Corporation of the rights and powers incident to the ownership of such stock, with full power of substitution or revocation.

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

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

ARTICLE VI

INDEMNIFICATION

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

Section 2. Derivative Actions. The Corporation will indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its

favor by reason for arising from the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise. This indemnification will cover reimbursement for expenses (including attorney fees) actually and reasonably incurred by that person in connection with the defense or settlement of such action if that person acted in good faith and in a manner that person reasonably believed to be in or not opposed to the best interests of the Corporation.

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

(b) To the extent that a director, officer, employee, or agent of the Corporation has been successful on the merits or otherwise in defense of an action or proceeding as described in Sections 1 and 2 of this Article VI or in defense of a claim, issue, or matter in the action or proceeding, the director, officer, employee, or agent will be indemnified against expenses and attorney fees actually and reasonably incurred in connection with the defense.

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

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

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

(A) not obtainable;

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

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

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

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

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

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

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

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

ARTICLE VII

FORM OF STOCK

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 5. Restrictions on Transfer. No securities of the Corporation or certificates representing such securities will be transferred in violation of any law or of any restriction on such transfer set forth in the Articles of Incorporation or amendments to them, these Bylaws or other agreement restricting such transfer which has been filed

Bylaws of General Communication, Inc.

with the Corporation if reference to any such restrictions is made on the certificates representing such securities. The Corporation will not be bound by any restriction not so filed and noted. The Corporation may rely in good faith upon the opinion of its counsel as to any legal or contractual violation with respect to any such restrictions unless the issue has been finally determined by a court of competent jurisdiction. The Corporation and any party to such agreement will have the right to have a restrictive legend imprinted upon any certificate covered by the agreement and any certificates issued in replacement or exchange therefor or with respect to such certificates.

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

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

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

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

(2) upon receipt by the Secretary of the instructions and required information as addressed in Section 7(b)(1) of this Article VII, the Corporation shall cause to be issued to the holder one share of Class A common stock for each share of Class B common stock requested to be

converted, issuing the shares in uncertificated form and delivering to the holder the converted shares in that form along with a separate identification of remaining shares, if any, of Class B common stock in uncertificated form; provided that, in the event the Corporation at the time of the conversion no longer shall be participating in the Direct Registration System, the converted shares of Class A common stock and the remaining shares of Class B common stock not converted shall be issued in certificated form.

ARTICLE VIII

REPORTS TO SHAREHOLDERS

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

(b) The annual report to Shareholders will contain, at minimum, a balance sheet as of the end of the fiscal year and an income statement and statement of changes in financial position for the fiscal year accompanied by the following: (1) a report on the fiscal year by independent accountants; or (2) if there is no such report from accountants, a certificate of an authorized officer of the Corporation that the financial statements were prepared without audit from the books and records of the Corporation; provided that, so long as the Corporation's stock is registered pursuant to the federal Securities Exchange Act of 1934, the Annual Report to Shareholders required under that act will be provided to all Shareholders.

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

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

Bylaws of General Communication, Inc.

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

ARTICLE IX

TRANSACTIONS WITH OFFICERS, DIRECTORS AND SHAREHOLDERS

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

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

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

Section 3. Transactions Involving Cross Directorships. A contract or other transaction between the Corporation and a corporation or association of which one or more directors of the Corporation are directors is neither void nor voidable because the director or directors are present at the meeting of the Board that authorizes, approves,

or ratifies the contract or transaction, if the material facts of the transaction and the director's other directorship are fully disclosed or known to the Board and the Board authorizes, approves, or ratifies the contract or transaction in good faith by a sufficient vote without counting the vote of the common director or directors or the contract or transaction is approved by the Shareholders in good faith. This Section 3 does not apply to contracts or transactions covered by Section 1 of this Article IX.

ARTICLE X

GENERAL PROVISIONS

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

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

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

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

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

ARTICLE XI

AMENDMENTS

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

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

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

I, the undersigned being the Secretary of GENERAL COMMUNICATION, INC., hereby certify the foregoing to be the amended and revised Bylaws of the Corporation, as adopted by the Board, on the 20th day of August 2007.

/s/ John M. Lowber
John M. Lowber, Secretary

THIRD AMENDMENT TO THE AMENDED AND RESTATED CREDIT AGREEMENT

THIS THIRD AMENDMENT TO THE AMENDED AND RESTATED CREDIT AGREEMENT

(this "Amendment"), dated as of September 14, 2007, is made by and among GCI HOLDINGS, INC., an Alaska corporation, GCI COMMUNICATION CORP., an Alaska corporation, GCI CABLE, INC., an Alaska corporation, GCI FIBER COMMUNICATION CO., INC., an Alaska corporation, POTTER VIEW DEVELOPMENT CO., INC., an Alaska corporation, and ALASKA UNITED FIBER SYSTEM PARTNERSHIP, an Alaska partnership (each individually, a "Borrower" and, collectively, the "Borrowers"), GCI, Inc., an Alaska corporation ("GCI"), the banks, financial institutions, and other lenders party hereto (the "Lenders"), and CALYON NEW YORK BRANCH, as administrative agent (the "Administrative Agent"). All capitalized terms used herein and not otherwise expressly defined herein shall have the respective meanings given to such terms in the Credit Agreement (as defined below).

WHEREAS, the Borrowers, Administrative Agent, Initial Lenders and the other parties thereto entered into that certain Amended and Restated Credit Agreement, dated as of August 31, 2005 (as amended, supplemented or modified from time to time, the "Credit Agreement");

WHEREAS, on August 10, 2007, the Borrowers requested of the Administrative Agent an incremental facility in an amount equal to one hundred million dollars (\$100,000,000.00) pursuant to Section 2.2(g) of the Credit Agreement;

WHEREAS, the First Incremental Lenders (as defined herein) and the Administrative Agent are willing to provide the incremental facility in an amount equal to seventy five million dollars (\$75,000,000.00) (the "First Incremental Loans"), subject to the terms and conditions more fully set forth herein, including Annex A attached hereto;

WHEREAS, the First Incremental Lenders (as defined herein) and the Administrative Agent are willing to increase the Revolving Commitment by an amount equal to thirty three million, seven hundred and fifty thousand dollars (\$33,750,000.00);

WHEREAS, the First Incremental Lenders (as defined herein) and the Administrative Agent are willing to increase the Term Commitment by an amount equal to forty one million, two hundred and fifty thousand dollars (\$41,250,000.00);

WHEREAS, it is a condition to the funding of the First Incremental Loans that certain amendments to the Credit Agreement be made; and

WHEREAS, the Lenders and Administrative Agent are willing to agree to such amendments more fully set forth herein, subject to the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the foregoing premises, and other good and valuable consideration, the receipt, sufficiency and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. **Amendments to the Credit Agreement**

(a) Section 1.1 of the Credit Agreement is hereby amended by deleting the definition of "First Adjustment Date" in its entirety and substituting the following in lieu thereof:

"First Adjustment Date" shall mean the date on which the respective Applicable Margins determined pursuant to Section 2.3(e) hereof in respect of the financial statements for the fiscal period ended September 30, 2007 (as described in and delivered pursuant to Section 6.1 hereof) first become effective in accordance with Section 2.3(e) hereof."

(b) Section 2.3(e) of the Credit Agreement is hereby amended by deleting the first paragraph thereof, including the grid following the first paragraph, in its entirety and substituting the following paragraph and grid in lieu thereof:

"(e) Applicable Margin. With respect to any Loan hereunder, from and after September 14, 2007, and until the day prior to the First Adjustment Date, the Applicable Margin with respect to any Loans shall be at Level II as specified in the grid below. On and after the First Adjustment Date, the Applicable Margin shall be, with respect to all Loans, a percentage, per annum, determined by reference to the Total Leverage Ratio in effect from time to time as set forth below:"

Level	Total Leverage Ratio	Applicable Margin for Base Rate Loans	Applicable Margin for Eurodollar Loans	
			Revolving Loans	Term Loans
I	≥ 3.75	75 bps	225 bps	200 bps
II	≥ 3.25 but < 3.75	50 bps	200 bps	200 bps
III	≥ 2.75 but < 3.25	25 bps	175 bps	200 bps
IV	< 2.75	0 bps	150 bps	200 bps

(c) Schedules 4-A and 4-B to the Credit Agreement are hereby amended by deleting each such schedule in its entirety and inserting in lieu thereof the revised Schedules 4-A and 4-B attached hereto as Exhibit A-1 and Exhibit A-2, respectively, as the same may be updated from time to time by the Administrative Agent to reflect any further funding of any additional Incremental Loans.

2 . **Conditions**. The effectiveness of this Amendment and the funding of the First Incremental Loans, is conditioned upon (i) the delivery to the Administrative Agent of (A) counterparts to this Amendment executed by each of the Borrowers, the Majority Lenders, the Administrative Agent and any Initial Lender required pursuant to the provisions of Section 11.12(b) of the Credit Agreement and (B) except as provided in Section 3 hereof, such other documentation as the Administrative Agent may reasonably request, including, but not limited to, those documents more fully set forth on Annex A attached hereto, (ii) the payment of all fees and expenses owed to the Administrative Agent, and (iii) the receipt by the Administrative Agent of written commitments totaling the amount of the First Incremental Loans from one or more Initial Lenders and/or one or more banks or financial institutions approved in writing by the Administrative Agent, in accordance with Section 2.2(g) of the Credit Agreement (such lenders,

the "First Incremental Lenders"). Upon the Administrative Agent's receipt of each such item above, this Amendment shall become effective as of the date hereof and the First Incremental Loans shall be funded by the First Incremental Lenders and the Administrative Agent.

3. **Covenants.** Borrowers and GCII will deliver to the Administrative Agent on or before the earlier of (i) sixty (60) days from the date of funding of the First Incremental Loans or (ii) thirty (30) days from the date of funding of any additional Incremental Loans (in each case as such periods may be extended by the Administrative Agent in its reasonable discretion), amended and restated Mortgages securing the aggregate amount of all Loans, including but not limited to the amount of the First Incremental Loans and any additional Incremental Loans.

4. **Representations and Warranties.** To induce the Administrative Agent and the Lenders to enter into this Amendment, each of the Borrowers and to the extent set forth below, GCII, does hereby represent and warrant that as of the date hereof:

(a) there exists no Default or Event of Default under the Credit Agreement or any of the other Loan Documents; provided that GCII's representation pursuant to this clause (a) shall be limited to the Loan Documents to which it is a party;

(b) each Borrower and GCII has the power and authority and has taken all the necessary action to authorize the execution, delivery and performance of this Amendment and the incurrence of the First Incremental Loans;

(c) this Amendment and the incurrence of the First Incremental Loans have been duly executed and delivered by the duly authorized officers of the Borrowers and GCII, and this Amendment and the Credit Agreement are the legal, valid and binding obligation of each Borrower and GCII enforceable against each Borrower and GCII in accordance with their terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws affecting creditors' rights generally and by general principles of equity; and

(d) the execution, delivery and performance of this Amendment and the incurrence of the First Incremental Loans in accordance with the terms herein do not and will not, with the passage of time, the giving of notice or otherwise: (i) require any consent, approval, authorization, permit or license, governmental or otherwise which has not already been obtained or is not in full force and effect or violate any applicable law relating to any Borrower or GCII; (ii) conflict with, result in a breach of or constitute a default under (A) the articles or certificate of incorporation or bylaws, operating agreement or the partnership agreement, as the case may be, of any Borrower or GCII, (B) any indenture, material agreement or other material instrument to which any Borrower or GCII is a party or by which any of its properties may be bound, or (C) any material Licenses; or (iii) result in or require the creation or imposition of any Lien upon or with respect to any property now owned or hereafter acquired by the Borrowers or GCII other than Permitted Liens.

5. **Acknowledgement and Consent.** Each Guarantor hereby consents to the terms of this Amendment and further hereby confirms and agrees that, notwithstanding the effectiveness of this Amendment, the obligations of such Guarantor under each of the Loan Documents to which

such Guarantor is a party shall not be impaired and each of the Loan Documents to which such Guarantor is a party is, and shall continue to be, in full force and effect and is hereby confirmed and ratified in all respects.

Each Guarantor hereby acknowledges and agrees that (i) notwithstanding the conditions to effectiveness set forth in this Amendment, such Guarantor is not required by the terms of the Credit Agreement or any other Loan Document to consent to the amendment to the Credit Agreement effected pursuant to this Amendment and (ii) nothing in the Credit Agreement, this Amendment or any other Loan Document shall be deemed to require the consent of such Guarantor to any future amendments to the Credit Agreement.

6. **General.** This Amendment:

(a) shall be deemed to be a Loan Document;

(b) embodies the entire understanding and agreement among the parties hereto and thereto with respect to the subject matter hereof and thereof and supersedes all prior agreements, understandings and inducements, whether express or implied, oral or written; and

(c) may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart by facsimile shall be equally effective as delivery of a manually executed counterpart to this Amendment.

7. **No Course of Dealing or Performance.** Each of the Borrowers acknowledges and agrees that the execution, delivery and performance of this Amendment by the Administrative Agent and each of the Lenders does not and shall not create (nor shall Borrowers rely upon the existence of or claim or assert that there exists) any obligation of any of the Lenders and the Administrative Agent to consider or agree to any other amendment of or consent with respect to any of the Loan Documents, or any other instrument or agreement to which the Administrative Agent or any Lender is a party (collectively an "Amendment or Consent"), and in the event that the Administrative Agent or any of the Lenders subsequently agree to consider any requested Amendment or Consent, neither the existence of this Amendment, nor any other conduct of the Administrative Agent or any of the Lenders related hereto, shall be of any force or effect on the Administrative Agent's or any of the Lenders' consideration or decision with respect to any such requested Amendment or Consent, and the Administrative Agent and the Lenders shall not have any obligation whatsoever to consider or agree to any such Amendment or Consent.

8. **Successors and Assigns.** This Amendment shall be binding upon and inure to the benefit of the successors and permitted assigns of the parties hereto.

9. **Governing Law.** THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN NEW YORK.

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

Borrowers:

GCI HOLDINGS, INC.
GCI COMMUNICATION CORP.
GCI CABLE, INC.
GCI FIBER COMMUNICATION CO., INC.
POTTER VIEW DEVELOPMENT CO., INC.
each an Alaska corporation,

By: /s/ John M. Lowber

Name: John M. Lowber
Title: Senior Vice President and Chief Financial Officer

ALASKA UNITED FIBER SYSTEM PARTNERSHIP,
an Alaska partnership

By: GCI COMMUNICATION CORP.,
its general partner

By: /s/ John M. Lowber

Name: John M. Lowber
Title: Senior Vice President and Chief Financial Officer

By: GCI HOLDINGS, INC.,
its general partner

By: /s/ John M. Lowber

Name: John M. Lowber
Title: Senior Vice President and Chief Financial Officer

By: GCI, INC.,
an Alaska corporation

By: /s/ John M. Lowber

Name: John M. Lowber
Title: Senior Vice President and Chief Financial
Officer

CALYON NEW YORK BRANCH,
as Administrative Agent and Lender

By: /s/ W. Michael George
Name: W. Michael George
Title: Managing Director

By: /s/ Douglas E. Roper
Name: Douglas E. Roper
Title: Managing Director and Manager

UNION BANK OF CALIFORNIA, N.A.,
as Lender

By: /s/ Rich Vian

Name: Richard Vian
Title: Vice President

COBANK, ACB,
as Lender

By: /s/ Tokie Akrie

Name: Tokie Akrie

Title: Assistant Corporate Secretary

WELLS FARGO BANK, N.A., as Lender

By: /s/ J. Steven Taylor

Name: J. Steven Taylor

Title: Vice President

JOINDER AGREEMENT

THIS JOINDER AGREEMENT (this "Agreement") dated as of September 28, 2007, by and among BNP PARIBAS ("BNP"), U.S. BANK NATIONAL ASSOCIATION ("US Bank"), and together with BNP, the "New Lenders"), GCI HOLDINGS, INC., an Alaska corporation, GCI COMMUNICATION CORP., an Alaska corporation, GCI CABLE, INC., an Alaska corporation, GCI FIBER COMMUNICATION CO., INC., an Alaska corporation, POTTER VIEW DEVELOPMENT CO., INC., an Alaska corporation, and ALASKA UNITED FIBER SYSTEM PARTNERSHIP, an Alaska partnership (each individually, a "Borrower" and, collectively, the "Borrowers"), GCI, Inc., an Alaska corporation ("GCI") and CALYON NEW YORK BRANCH, as Administrative Agent ("Administrative Agent"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Credit Agreement (as defined below).

WITNESSETH:

WHEREAS, the Borrowers, GCII, the Initial Lenders signatory thereto and the Administrative Agent are party to that certain Amended and Restated Credit Agreement, dated as of August 31, 2005 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Credit Agreement");

WHEREAS, the Third Amendment to the Credit Agreement, dated as of September 14, 2007, by and between the Borrowers, GCII, the Initial Lenders and the Administrative Agent (the "Third Amendment") provides for the funding of the Incremental Loans in accordance with the terms and conditions set forth therein and pursuant to Section 2.2(g) of the Credit Agreement;

WHEREAS, the New Lenders are willing to commit to an aggregate increase in the Revolving Commitment in an amount equal to thirteen million, five hundred thousand dollars (\$13,500,000) and to an aggregate increase in the Term Commitment in an amount equal to sixteen million, five hundred thousand dollars (\$16,500,000) as more fully set forth on Exhibit A attached hereto;

WHEREAS, the Administrative Agent has agreed to sell and assign to US Bank and US Bank has agreed to purchase and assume from the Administrative Agent an interest in the Total Commitments in an aggregate amount equal to five million dollars (\$5,000,000) pursuant to that certain Assignment and Acceptance Agreement, dated as of September 28, 2007, by and between US Bank and the Administrative Agent; and

WHEREAS, each New Lender is willing to join and become a party to the Credit Agreement and the other Loan Documents as a Lender in order to provide Incremental Loans pursuant to Section 2.2(g) of the Credit Agreement;

NOW, THEREFORE, for and in consideration of the foregoing and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. Joinder of New Lenders.

(a) **Joinder.** Each of the New Lenders, each Borrower, the Administrative Agent and GCII, as Guarantor, hereby irrevocably acknowledges and agrees that each New Lender is a "Lender" within the meaning of, and subject to, the Credit Agreement and each other Loan Document and that each reference to "Lender", "Lenders", "Incremental Lender" or "Incremental Lenders" in the Credit Agreement, or any other Loan Document shall include the New Lenders. Pursuant to the Credit Agreement, as a Lender, each of the New Lenders is bound by each and every Loan Document to which all of the Lenders are party or bound as if it were an original signatory to each such Loan Document, and each of the New Lenders shall comply with, and be subject to, all of the terms, conditions, covenants, agreements and obligations set forth in each of such Loan Documents.

Further, each of the New Lenders (a) represents and warrants that it is legally authorized to enter into this Agreement; (b) confirms that it has received a copy of the Credit Agreement and such other documents and information as it has deemed appropriate to make its own credit analysis; (c) agrees that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (d) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under the Credit Agreement as are delegated to the Administrative Agent by the terms thereof, together with such powers as are reasonably incidental thereto; and (e) agrees that it will be bound by the provisions of the Credit Agreement and will perform in accordance with its terms all the obligations which by the terms of the Credit Agreement are required to be performed by it as Lender.

2. Effectiveness. This Agreement shall become effective upon receipt by the Administrative Agent of originally executed counterparts thereof.

3. Representations and Warranties. Each of the Borrowers hereby represents and warrants that each of the representations and warranties contained in each of the Loan Documents is true, correct and complete in all material respects as of the date hereof after giving effect to the Incremental Loans to the same extent as though made on such date, except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties are true, correct and complete in all material respects on and as of such earlier date.

4. General Provisions.

(a) **Acknowledgement and Consent.** Guarantor hereby consents to the terms of this Agreement and further hereby confirms and agrees that, notwithstanding the effectiveness of this Agreement, the obligations of Guarantor under each of the Loan Documents to which Guarantor is a party shall not be impaired and each of the Loan Documents to which Guarantor

is a party is, and shall continue to be, in full force and effect and is hereby confirmed and ratified in all respects.

(b) **Limited Effect.** Except as supplemented hereby, the Credit Agreement and each other Loan Document shall continue to be, and shall remain, in full force and effect. Except as set forth herein, this Agreement shall not be deemed (i) to be a waiver of, or consent to, or a modification or amendment of, any other term or condition of the Credit Agreement or the other Loan Documents, or (ii) to prejudice any right or rights which the Administrative Agent and Lenders, including the New Lenders, may now have or may have in the future under or in connection with the Credit Agreement or the other Loan Documents or any of the instruments or agreements referred to therein, as the same may be amended or modified from time to time.

(c) **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of the Borrowers, GCII, Administrative Agent and the Lenders, including the New Lenders, and their respective successors and assigns pursuant to the Credit Agreement.

(d) **Counterparts.** This Agreement may be executed by one or more of the parties hereto in any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

(e) **GOVERNING LAW.** THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN NEW YORK.

[Signature pages follow.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized representatives as of the date first written above.

Borrowers:

GCI HOLDINGS, INC.
GCI COMMUNICATION CORP.
GCI CABLE, INC.
GCI FIBER COMMUNICATION CO., INC.
POTTER VIEW DEVELOPMENT CO., INC.
each an Alaska corporation,

By: /s/ John M. Lowber

Name: John M. Lowber
Title: Senior Vice President and Chief Financial Officer

ALASKA UNITED FIBER SYSTEM PARTNERSHIP,
an Alaska partnership

By: GCI COMMUNICATION CORP.,
its general partner

By: /s/ John M. Lowber

Name: John M. Lowber
Title: Senior Vice President and Chief Financial Officer

By: GCI HOLDINGS, INC.,
its general partner

By: /s/ John M. Lowber

Name: John M. Lowber
Title: Senior Vice President and Chief Financial Officer

GCI, INC.,
an Alaska corporation

By: /s/ John M. Lowber

Name: John M. Lowber

Title: Senior Vice President and Chief Financial Officer

CALYON NEW YORK BRANCH,
as Administrative Agent

By: /s/ W. Michael George
Name: W. Michael George
Title: Managing Director

By: /s/ John McCloskey
Name: John McClosky
Title: Managing Director

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BNP PARIBAS,
as New Lender

By: /s/ Ola Anderssen

Name: Ola Anderssen
Title: Director

By: /s/ Gregg Bonardi

Name: Gregg Bonardi
Title: Director

S-5

U.S. BANK NATIONAL ASSOCIATION, as New
Lender

By: /s/ Thomas G. Gunder

Name: Thomas G. Gunder

Title: Senior Vice President

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SECTION 302 CERTIFICATION

I, Ronald A. Duncan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of General Communication, Inc. for the period ended September 30, 2007;
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.
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.

November 2, 2007

Date

/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 September 30, 2007;
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.
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.

November 2, 2007

Date

/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 September 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ronald A. Duncan, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

November 2, 2007
Date

/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 September 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John M. Lowber, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

November 2, 2007
Date

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