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

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2014

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File No. 0-15279

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

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

The number of shares outstanding of the registrant's classes of common stock as of July 31, 2014, was:

38,427,000 shares of Class A common stock; and
3,162,000 shares of Class B common stock.

GENERAL COMMUNICATION, INC.
FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2014

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Cautionary Statement Regarding Forward-Looking Statements

You should carefully review the information contained in this Quarterly Report, but should particularly consider any risk factors that we set forth in this Quarterly Report and in other reports or documents that we file from time to time with the Securities and Exchange Commission (“SEC”). In this Quarterly Report, in addition to historical information, we state our future strategies, plans, objectives or goals and our beliefs of future events and of our future operating results, financial position and cash flows. In some cases, you can identify these so-called “forward-looking statements” by words such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” “project,” or “continue” or the negative of these words and other comparable words. All forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance, achievements, plans and objectives to differ materially from any future results, performance, achievements, plans and objectives expressed or implied by these forward-looking statements. In evaluating these statements, you should specifically consider various factors, including those identified under “Risk Factors” in Item 1A of our annual report on Form 10-K for the year ended December 31, 2013. Those factors may cause our actual results to differ materially from any of our forward-looking statements. For these forward looking statements, we claim the protection of the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995.

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

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

(Amounts in thousands)

ASSETS		June 30, 2014	December 31, 2013
Current assets:			
Cash and cash equivalents	$	82,329	44,971
Receivables (including $33,200 and $28,000 from a related party at June 30, 2014 and December 31, 2013, respectively)		203,550	228,372
Less allowance for doubtful receivables		3,052	2,346
Net receivables		200,498	226,026
Deferred income taxes		44,600	39,753
Prepaid expenses		12,713	7,725
Inventories		8,377	10,347
Other current assets		166	230
Total current assets		348,683	329,052
Property and equipment in service, net of depreciation		985,260	969,578
Construction in progress		89,351	87,476
Net property and equipment		1,074,611	1,057,054
Goodwill		229,043	219,041
Cable certificates		191,635	191,635
Wireless licenses		86,347	91,400
Other intangible assets, net of amortization		64,526	71,435
Deferred loan and senior notes costs, net of amortization of $7,607 and $6,545 at June 30, 2014 and December 31, 2013, respectively		11,341	12,129
Other assets		54,958	40,061
Total other assets		637,850	625,701
Total assets	$	2,061,144	2,011,807

See accompanying condensed notes to interim consolidated financial statements.

(Continued)

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

(Amounts in thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY		June 30, 2014	December 31, 2013
Current liabilities:			
Current maturities of obligations under long-term debt and capital leases	$	10,681	9,301
Accounts payable (including $10,900 and $11,200 to a related party at June 30, 2014 and December 31, 2013, respectively)		57,138	65,095
Deferred revenue		30,946	27,586
Accrued payroll and payroll related obligations		25,516	29,855
Accrued liabilities		16,995	14,359
Accrued interest		6,704	7,088
Subscriber deposits		1,138	1,326
Total current liabilities		149,118	154,610
Long-term debt, net		1,082,990	1,045,144
Obligations under capital leases, excluding current maturities		70,609	66,261
Obligation under capital lease due to related party, excluding current maturity		1,870	1,880
Deferred income taxes		166,665	161,476
Long-term deferred revenue		86,552	88,259
Other liabilities		37,879	36,823
Total liabilities		1,595,683	1,554,453
Commitments and contingencies			
Stockholders' equity:			
Common stock (no par):			
Class A. Authorized 100,000 shares; issued 38,455 and 37,299 shares at June 30, 2014 and December 31, 2013, respectively; outstanding 38,429 and 37,209 shares at June 30, 2014 and December 31, 2013, respectively		12,801	11,467
Class B. Authorized 10,000 shares; issued and outstanding 3,162 and 3,165 shares at June 30, 2014 and December 31, 2013, respectively; convertible on a share-per-share basis into Class A common stock		2,670	2,673
Less cost of 26 and 90 Class A common shares held in treasury at June 30, 2014 and December 31, 2013, respectively		(249)	(866)
Paid-in capital		29,260	26,880
Retained earnings		127,266	116,990
Total General Communication, Inc. stockholders' equity		171,748	157,144
Non-controlling interests		293,713	300,210
Total stockholders' equity		465,461	457,354
Total liabilities and stockholders' equity	$	2,061,144	2,011,807

See accompanying condensed notes to interim consolidated financial statements.

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

(Amounts in thousands, except per share amounts)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Revenues:				
Non-related party	$ 210,236	189,661	410,739	375,877
Related party	14,163	—	29,943	—
Total revenues	224,399	189,661	440,682	375,877
Cost of goods sold (exclusive of depreciation and amortization shown separately below):				
Non-related party	69,707	65,699	138,850	130,309
Related party	2,675	—	5,306	—
Total cost of goods sold	72,382	65,699	144,156	130,309
Selling, general and administrative expenses:				
Non-related party	68,685	63,871	139,427	128,418
Related party	1,132	—	2,282	—
Total selling, general and administrative expenses	69,817	63,871	141,709	128,418
Depreciation and amortization expense	43,786	34,396	86,138	68,395
Operating income	38,414	25,695	68,679	48,755
Other expense:				
Interest expense (including amortization of deferred loan fees)	(18,170)	(17,527)	(36,381)	(34,431)
Other	(1,049)	53	(1,146)	53
Other expense	(19,219)	(17,474)	(37,527)	(34,378)
Income before income tax expense	19,195	8,221	31,152	14,377
Income tax expense	(127)	(4,158)	(342)	(7,187)
Net income	19,068	4,063	30,810	7,190
Net income (loss) attributable to non-controlling interests	10,913	(117)	20,534	(234)
Net income attributable to General Communication, Inc.	$ 8,155	4,180	10,276	7,424
Basic net income attributable to General Communication, Inc. common stockholders per Class A common share	$ 0.20	0.10	0.25	0.18
Basic net income attributable to General Communication, Inc. common stockholders per Class B common share	$ 0.20	0.10	0.25	0.18
Diluted net income attributable to General Communication, Inc. common stockholders per Class A common share	$ 0.20	0.10	0.25	0.18
Diluted net income attributable to General Communication, Inc. common stockholders per Class B common share	$ 0.20	0.10	0.25	0.18

See accompanying condensed notes to interim consolidated financial statements.

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2014 AND 2013
(Unaudited)

(Amounts in thousands)	Class A Common Stock	Class B Common Stock	Class A Shares Held in Treasury	Paid-in Capital	Retained Earnings	Non-controlling Interests	Total Stockholders' Equity
Balances at January 1, 2013	$ 22,703	2,676	(1,617)	25,832	107,584	32,258	189,436
Net income (loss)	—	—	—	—	7,424	(234)	7,190
Common stock repurchases and retirements	(13,192)	—	130	—	—	—	(13,062)
Shares issued under stock option plan	314	—	—	—	—	—	314
Issuance of restricted stock awards	1,005	—	—	(1,005)	—	—	—
Share-based compensation expense	—	—	—	3,094	—	—	3,094
Issuance of treasury shares related to deferred compensation payment	—	—	621	—	—	—	621
Other	2	(2)	—	—	—	—	—
Balances at June 30, 2013	$ 10,832	2,674	(866)	27,921	115,008	32,024	187,593
Balances at January 1, 2014	$ 11,467	2,673	(866)	26,880	116,990	300,210	457,354
Net income	—	—	—	—	10,276	20,534	30,810
Common stock repurchases and retirements	(536)	—	—	—	—	—	(536)
Shares issued under stock option plan	176	—	—	—	—	—	176
Issuance of restricted stock awards	1,691	—	—	(1,691)	—	—	—
Share-based compensation expense	—	—	—	3,973	—	—	3,973
Issuance of treasury shares related to deferred compensation payment	—	—	617	98	—	—	715
Distribution to non-controlling interest	—	—	—	—	—	(25,000)	(25,000)
Adjustment to investment by non-controlling interest	—	—	—	—	—	(2,131)	(2,131)
Other	3	(3)	—	—	—	100	100
Balances at June 30, 2014	$ 12,801	2,670	(249)	29,260	127,266	293,713	465,461

See accompanying condensed notes to interim consolidated financial statements.

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2014 AND 2013
(Unaudited)

(Amounts in thousands)

	2014	2013
Cash flows from operating activities:		
Net income	$ 30,810	7,190
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	86,138	68,395
Share-based compensation expense	3,971	2,906
Deferred income tax expense	342	7,187
Other noncash income and expense items	4,933	3,042
Change in operating assets and liabilities	12,826	(12,404)
Net cash provided by operating activities	139,020	76,316
Cash flows from investing activities:		
Purchases of property and equipment	(80,550)	(87,355)
Purchase of investments	(21,179)	—
Restricted cash	5,789	10,782
Purchases of other assets and intangible assets	(4,895)	(2,306)
Grant proceeds	1,136	1,773
Other	(621)	390
Net cash used in investing activities	(100,320)	(76,716)
Cash flows from financing activities:		
Borrowing on Senior Credit Facility	50,000	110,000
Repayment of debt and capital lease obligations	(26,403)	(93,921)
Distribution to non-controlling interest	(25,000)	—
Purchase of treasury stock to be retired	(536)	(13,062)
Borrowing on other long-term debt	421	1,780
Proceeds from stock option exercises	176	314
Payment of debt issuance costs	—	(2,990)
Net cash (used) provided by financing activities	(1,342)	2,121
Net increase in cash and cash equivalents	37,358	1,721
Cash and cash equivalents at beginning of period	44,971	24,491
Cash and cash equivalents at end of period	$ 82,329	26,212

See accompanying condensed notes to interim consolidated financial statements.

The accompanying unaudited interim consolidated financial statements include the accounts of General Communication, Inc. ("GCI") and its direct and indirect subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. They should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2013, filed with the SEC on March 26, 2014, as part of our annual report on Form 10-K. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results of operations for interim periods are not necessarily indicative of the results that may be expected for an entire year or any other period.

(1) Business and Summary of Significant Accounting Principles

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

(a) Business

GCI, an Alaska corporation, was incorporated in 1979. We offer the following services primarily in Alaska:

- Postpaid and prepaid wireless services and sale of wireless handsets and accessories,
- Video services, including broadcast television,
- Internet access services,
- Wholesale wireless, including postpaid and prepaid wireless plans for resale by other carriers and roaming for certain wireless carriers,
- Local and long-distance voice services,
- Data network services,
- Broadband services, including our SchoolAccess ® offering to rural school districts, our ConnectMD ® offering to rural hospitals and health clinics, and managed video conferencing,
- Managed services to certain commercial customers,
- Sales and service of dedicated communications systems and related equipment, and
- Lease, service arrangements and maintenance of capacity on our fiber optic cable systems used in the transmission of services within Alaska and between Alaska and the remaining United States and foreign countries.

(b) Principles of Consolidation

Our consolidated financial statements include the consolidated accounts of GCI and its wholly owned subsidiaries, The Alaska Wireless Network, LLC ("AWN") of which we own a two-third interest and four variable interest entities ("VIEs") for which we are the primary beneficiary after providing certain loans and guarantees. These VIEs are Terra GCI Investment Fund, LLC ("TIF"), Terra GCI 2 Investment Fund, LLC ("TIF 2"), Terra GCI 2-USB Investment Fund, LLC ("TIF 2-USB") and Terra GCI 3 Investment Fund, LLC ("TIF 3"). We also include in our consolidated financial statements non-controlling interests in consolidated subsidiaries for which our ownership is less than 100 percent. We use the equity method to account for our investments in entities that we do not control, but where we have the ability to exercise significant influence over operating and financial policies. We use the cost method to account for our investments in entities where we hold a non-controlling interest and do not have the ability to exercise significant influence over operating and financial policies.

All significant intercompany transactions between non-regulated affiliates of our company are eliminated. Intercompany transactions generated between regulated and non-regulated affiliates of our company are not eliminated in consolidation.

(c) Non-controlling Interests

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

(d) Acquisition

On July 22, 2013, we closed the transactions for our two-thirds ownership interest in AWN. Alaska Communications Systems Group, Inc. ("ACS") owns the other one-third ownership interest in AWN.

The following table summarizes the purchase price and the estimated fair value of ACS's assets acquired and liabilities assumed, effective July 23, 2013 (amounts in thousands):

Purchase price:	Previously Reported	Adjustments	Final Purchase Price Allocation
Cash consideration paid	$ 100,000	—	100,000
Fair value of the one-third ownership interest of AWN	267,642	(2,131)	265,511
Total purchase price	$ 367,642	(2,131)	365,511
Assets acquired and liabilities assumed:			
Acquired assets			
Current assets	$ 16,952	11	16,963
Property and equipment, including construction in progress	82,473	138	82,611
Goodwill	140,081	8,867	148,948
Wireless licenses	65,433	(5,053)	60,380
Rights to use capacity	52,636	(7,298)	45,338
Other assets	16,078	1,204	17,282
Fair value of liabilities assumed	(6,011)	—	(6,011)
Total fair value of assets acquired and liabilities assumed	$ 367,642	(2,131)	365,511

Unaudited pro forma financial information does not purport to be indicative of the actual results that would have occurred if the acquisition had actually been completed on January 1, 2013, nor is it necessarily indicative of the future revenue of the combined company as it includes estimates of the acquired entity revenue. The following unaudited pro forma financial information is presented as if the acquisition occurred on January 1, 2013 (amounts in thousands):

	(unaudited) Three Months Ended June 30, 2013	(unaudited) Six Months Ended June 30, 2013
Pro forma consolidated revenue	$ 227,132	445,230

Supplemental pro forma earnings have not been provided as it would be impracticable due to the nature of GCI's and ACS's respective wireless operations prior to the business combination. GCI and ACS were unable to disaggregate the components of expenses related to their wireless operations contributed to AWN and thus the amounts would require estimates so significant that the resulting information would not be meaningful.

(e) Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers,* or ASU 2014-09. This new standard provides guidance for the recognition, measurement and disclosure of revenue resulting from contracts with customers and will supersede virtually all of the current revenue recognition guidance under GAAP. The standard is effective for the first interim period within annual reporting periods beginning after December 15, 2016. Early adoption is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. We are currently evaluating the impact of the provisions of this new standard on our financial position and results of operations.

(f) Regulatory Accounting

We account for our regulated operations in accordance with the accounting principles for regulated enterprises. These accounting principles recognize the economic effects of rate regulation by recording cost and a return on investment as such amounts are recovered through rates authorized by regulatory authorities. Accordingly, plant and equipment is depreciated over lives approved by regulators and certain costs and obligations are deferred based upon approvals received from regulators to permit recovery of such amounts in future years. Our cost studies and depreciation rates for our regulated operations are subject to periodic audits that could result in a change to recorded revenues.

(g) Earnings per Common Share

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

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

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 June 30,			
	2014		2013	
	Class A	Class B	Class A	Class B
Basic net income per share:				
Numerator:				
Allocation of undistributed earnings	$ 7,534	621	$ 3,862	318
Denominator:				
Weighted average common shares outstanding	38,383	3,162	37,979	3,132
Basic net income attributable to GCI common stockholders per common share	$ 0.20	0.20	$ 0.10	0.10
Diluted net income per share:				
Numerator:				
Allocation of undistributed earnings for basic computation	$ 7,534	621	$ 3,862	318
Reallocation of undistributed earnings as a result of conversion of Class B to Class A shares	621	—	318	—
Reallocation of undistributed earnings as a result of conversion of dilutive securities	—	(3)	—	(6)
Effect of share based compensation that may be settled in cash or shares	$ (9)	—	$ (60)	—
Net income adjusted for allocation of undistributed earnings and effect of share based compensation that may be settled in cash or shares	$ 8,146	618	$ 4,120	312
Denominator:				
Number of shares used in basic computation	38,383	3,162	37,979	3,132
Conversion of Class B to Class A common shares outstanding	3,162	—	3,132	—
Unexercised stock options	122	—	164	—
Effect of share based compensation that may be settled in cash or shares	26	—	90	—
Number of shares used in per share computation	41,693	3,162	41,365	3,132
Diluted net income attributable to GCI common stockholders per common share	$ 0.20	0.20	$ 0.10	0.10

	Six Months Ended June 30,			
	2014		2013	
	Class A	Class B	Class A	Class B
Basic net income per share:				
Numerator:				
Allocation of undistributed earnings	$ 9,490	786	$ 6,855	569
Denominator:				
Weighted average common shares outstanding	38,186	3,163	38,117	3,167
Basic net income attributable to GCI common stockholders per common share	$ 0.25	0.25	$ 0.18	0.18
Diluted net income per share:				
Numerator:				
Allocation of undistributed earnings for basic computation	$ 9,490	786	$ 6,855	569
Reallocation of undistributed earnings as a result of conversion of Class B to Class A shares	786	—	569	—
Reallocation of undistributed earnings as a result of conversion of dilutive securities	—	(3)	—	(10)
Effect of share based compensation that may be settled in cash or shares	$ (2)	—	$ (94)	—
Net income adjusted for allocation of undistributed earnings and effect of share based compensation that may be settled in cash or shares	$ 10,274	783	$ 7,330	559
Denominator:				
Number of shares used in basic computation	38,186	3,163	38,117	3,167
Conversion of Class B to Class A common shares outstanding	3,162	—	3,167	—
Unexercised stock options	121	—	168	—
Effect of share based compensation that may be settled in cash or shares	26	—	90	—
Number of shares used in per share computation	41,495	3,163	41,542	3,167
Diluted net income attributable to GCI common stockholders per common share	$ 0.25	0.25	$ 0.18	0.18

Weighted average shares associated with outstanding share awards for the three and six months ended June 30, 2014 and 2013, which have been excluded from the computations of diluted EPS, because the effect of including these share awards would have been anti-dilutive, consist of the following (shares, in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Shares associated with anti-dilutive unexercised stock options	28	88	31	88

There were no shares associated with contingent awards for the three and six months ended June 30, 2014. There were 50,000 shares associated with contingent awards for the three and six months ended

June 30, 2013, which have been excluded from the computation of diluted EPS because the contingencies of these awards were not met at June 30, 2013.

(h) Common Stock

Following are the changes in issued common stock for the six months ended June 30, 2014 and 2013 (shares, in thousands):

	Class A	Class B
Balances at December 31, 2012	38,534	3,169
Class B shares converted to Class A	2	(2)
Shares issued upon stock option exercises	51	—
Share awards issued	664	—
Shares retired	(1,538)	—
Shares acquired to settle minimum statutory tax withholding requirements	(17)	—
Other	(2)	—
Balances at June 30, 2013	37,694	3,167
Balances at December 31, 2013	37,299	3,165
Class B shares converted to Class A	3	(3)
Shares issued upon stock option exercises	20	—
Share awards issued	1,187	—
Shares retired	(29)	—
Shares acquired to settle minimum statutory tax withholding requirements	(25)	—
Balances at June 30, 2014	38,455	3,162

GCI's Board of Directors has authorized a common stock buyback program for the repurchase of GCI's Class A and Class B common stock in order to reduce the outstanding shares of Class A and Class B common stock. We are authorized to increase our repurchase limit $5.0 million per quarter indefinitely and to use stock option exercise proceeds to repurchase additional shares. If stock repurchases are less than the total approved quarterly amount the difference may be carried forward and used to repurchase additional shares in future quarters. The cost of the repurchased common stock reduced Common Stock on our Consolidated Balance Sheets.

Except for shares acquired to satisfy minimum statutory withholding requirements upon vesting of restricted stock, we had no common stock repurchases during the six months ended June 30, 2014 . During the three and six months ended June 30, 2013, we repurchased 0.7 million and 1.5 million shares, respectively, of our Class A common stock under the stock buyback program at a cost of $6.3 million and $12.9 million, respectively. Under this program we are currently authorized to make up to $116.1 million of repurchases as of June 30, 2014. The stock repurchased during the six months ended June 30, 2013 was constructively retired as of June 30, 2013.

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

(i) Accounts Receivable and Allowance for Doubtful Receivables

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

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

(j) Revenue Recognition
We recorded high cost support revenue under the Universal Service Fund ("USF") program of $17.0 million and $10.5 million for the three months ended June 30, 2014 and 2013, respectively, and $33.5 million and $21.1 million for the six months ended June 30, 2014 and 2013, respectively. At June 30, 2014, we have $47.4 million in high cost support accounts receivable.

(k) Use of Estimates
The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to estimates and assumptions include the allowance for doubtful receivables, unbilled revenues, accrual of the USF high cost Remote area program support, share-based compensation, inventory at lower of cost or market, reserve for future customer credits, liability for incurred but not reported medical insurance claims, valuation allowances for deferred income tax assets, depreciable and amortizable lives of assets, the carrying value of long-lived assets including goodwill, cable certificates, wireless licenses,and broadcast licenses, our effective tax rate, purchase price allocations, deferred lease expense, asset retirement obligations, the accrual of cost of goods sold (exclusive of depreciation and amortization expense) ("Cost of Goods Sold"), depreciation and the accrual of contingencies and litigation. Actual results could differ from those estimates.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Surcharges reported gross	$ 1,101	1,205	2,234	2,432

(m) Income Taxes
Income taxes were computed using an effective tax rate, which is subject to ongoing review and evaluation. Our effective tax rate for the three and six months ended June 30, 2014 is lower than the U.S. statutory rate due primarily to the inclusion of income attributable to the non-controlling interest in AWN in income before income tax expense and the exclusion of income taxes on income attributable to the non-controlling interest in AWN.

(n) Reclassifications
Reclassifications have been made to the 2013 financial statements to make them comparable with the 2014 presentation.

(2) Consolidated Statements of Cash Flows Supplemental Disclosures

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

Six Months Ended June 30,	2014	2013
(Increase) decrease in accounts receivable, net	$ 24,693	(19,241)
Increase in prepaid expenses	(5,084)	(2,531)
Decrease in inventories	2,024	3,333
Decrease in other current assets	75	1,185
Increase in other assets	(344)	(1,294)
Increase (decrease) in accounts payable	(6,821)	1,044
Increase in deferred revenues	3,360	207
Increase (decrease) in accrued payroll and payroll related obligations	(4,359)	3,732
Increase in accrued liabilities	1,452	2,881
Decrease in accrued interest	(384)	(25)
Increase (decrease) in subscriber deposits	(188)	133
Decrease in long-term deferred revenue	(2,345)	(927)
Increase (decrease) in components of other long-term liabilities	747	(901)
Total change in operating assets and liabilities	$ 12,826	(12,404)

The following item is for the six months ended June 30, 2014 and 2013 (amounts in thousands):

Net cash paid or received:	2014	2013
Interest paid including capitalized interest	$ 37,658	35,139

The following items are non-cash investing and financing activities for the six months ended June 30, 2014 and 2013 (amounts in thousands):

	2014	2013
Non-cash additions for purchases of property and equipment	$ 25,114	13,740
Net capital lease obligation	$ 9,386	—
Distribution to non-controlling interest	$ 4,167	—
Asset retirement obligation additions to property and equipment	$ 361	1,066
Deferred compensation distribution denominated in shares	$ 617	621

(3) Intangible Assets and Goodwill

Wireless licenses allocated to the Wireless segment decreased at June 30, 2104, due to an adjustment to the AWN purchase price. Goodwill allocated to the Wireless segment increased at June 30, 2014, primarily due to an adjustment to the AWN purchase price. See Note 1(d), "Acquisition" of this Form 10-Q for further discussion of the AWN transaction.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Amortization expense	$ 2,189	1,431	4,600	2,887

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,	
2014	$ 9,131
2015	7,905
2016	6,112
2017	4,275
2018	3,287

(4) Financial Instruments

Fair Value of Financial Instruments
The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. At June 30, 2014 and December 31, 2013, the fair values of cash and cash equivalents, net receivables, inventories, accounts payable, accrued payroll and payroll related obligations, accrued interest, accrued liabilities, and subscriber deposits approximate their carrying value due to the short-term nature of these financial instruments. The carrying amounts and approximate fair values of our financial instruments at June 30, 2014 and December 31, 2013 follow (amounts in thousands):

	June 30, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Current and long-term debt	$ 1,085,859	1,118,227	1,047,980	1,058,431

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

Current and long-term debt: The fair values of the 6.75% Senior Notes due 2021 and the 8.63% Senior Notes due 2019 both issued by GCI, Inc., our wholly owned subsidiary, are based upon quoted market prices for the same or similar issues (Level 2). The fair value of our Rural Utilities Service debt is based on the current rates offered to us for the same remaining maturities (Level 3). The fair value of our Senior Credit Facility is estimated to approximate the carrying value because this instrument is subject to variable interest rates (Level 2).

Fair Value Measurements
Assets measured at fair value on a recurring basis as of June 30, 2014 and December 31, 2013 are as follows (amounts in thousands):

	Fair Value Measurement at Reporting Date Using		
June 30, 2014 Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Deferred compensation plan assets (mutual funds)	$ 1,882	—	—
Total assets at fair value	$ 1,882	—	—
December 31, 2013 Assets			
Deferred compensation plan assets (mutual funds)	$ 2,183	—	—
Total assets at fair value	$ 2,183	—	—

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

(5) Stockholders' Equity

Shared-Based Compensation

Our Amended and Restated 1986 Stock Option Plan ("Stock Option Plan"), provides for the grant of options and restricted stock awards (collectively "award") for a maximum of 15.7 million shares of GCI Class A common stock, subject to adjustment upon the occurrence of stock dividends, stock splits, mergers, consolidations or certain other changes in corporate structure or capitalization. If an award expires or terminates, the shares subject to the award will be available for further grants of awards under the Stock Option Plan. The Compensation Committee of GCI's Board of Directors administers the Stock Option Plan. Substantially all restricted stock awards granted vest over periods of up to three years. Substantially all options vest in equal installments over a period of five years and expire ten years from the date of grant. The requisite service period of our awards is generally the same as the vesting period. Options granted pursuant to the Stock Option Plan are only exercisable if at the time of exercise the option holder is our employee, non-employee director, or a consultant or advisor working on our behalf. New shares are issued when stock option agreements are exercised or restricted stock awards are granted. We have 2.3 million shares available for grant under the Stock Option Plan at June 30, 2014.

A summary of option activity under the Stock Option Plan as of June 30, 2014 and changes during the period then ended is presented below:

	Shares (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2014	620	$ 7.74		
Exercised	(19)	$ 8.73		
Options forfeited and retired	(250)	$ 8.40		
Expired	(12)	$ 10.69		
Outstanding at June 30, 2014	339	$ 7.09	4.5 years	$ 1,392
Exercisable at June 30, 2014	336	$ 7.10	4.4 years	$ 1,373

The total fair value of options vesting during the six months ended June 30, 2014 and 2013, was $50,000 and $23,000, respectively. The total intrinsic values, determined as of the date of exercise, of options exercised in the six months ended June 30, 2014 and 2013, were $46,000 and $0.1 million, respectively. We received $0.2 million and $0.3 million in cash from stock option exercises in the six months ended June 30, 2014 and 2013, respectively.

A summary of nonvested restricted stock award activity under the Stock Option Plan for the six months ended June 30, 2014 , follows (share amounts in thousands):

	Shares	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2014	1,209	$ 8.60
Granted	1,187	$ 9.89
Vested	(153)	$ 10.82
Forfeited	(6)	$ 9.38
Nonvested at June 30, 2014	2,237	

The weighted average grant date fair value of awards granted during the six months ended June 30, 2014 and 2013, were $9.89 and $8.22, respectively. We have recorded share-based compensation expense of $4.0 million and $2.9 million for the six months ended June 30, 2014 and 2013, respectively. Share-based compensation expense is classified as Selling, General and Administrative Expense in our Consolidated Income Statements. Unrecognized share-based compensation expense was $12.5 million relating to 2.2 million restricted stock awards and $8,000 relating to 3,000 unvested stock options as of June 30, 2014. We expect to recognize share-based compensation expense over a weighted average period of 0.6 year for stock options and 2.1 years for restricted stock awards.

(6) Segments

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

A description of our reportable segments follows:

Wireless - We offer wholesale wireless services.

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

We evaluate performance and allocate resources based on earnings before depreciation and amortization expense, net interest expense, income taxes, share-based compensation expense, accretion expense, income or loss attributable to non-controlling interest resulting from New Markets Tax Credit ("NMTC") transactions, non-cash contribution adjustment, and other non-cash adjustments (“Adjusted EBITDA”). Management believes that this measure is useful to investors and other users of our financial information in evaluating operating profitability as an analytical indicator of income generated to service debt and fund capital expenditures. In addition, multiples of current or projected earnings before depreciation and amortization, net interest expense, and income taxes (“EBITDA”) are used to estimate current or prospective enterprise value. The accounting policies of the reportable segments are the same as those described in Note 1, “Business and Summary of Significant Accounting Policies” of this Form 10-Q. We have no intersegment sales.

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

Summarized financial information for our reportable segments for the three and six months ended June 30, 2014 and 2013 follows (amounts in thousands):

	Three Months Ended			Six Months Ended		
	Wireless	Wireline	Total Reportable Segments	Wireless	Wireline	Total Reportable Segments
June 30, 2014						
Revenues	$ 69,397	155,002	224,399	131,914	308,768	440,682
Adjusted EBITDA	$ 40,174	44,297	84,471	78,196	81,072	159,268
June 30, 2013						
Revenues	$ 35,559	154,102	189,661	69,396	306,481	375,877
Adjusted EBITDA	$ 14,273	47,866	62,139	29,462	91,326	120,788

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Reportable segment Adjusted EBITDA	$ 84,471	62,139	159,268	120,788
Less depreciation and amortization expense	(43,786)	(34,396)	(86,138)	(68,395)
Less share-based compensation expense	(2,193)	(1,647)	(3,971)	(2,906)
Less accretion expense	(301)	(155)	(602)	(282)
Other	223	(246)	122	(450)
Consolidated operating income	38,414	25,695	68,679	48,755
Less other expense	(19,219)	(17,474)	(37,527)	(34,378)
Consolidated income before income tax expense	$ 19,195	8,221	31,152	14,377

(7) Related Party Transaction

Upon closing of the AWN acquisition on July 22, 2013, ACS became a related party for financial statement reporting purposes. ACS provides us with local service lines and network capacity in locations where we do not have our own facilities. We provide wholesale services to ACS who uses our network to sell services to its respective retail customers and we receive ACS' high cost support from USF for its wireless customers. For the six months ended June 30, 2014, we have paid ACS $32.7 million and received $20.1 million in payments from ACS. At June 30, 2014 we have $33.2 million in receivables from ACS and $10.9 million in payables to ACS. We also have long term capacity exchange agreements with ACS for which no money is exchanged.

(8) Variable Interest Entities

We have entered into several arrangements under the NMTC program with US Bancorp to help fund a $59.3 million project to extend terrestrial broadband service for the first time to rural Northwestern Alaska communities via a high capacity hybrid fiber optic and microwave network. When completed, the project, called TERRA-Northwest (“TERRA-NW”), will connect to the TERRA-Southwest ("TERRA-SW") network and provide a high capacity backbone connection from the served communities to the Internet. The NMTC program was provided for in the Community Renewal Tax Relief Act of 2000 (the “Act”) to induce capital investment in qualified lower income communities. The Act permits taxpayers to claim credits against their federal income taxes for up to 39% of qualified investments in the equity of community development entities (“CDEs”). CDEs are privately managed investment institutions that are certified to make qualified low-income community investments.

On August 30, 2011, we entered into the first arrangement (“NMTC #1”). In connection with the NMTC #1 transaction we loaned $58.3 million to TIF, a special purpose entity created to effect the financing arrangement, at 1% interest due August 30, 2041. Simultaneously, US Bancorp invested $22.4 million in TIF. TIF then contributed US Bancorp’s contribution and the loan proceeds to certain CDEs. The CDEs, in turn, loaned the $76.8 million in funds less payment of placement fees, at interest rates varying from 1% to 3.96%, to Unicom, as partial financing for TERRA-NW.

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

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

US Bancorp is the sole investor in TIF, TIF 2, TIF 2-USB and TIF 3, and as such, is entitled to substantially all of the benefits derived from the NMTCs. All of the loan proceeds to Unicom, our wholly owned subsidiary, net of syndication and arrangement fees, are restricted for use on TERRA-NW. Restricted cash of $1.1 million and $6.9 million was held by Unicom at June 30, 2014 and December 31, 2013, respectively, and is included in our Consolidated Balance Sheets. We began construction on TERRA-NW in 2012 and expect to complete all current phases of the project in early 2015. We began offering service on Phases 1 and 2 of this new facility in 2013.

These transactions include put/call provisions whereby we may be obligated or entitled to repurchase US Bancorp's interests in TIF, TIF 2, TIF 2-USB and/or TIF 3. We believe that US Bancorp will exercise the put options in August 2018, October 2019 and December 2019, at the end of the compliance periods for NMTC #1, NMTC #2 and NMTC #3, respectively. The NMTCs are subject to 100% recapture for a period of seven years as provided in the Internal Revenue Code. We are required to be in compliance with various regulations and contractual provisions that apply to the NMTC arrangements. Non-compliance with applicable requirements could result in projected tax benefits not being realized by US Bancorp. We have agreed to indemnify US Bancorp for any loss or recapture of NMTCs until such time as our obligation to deliver tax benefits is relieved. There have been no credit recaptures as of June 30, 2014. The value attributed to the puts/calls is nominal.

We have determined that TIF, TIF 2, TIF 2-USB and TIF 3 are VIEs. The consolidated financial statement of TIF, TIF 2, TIF 2-USB and TIF 3 include the CDEs discussed above. The ongoing activities of the VIEs – collecting and remitting interest and fees and NMTC compliance – were all considered in the initial design and are not expected to significantly affect economic performance throughout the life of the VIEs. Management considered the contractual arrangements that obligate us to deliver tax benefits and provide various other guarantees to US Bancorp; US Bancorp's lack of a material interest in the underlying economics of the project; and the fact that we are obligated to absorb losses of the VIEs. We concluded that we are the primary beneficiary of each and consolidated the VIEs in accordance with the accounting standard for consolidation.

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

The assets and liabilities of our consolidated VIEs were $140.9 million and $104.2 million, respectively, as of June 30, 2014 and December 31, 2013.

(9) Commitments and Contingencies

Capital Leases as Lessee

We have a capital lease agreement for transponder capacity on Intelsat, Ltd.'s ("Intelsat") Galaxy 18 spacecraft. The Intelsat Galaxy 18 C-band and Ku-Band transponders are being leased over an expected term of 14 years. At lease inception the present value of the lease payments, excluding telemetry, tracking and command services and back-up protection, was $98.6 million. We amended our transponder capacity lease agreement with Intelsat in October 2013 to lease additional transponder capacity on Intelsat's Galaxy 18 spacecraft with a term of 7 years. As a result, on January 1, 2014, we increased our existing capital lease asset and liability by $9.4 million.

A summary of future minimum capital lease payments follows (amounts in thousands):

Years ending December 31:		
2014	$	6,718
2015		13,444
2016		13,454
2017		13,433
2018		13,440
2019 and thereafter		46,658
Total minimum lease payments		107,147
Less amount representing interest		26,855
Less current maturity of obligations under capital leases		7,813
Long-term obligations under capital leases, excluding current maturity	$	72,479

Tribal Mobility Fund I Grant

On February 28, 2014, the Federal Communications Commission ("FCC") announced our winning bids in the Tribal Mobility Fund I auction for a $41.4 million grant to partially fund expansion of our 3G wireless network, or better, to locations in Alaska where we would not otherwise be able to construct within our return-on-investment requirements. We filed a long-form application with the FCC by their deadline of April 4, 2014, and this form must be reviewed for final approval, before the award can be issued.

Part I

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our interim consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, we evaluate our estimates and judgments, including those related to the allowance for doubtful receivables, unbilled revenues, accrual of the Universal Service Fund ("USF") high cost remote area program support, share-based compensation, inventory at lower of cost or market, reserve for future customer credits, liability for incurred but not reported medical insurance claims, valuation allowances for deferred income tax assets, depreciable and amortizable lives of assets, the carrying value of long-lived assets including goodwill, cable certificates, wireless licenses, and broadcast licenses, our effective tax rate, purchase price allocations, deferred lease expense, asset retirement obligations, the accrual of cost of goods sold (exclusive of depreciation and amortization expense) ("Cost of Goods Sold"), depreciation, and accrual of contingencies and litigation. We base our estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. See also our "Cautionary Statement Regarding Forward-Looking Statements."

General Overview

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

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

On July 22, 2013, we closed the transactions under the Wireless Agreement and other related agreements entered into on June 4, 2012 by and among Alaska Communications Systems Group, Inc. ("ACS"), GCI, ACS Wireless, Inc., a wholly owned subsidiary of ACS, GCI Wireless Holdings, LLC, a wholly owned subsidiary of GCI, and AWN, pursuant to which the parties agreed to contribute the respective wireless network assets of GCI, ACS and their affiliates to AWN. This transaction provides a statewide network with the spectrum mix, scale, advanced technology and cost structure necessary to compete with Verizon Wireless and AT&T Mobility in Alaska. AWN provides wholesale services to GCI and ACS. GCI and ACS use the AWN network in order to continue to sell services to their respective retail customers. GCI and ACS continue to compete against each other and other wireless providers in the retail market.

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

	Three Months Ended June 30,		Percentage Change[1] 2014	Six Months Ended June 30,		Percentage Change[1] 2014
	2014	2013	vs. 2013	2014	2013	vs. 2013
Statements of Operations Data:						
Revenues:						
Wireless segment	31%	19%	95%	30%	18%	90%
Wireline segment	69%	81%	1%	70%	82%	1%
Total revenues	100%	100%	18%	100%	100%	17%
Selling, general and administrative expenses	31%	34%	9%	32%	34%	10%
Depreciation and amortization expense	20%	18%	27%	20%	18%	26%
Operating income	17%	14%	49%	16%	13%	41%
Other expense, net	9%	9%	10%	9%	9%	9%
Income before income taxes	9%	4%	133%	7%	4%	117%
Net income	8%	2%	369%	7%	2%	329%
Net income (loss) attributable to the non-controlling interests	5%	—%	9,327%	5%	—%	8,775%
Net income attributable to GCI	4%	2%	95%	2%	2%	38%

[1]Percentage change in underlying data

We evaluate performance and allocate resources based on earnings before depreciation and amortization expense, net interest expense, income taxes, share-based compensation expense, accretion expense, income or loss attributable to non-controlling interest resulting from New Markets Tax Credit transactions, non-cash contribution adjustment, and other non-cash adjustments ("Adjusted EBITDA"). Management believes that this measure is useful to investors and other users of our financial information in evaluating operating profitability as an analytical indicator of income generated to service debt and fund capital expenditures. In addition, multiples of current or projected earnings before depreciation and amortization expense, net interest expense and income taxes ("EBITDA") are used to estimate current or prospective enterprise value. See note 6 in the "Condensed Notes to Interim Consolidated Financial Statements" included in Part I of this quarterly report on Form 10-Q for a reconciliation of consolidated Adjusted EBITDA, a non-GAAP financial measure, to consolidated income before income taxes.

Overview of Revenues and Cost of Goods Sold
Total revenues increased 18% from $189.7 million in the three months ended June 30, 2013 to $224.4 million in the same period in 2014. Total revenues increased 17% from $375.9 million in the six months ended June 30, 2013 to $440.7 million in the same period in 2014. Revenue increased in both of our segments for the three and six months ended June 30, 2014 compared to the same periods in 2013. See the discussion below for more information by segment.

Total Cost of Goods Sold increased 10% from $65.7 million in the three months ended June 30, 2013 to $72.4 million in the same period in 2014. Total Cost of Goods Sold increased 11% from $130.3 million in the six months ended June 30, 2013 to $144.2 million in the same period in 2014. Cost of Goods Sold decreased in our Wireline segment and increased in our Wireless segment for the three months ended June 30, 2014 compared to the same period in 2013. Cost of Goods Sold increased in both of our segments for the six months ended June 30, 2014 compared to the same period in 2013. See the discussion below for more information by segment.

Wireless Segment Overview
Wireless segment revenue, Cost of Goods Sold, and Adjusted EBITDA for the three and six months ended June 30, 2014 and 2013 are as follows (amounts in thousands):

	Three Months Ended June 30,		Percentage	Six Months Ended June 30,		Percentage
	2014	2013	Change	2014	2013	Change
Revenue	$ 69,397	35,559	95%	131,914	69,396	90%
Cost of Goods Sold	$ 23,500	16,573	42%	42,213	30,985	36%
Adjusted EBITDA	$ 40,174	14,273	181%	78,196	29,462	165%

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

Wireless Segment Revenues
The increase in revenue is primarily due to the following:
- A $15.4 million and $28.0 million increase in roaming revenue for the three and six months ended June 30, 2014 when compared to the same periods in 2013, respectively, primarily due to the July 22, 2013 close of the AWN transaction,
- A $11.3 million and $22.0 million increase in non-Lifeline wholesale plan fee revenue for the three and six months ended June 30, 2014 when compared to the same periods in 2013, respectively, due to the July 22, 2013 close of the AWN transaction,
- A $4.4 million and $8.8 million increase in high cost support revenue for the three and six months ended June 30, 2014 when compared to the same periods in 2013, respectively, due to the July 22, 2013 close of the AWN transaction, and
- A $2.6 million and $4.5 million increase in private line revenue for the three and six months ended June 30, 2014 when compared to the same periods in 2013, respectively, due to increased demand for backhaul capacity.

The increase is partially off-set by a $2.8 million and $5.2 million increase in the wireless handset cash incentives to ACS for the three and six months ended June 30, 2014 when compared to the same periods in 2013, respectively, for the sale of wireless handsets to their retail customers due to the July 22, 2013 close of the AWN transaction.

Wireless Segment Cost of Goods Sold
The increase in Cost of Goods Sold is primarily due to the following:
- A $4.0 million and $8.3 million increase in roaming costs for the three and six months ended June 30, 2014 when compared to the same periods in 2013, respectively, due to the July 22, 2013 close of the AWN transaction,
- A $1.5 million and $3.5 million increase in distribution and capacity costs for the three and six months ended June 30, 2014 when compared to the same periods in 2013, respectively, due to the July 22, 2013 close of the AWN transaction and growth in traffic carried on the wireless network, and
- A $1.2 million and $3.6 million increase in network maintenance costs for the three and six months ended June 30, 2014 when compared to the same periods in 2013, respectively, due to the growth of the wireless network resulting from the July 22, 2013 close of the AWN transaction and increased emphasis on our wireless network.

The increase in wireless Cost of Goods Sold is partially off-set by a $6.0 million decrease in wireless equipment costs for the six months ended June 30, 2014 when compared to the same period in 2013, respectively. Through the AWN transaction close date, the Wireless segment recorded the Cost of Goods Sold related to wireless equipment sales to retail customers based upon equipment sales and agreed-upon subsidy rates. Any amount in excess of this subsidy was recorded in the Wireline segment. Subsequent to the transaction close and through March 31, 2014, although permitted, the Wireline segment was unable to meet the requirements in order to request a wireless equipment subsidy from the Wireless segment in accordance with the AWN agreements.

Wireless Segment Adjusted EBITDA
The increase in Adjusted EBITDA for the three and six months ended June 30, 2014 when compared to the same periods in 2013 is primarily due to increased revenue as described above in “Wireless Segment Revenues.” This

increase was partially offset by increased Cost of Goods Sold as described above in "Wireless Segment Cost of Goods Sold" and an increase in selling, general and administrative expense.

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

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

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

The components of Wireline segment revenue for the three and six months ended June 30, 2014 and 2013 are as follows (amounts in thousands):

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Percentage Change	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013	Percentage Change
Consumer						
Wireless	$ 6,360	7,180	(11)%	13,851	13,726	1 %
Data	27,313	24,413	12 %	54,257	48,469	12 %
Video	26,871	27,740	(3)%	54,120	55,701	(3)%
Voice	8,279	9,141	(9)%	16,724	18,671	(10)%
Business Services						
Wireless	789	764	3 %	1,534	1,443	6 %
Data	35,554	39,394	(10)%	70,394	79,530	(11)%
Video	7,607	3,467	119 %	12,759	6,592	94 %
Voice	11,359	13,253	(14)%	23,100	25,580	(10)%
Managed Broadband						
Data	25,608	23,370	10 %	51,437	46,050	12 %
Voice	5,262	5,380	(2)%	10,592	10,719	(1)%
Total Wireline segment revenue	$ 155,002	154,102	1 %	308,768	306,481	1 %

Wireline segment Cost of Goods Sold and Adjusted EBITDA for the three and six months ended June 30, 2014 and 2013 are as follows (amounts in thousands):

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Percentage Change	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013	Percentage Change
Wireline segment Cost of Goods Sold	$ 48,882	49,126	— %	101,943	99,324	3 %
Wireline segment Adjusted EBITDA	$ 44,297	47,866	(7)%	81,072	91,326	(11)%

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

Selected key performance indicators for our Wireline segment follow:

	June 30, 2014	June 30, 2013	Percentage Change
Consumer			
Data:			
Cable modem subscribers[1]	115,600	115,600	— %
Video:			
Basic subscribers[2]	116,300	119,600	(3)%
Digital programming tier subscribers[3]	65,200	69,500	(6)%
HD/DVR converter boxes[4]	103,400	89,900	15 %
Homes passed	248,000	245,100	1 %
Video ARPU - quarter-to-date[5]	$ 76.49	$ 76.47	— %
Video ARPU - year-to-date[6]	$ 76.78	$ 76.51	— %
Voice:			
Total local access lines in service[7]	57,700	65,200	(12)%

Local access lines in service on GCI facilities[7]	53,800	60,800	(12)%
Business Services			
Data:			
Cable modem subscribers[1]	14,200	14,100	1 %
Voice:			
Total local access lines in service[7]	48,200	50,500	(5)%
Local access lines in service on GCI facilities[7]	35,000	35,600	(2)%
Combined Consumer and Business Services			
Wireless			
Consumer Lifeline wireless lines in service[8]	28,200	32,600	(13)%
Consumer Non-Lifeline wireless lines in service[9]	96,700	92,800	4 %
Business Services Non-Lifeline wireless lines in service[9]	18,500	17,500	6 %
Total wireless lines in service	143,400	142,900	— %
Wireless ARPU - quarter-to-date[10]	$ 49.95	$ 49.99	— %
Wireless ARPU - year-to-date[11]	$ 50.53	$ 49.63	2 %
Cable Modem ARPU - quarter-to-date[12]	$ 76.83	$ 68.25	13 %
Cable Modem ARPU - year-to-date[13]	$ 76.38	$ 68.17	12 %

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

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

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

[4] A high-definition/digital video recorder ("HD/DVR") converter box is defined as one box rented by a digital programming or basic tier subscriber. A digital programming or basic tier subscriber is not required to rent an HD/DVR converter box to receive service.

[5] Applicable average monthly video revenues divided by the average number of basic subscribers at the beginning and end of each month in the period ("Video ARPU") for the three months ended June 30, 2014 and 2013.

[6] Video ARPU for the six months ended June 30, 2014 and 2013.

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

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

[9] A non-Lifeline wireless line in service is defined as a revenue generating wireless device that is not eligible for Lifeline support.

[10] Average monthly wireless revenues, excluding those from common carrier customers, divided by the average of wireless subscribers at the beginning and end of each month in the period ("Wireless ARPU"). Revenue used for this calculation includes Wireline segment - Consumer - Wireless, Wireline segment - Business Services - Wireless and wholesale wireless revenues earned from GCI retail subscribers included in the Wireless segment for the three months ended June 30, 2014 and 2013.

[11] Wireless ARPU for the six months ended June 30, 2014 and 2013. Revenue used for this calculation includes Wireline segment - Consumer - Wireless, Wireline segment - Business Services - Wireless and wholesale wireless revenues earned from GCI retail subscribers included in the Wireless segment.

[12] Applicable average monthly cable modem revenues divided by the average number of subscribers at the beginning and end of each month in the period ("Cable Modem ARPU") for the three months ended June 30, 2014 and 2013.

[13] Cable Modem ARPU for the six months ended June 30, 2014 and 2013.

Wireline Segment Revenues

Consumer
The increase in data revenue is primarily due to a $3.0 million or 14% and $5.4 million or 13% increase in cable modem revenue for the three and six months ended June 30, 2014 when compared to the same periods in 2013, due to our subscribers' selection of plans that offer higher speeds and higher usage limits.

Business Services
Business Services data revenue is comprised of monthly recurring charges for data services and charges billed on a time and materials basis largely for personnel providing on-site customer support. This latter category can vary significantly based on project activity.

The decrease in data revenue is primarily due to a $5.7 million or 35% and $12.5 million or 37% decrease in managed services project revenue for the three and six months ended June 30, 2014 when compared to the same periods in 2013, respectively, due to a decrease in special project work.

The increase in video revenue for the three and six months ended June 30, 2014 when compared to the same periods in 2013 is primarily due to our acquisition of the television broadcast stations in the fourth quarter of 2013 and an increase in advertising sales due to the election cycle.

Managed Broadband
The increase in data revenue is primarily due to a $2.4 million or 10% and $5.4 million or 12% increase in monthly contract revenue for the three and six months ended June 30, 2014 when compared to the same periods in 2013, respectively, due to new ConnectMD® and SchoolAccess® customers and increased data network capacity purchased by our existing ConnectMD® and SchoolAccess® customers.

Wireline Segment Cost of Goods Sold

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

- A $1.9 million or 69% and $7.1 million or 117% increase in wireless Cost of Goods Sold for the three and six months ended June 30, 2014 when compared to the same periods in 2013, respectively, primarily due to an increase in the number of handsets sold and a decrease in subsidies received from the Wireless segment for the purchase of wireless handsets. Through the AWN transaction close, the Wireless segment recorded the Cost of Goods Sold related to wireless equipment sales to retail customers based upon equipment sales and agreed-upon subsidy rates. Any amount in excess of this subsidy was recorded in the Wireline segment. Subsequent to the transaction close and through March 31, 2014, although permitted, the Wireline segment was unable to meet the requirements in order to request a wireless equipment subsidy from the Wireless segment in accordance with the AWN agreements, and
- A $2.4 million or 17% and $4.5 million or 16% increase in video Cost of Goods Sold for the three and six months ended June 30, 2014 when compared to the same periods in 2013, respectively, primarily due to the acquisition of the television broadcast stations in the fourth quarter of 2013 and increased rates paid to programmers.

The increases are partially offset by a $4.3 million or 32% and $9.8 million or 35% decrease in managed services project Cost of Goods Sold for the three and six months ended June 30, 2014 when compared to the same periods in 2013, respectively, due to the decrease in special project work described above in "Wireline Segment Revenues - Business Services."

Wireline Segment Adjusted EBITDA
The decrease in Adjusted EBITDA for the three and six months ended June 30, 2014 when compared to the same periods in 2013 is primarily due to an increase in selling, general and administrative expense partially offset by an increase in revenue as described above in "Wireline Segment Revenues" for the three and six months ended June 30, 2014.

Selling, General and Administrative Expenses
Selling, general and administrative expenses increased 9% to $69.8 million for the three months ended June 30, 2014. Selling, general and administrative expenses increased 10% to $141.7 million for the six months ended June 30, 2014. Individually significant items contributing to the increase include:

- A $2.5 million and $5.1 million increase in labor costs for the three and six months ended June 30, 2014, when compared to the same periods in 2013, respectively,
- A $0.5 million and $1.0 million in share-based compensation expense for the three and six months ended June 30, 2014, when compared to the same periods in 2013, respectively,
- A $0.8 million increase in bad debt expense for the three months ended June 30, 2014, when compared to the same period in 2013,
- A $2.6 million increase in health benefit costs for the six months ended June 30, 2014, when compared to the same period in 2013, and
- A $1.1 million increase in contract service costs for the six months ended June 30, 2014, when compared to the same period in 2013.

As a percentage of total revenues, selling, general and administrative expenses decreased from 34% for the three and six months ended June 30, 2013 to 31% and 32% for the three and six months ended June 30, 2014, respectively.

Depreciation and Amortization Expense
Depreciation and amortization expense increased $9.4 million to $43.8 million and $17.7 million to $86.1 million in the three and six months ended June 30, 2014 compared to the same periods in 2013, respectively. These increases are primarily due to new assets placed in service in the last six months of 2013 and in the first six months of 2014, partially offset by assets which became fully depreciated during the last six months of 2013 and in the first six months of 2014.

Other Expense, Net
Other expense, net of other income, increased $1.7 million to $19.2 million and $3.1 million to $37.5 million in the three and six months ended June 30, 2014 when compared to the same periods in 2013, respectively, primarily due to increased interest expense attributable to increased borrowing on our Senior Credit Facility.

Income Tax Expense
Income tax expense totaled $0.1 million and $4.2 million and our effective income tax rate was 1% and 51% in the three months ended June 30, 2014 and 2013, respectively. Income tax expense totaled $0.3 million and $7.2 million and our effective income tax rate was 1% and 50% in the six months ended June 30, 2014 and 2013, respectively. Our effective income tax rate decreased due to the inclusion of income attributable to the non-controlling interest in AWN in income before income tax expense and the exclusion of income taxes on income attributable to the non-controlling interest in AWN in 2014 as compared to 2013.

At June 30, 2014, we have income tax net operating loss carryforwards of $275.6 million that will begin expiring in 2020 if not utilized, and alternative minimum tax credit carryforwards of $1.9 million available to offset regular income taxes payable in future years.

We have recorded deferred tax assets of $113.3 million associated with income tax net operating losses that were generated from 2000 to 2013 and that expire from 2020 to 2033, respectively, and with charitable contributions that were converted to net operating losses in 2004 through 2007, and that expire in 2024 through 2027, respectively.

Tax benefits associated with recorded deferred tax assets are considered to be more likely than not realizable through future reversals of existing taxable temporary differences and future taxable income exclusive of reversing temporary differences and carryforwards. The amount of deferred tax assets considered realizable, however, could be reduced if estimates of future taxable income during the carryforward period are reduced which would result in additional income tax expense. We estimate that our effective annual income tax expense (benefit) rate for financial statement purposes will be (1)% to 4% in the year ending December 31, 2014.

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

As discussed in the General Overview section of this Item 2, on July 22, 2013, we closed the AWN transaction. Under the terms of the agreement, ACS is entitled to receive preferential cash distributions totaling

$190.0 million over the first four years of AWN's operations ("Preference Period") contingent on the future cash flows of AWN. The preferential cash distribution is cumulative and may be paid beyond the Preference Period until the entire $190.0 million is paid. AWN has paid ACS $42.8 million in preferential cash distributions during the period from the AWN transaction close through June 30, 2014.

On February 28, 2014, the Federal Communications Commission ("FCC") announced our winning bids in the Tribal Mobility Fund I auction for a $41.4 million grant to partially fund expansion of our 3G wireless network, or better, to locations in Alaska where we would not otherwise be able to construct within our return-on-investment requirements. We filed a long-form application with the FCC by their deadline of April 4, 2014, and this form must be reviewed for final approval before the award can be issued.

We have entered into several financing arrangements under the New Markets Tax Credit ("NMTC") program which have provided a total of $32.3 million in net cash to help fund the extension of terrestrial broadband service for the first time to rural Northwestern Alaska communities via a high capacity hybrid fiber optic and microwave network. The project, called TERRA-NW, connects to our TERRA-Southwest network and provides a high capacity backbone connection from the served communities to the Internet. We began construction on TERRA-NW in 2012, placed into service Phases 1 and 2 of the TERRA-NW project in 2013, and expect to place the final phase into service in late 2014. The total net cash received under the NMTC program is recorded in Other Assets on our Consolidated Balance Sheets. We have used the entire $32.3 million of NMTC Restricted Cash to fund TERRA-NW capital expenditures.

While our short-term and long-term financing abilities are believed to be adequate as a supplement to internally generated cash flows to fund capital expenditures and acquisitions as opportunities arise, turmoil in the global financial markets may negatively impact our ability to further access the capital markets in a timely manner and on attractive terms, which may have a negative impact on our ability to grow our business.

We monitor the third-party depository institutions that hold our cash and cash equivalents. Our emphasis is primarily on safety of principal and secondarily on maximizing yield on those funds.

Our net cash flows provided by and (used for) operating, investing and financing activities, as reflected in the Consolidated Statements of Cash Flows for the six months ended June 30, 2014 and 2013, are summarized as follows (amounts in thousands):

	Six Months Ended June 30,	
	2014	2013
Operating activities	$ 139,020	76,316
Investing activities	(100,320)	(76,716)
Financing activities	(1,342)	2,121
Net increase in cash and cash equivalents	$ 37,358	1,721

Operating Activities
The increase in cash flows provided by operating activities for the six months ended June 30, 2014, as compared to the same period in 2013, is due to an increase in net income and a decrease in accounts receivable due to the timing of receipt of payments.

Investing Activities
Net cash used in investing activities consists primarily of cash paid for capital expenditures. Our most significant recurring investing activity has been capital expenditures and we expect that this will continue in the future. A significant portion of our capital expenditures is based on the level of customer growth and the technology being deployed. Additionally, on February 18, 2014, we invested $15.0 million for a 39% interest in Texas Energy Network LLC, a next generation carrier-class communications services firm that specializes in serving the energy exploration and production, oilfield service and midstream industries.

Our cash expenditures for property and equipment, including construction in progress, totaled $80.6 million (including $19.0 million for the purchase of real estate) and $87.4 million during the six months ended June 30, 2014 and 2013, respectively. Additionally, we had $19.8 million in non-cash additions for the purchase of real estate and the extension of satellite lease capacity. Depending on available opportunities and the amount of cash flow we generate during 2014, we expect our 2014 expenditures to total $170.0 million excluding real estate acquisitions and an extension of the satellite lease capacity.

Financing Activities
Net cash provided by financing activities for the six months ended June 30, 2014, consists primarily of proceeds from borrowing on our Senior Credit Facility partially off-set by repayments of our Senior Credit Facility and distributions paid to ACS from AWN. We may use excess cash to make optional repayments on our debt or repurchase our common stock depending on various factors, such as market conditions.

Available Borrowings Under Senior Credit Facility
Our Senior Credit Facility includes a $240.0 million term loan and a $150.0 million revolving credit facility with a $25.0 million sublimit for letters of credit. We had $240.0 million outstanding under the term loan at June 30, 2014. Under the revolving portion of the Senior Credit Facility we have borrowed $49.0 million and have $4.5 million of letters of credit outstanding, which leaves $96.5 million available for borrowing as of June 30, 2014. A total of $289.0 million is outstanding as of June 30, 2014.

Debt Covenants
We are subject to covenants and restrictions applicable to our $325.0 million in aggregate principal amount of 6.75% Senior Notes due 2021, our $425.0 million in aggregate principal amount of 8.63% Senior Notes due 2019, our Senior Credit Facility, and our Rural Utilities Service loans. We are in compliance with the covenants, and we believe that neither the covenants nor the restrictions in our indentures or loan documents will limit our ability to operate our business.

Share Repurchases
GCI's Board of Directors has authorized a common stock buyback program for the repurchase of GCI Class A and Class B common stock in order to reduce the outstanding shares of Class A and Class B common stock. Under this program, we are currently authorized to make up to $116.1 million of repurchases as of June 30, 2014. We are authorized to increase our repurchase limit $5.0 million per quarter indefinitely and to use stock option exercise proceeds to repurchase additional shares. If stock repurchases are less than the total approved quarterly amount the difference may be carried forward and applied against future stock repurchases. We did not purchase any shares under the stock buyback program during the six months ended June 30, 2014. The common stock buyback program is expected to continue for an indefinite period dependent on leverage, liquidity, company performance, and market conditions and subject to continued oversight by GCI's Board of Directors. The open market repurchases have and will continue to comply with the restrictions of SEC Rule 10b-18.

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

Those policies considered to be critical accounting policies for 2014 are revenue recognition related to revenues from the Remote high cost, rural health and schools and libraries USF programs, the allowance for doubtful receivables, impairment and useful lives of intangible assets and the valuation allowance for net operating loss deferred tax assets. A complete discussion of our critical accounting policies can be found in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our December 31, 2013 annual report on Form 10-K.

Other significant accounting policies, not involving the same level of measurement uncertainties as those discussed above, are nevertheless important to an understanding of the financial statements. A complete discussion of our significant accounting policies can be found in note 1 in the accompanying “Condensed Notes to Interim Consolidated Financial Statements” and in Part IV of our December 31, 2013 annual report on Form 10-K.

Item 3. Quantitative and Qualitative Disclosures about Market Risk
We are exposed to various types of market risk in the normal course of business, including the impact of interest rate changes. Our Senior Credit Facility carries interest rate risk. Amounts borrowed under our Senior Credit Facility bear interest at LIBOR plus 2.75% or less depending upon our Total Leverage Ratio (as defined in the Senior Credit Facility). Should the LIBOR rate change, our interest expense will increase or decrease accordingly. As of June 30, 2014, we have borrowed $289.0 million subject to interest rate risk. On this amount, each 1% increase in the LIBOR interest rate would result in $2.9 million of additional gross interest cost on an annualized basis. All of our other material borrowings have a fixed interest rate. We do not hold derivatives.

Item 4. Controls and Procedures
Evaluation of Disclosure Controls and Procedures
We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 (“Exchange Act”) is recorded, processed, summarized, accumulated and communicated to our management, including our principal executive and financial officers, to allow timely decisions regarding required financial disclosure, and reported as specified in the SEC’s rules and forms. As of the end of the period covered by this Quarterly Report on Form 10-Q, we carried out an evaluation of the effectiveness of the design and operation of our “disclosure controls and procedures” (as defined in Exchange Act Rule 13a - 15(e)) under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer. Based on that evaluation, our management, including our Chief Executive Officer and our Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of June 30, 2014.

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

Changes in Internal Control Over Financial Reporting
There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) identified in connection with the evaluation of our controls performed during the quarter ended June 30, 2014, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

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

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

PART II. OTHER INFORMATION

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

(a) Not applicable.

(b) Not applicable.

(c) The following table provides information about repurchases of shares of our Class A common stock during the quarter ended June 30, 2014:

	(a) Total Number of Shares Purchased[1]	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[2]	(d) Maximum Number (or approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plan or Programs[3]
April 1, 2014 to April 30, 2014	—	$ —	—	$ 116,128,041
May 1, 2014 to May 31, 2014	163	$ 11.39	—	$ 116,129,707
June 1, 2014 to June 30, 2014	513	$ 11.15	—	$ 116,134,425
Total	676			

[1] Consists of 676 shares from private purchases made to settle the minimum statutory tax-withholding requirements pursuant to restricted stock award vesting.

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

[3] The total amount approved by our Board of Directors for repurchase under our publicly announced repurchase plan was $348.1 million through June 30, 2014, consisting of $337.9 million through December 31, 2013, and an additional $10.2 million during the six months ended June 30, 2014. We have made total repurchases under the program of $232.0 million through June 30, 2014. If stock repurchases are less than the total approved quarterly amount the difference may be carried forward and used to repurchase additional shares in future quarters, subject to board approval.

Item 6. Exhibits

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

Exhibit No.	Description
31.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by our President and Director *
31.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by our Senior Vice President, Chief Financial Officer and Secretary *
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by our President and Director *
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by our Senior Vice President, Chief Financial Officer and Secretary *
101	The following materials from General Communication, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Income Statements; (iii) Consolidated Statements of Stockholders' Equity; (iv) Consolidated Statements of Cash Flows; and (v) Condensed Notes to Interim Consolidated Financial Statements *

*	Filed herewith.

SIGNATURES

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

GENERAL COMMUNICATION, INC.

Signature	Title	Date
/s/ Ronald A. Duncan Ronald A. Duncan	President and Director (Principal Executive Officer)	August 7, 2014
/s/ Peter J. Pounds Peter J. Pounds	Senior Vice President, Chief Financial Officer and Secretary (Principal Financial Officer)	August 7, 2014
/s/ Lynda L. Tarbath Lynda L. Tarbath	Vice President, Chief Accounting Officer (Principal Accounting Officer)	August 7, 2014

Exhibit 31.1

SECTION 302 CERTIFICATION

I, Ronald A. Duncan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of General Communication, Inc. for the period ended June 30, 2014;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Ronald A. Duncan

Date: August 7, 2014

Ronald A. Duncan
President and Director

Exhibit 31.2

SECTION 302 CERTIFICATION

I, Peter J. Pounds, certify that:

1. I have reviewed this quarterly report on Form 10-Q of General Communication, Inc. for the period ended June 30, 2014;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Peter J. Pounds

Date: August 7, 2014

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

Exhibit 32.1

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

In connection with the Quarterly Report of General Communication, Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Ronald A. Duncan, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: August 7, 2014	/s/ Ronald A. Duncan
	Ronald A. Duncan
	Chief Executive Officer
	General Communication, Inc.

Exhibit 32.2

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

In connection with the Quarterly Report of General Communication, Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Peter J. Pounds, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: August 7, 2014

/s/ Peter J. Pounds

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