

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

FORM 10-Q

(Mark One)

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

OR

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

GENERAL COMMUNICATION, INC.

(Exact name of registrant as specified in its charter)

State of Alaska

(State or other jurisdiction of
incorporation or organization)

92-0072737

(I.R.S Employer
Identification No.)

2550 Denali Street

Suite 1000

Anchorage, Alaska

(Address of principal
executive offices)

99503

(Zip Code)

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

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 November 2, 2015 was:

35,785,000 shares of Class A common stock; and
3,154,000 shares of Class B common stock.

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

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Cautionary Statement Regarding Forward-Looking Statements

You should carefully review the information contained in this Quarterly Report, but should particularly consider any risk factors that we set forth in this Quarterly Report and in other reports or documents that we file from time to time with the Securities and Exchange Commission ("SEC"). In this Quarterly Report, in addition to historical information, we state our future strategies, plans, objectives or goals and our beliefs of future events and of our future operating results, financial position and cash flows. In some cases, you can identify these so-called "forward-looking statements" by words such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "project," or "continue" or the negative of these words and other comparable words. All forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance, achievements, plans and objectives to differ materially from any future results, performance, achievements, plans and objectives expressed or implied by these forward-looking statements. In evaluating these statements, you should specifically consider various factors, including those identified under "Risk Factors" in Item 1A of our annual report on Form 10-K for the year ended December 31, 2014. Those factors may cause our actual results to differ materially from any of our forward-looking statements. For these forward looking statements, we claim the protection of the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995.

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

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

(Amounts in thousands)

ASSETS	September 30, 2015	December 31, 2014
Current assets:		
Cash and cash equivalents	\$ 59,689	15,402
Receivables (including \$0 and \$27,944 from a related party at September 30, 2015 and December 31, 2014, respectively)	189,039	212,441
Less allowance for doubtful receivables	4,695	4,542
Net receivables	184,344	207,899
Deferred income taxes	49,075	56,120
Prepaid expenses	13,068	12,179
Inventories	10,075	17,032
Other current assets	3,136	153
Total current assets	319,387	308,785
Property and equipment	2,435,768	2,341,511
Less accumulated depreciation	1,350,470	1,229,029
Net property and equipment	1,085,298	1,112,482
Goodwill	239,098	229,560
Cable certificates	191,635	191,635
Wireless licenses	86,347	86,347
Other intangible assets, net of amortization	65,053	66,015
Deferred loan and senior notes costs, net of amortization of \$6,542 and \$8,644 at September 30, 2015 and December 31, 2014, respectively	16,969	10,949
Other assets	27,791	52,725
Total other assets	626,893	637,231
Total assets	\$ 2,031,578	2,058,498

See accompanying condensed notes to interim consolidated financial statements.

(Continued)

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

(Amounts in thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY	September 30, 2015	December 31, 2014
Current liabilities:		
Current maturities of obligations under long-term debt and capital leases	\$ 11,902	8,722
Accounts payable (including \$0 and \$7,447 to a related party at September 30, 2015 and December 31, 2014, respectively)	50,417	76,918
Deferred revenue	33,917	29,314
Accrued payroll and payroll related obligations	29,138	32,803
Accrued interest	26,689	6,654
Accrued liabilities	17,135	14,457
Subscriber deposits	1,100	1,212
Total current liabilities	170,298	170,080
Long-term debt, net	1,345,098	1,036,056
Obligations under capital leases, excluding current maturities (including \$1,832 and \$1,857 due to a related party at September 30, 2015 and December 31, 2014, respectively)	61,885	68,356
Deferred income taxes	176,007	187,872
Long-term deferred revenue	94,701	85,734
Other liabilities	73,018	43,178
Total liabilities	1,921,007	1,591,276
Commitments and contingencies		
Stockholders' equity:		
Common stock (no par):		
Class A. Authorized 100,000 shares; issued 35,850 and 37,998 shares at September 30, 2015 and December 31, 2014, respectively; outstanding 35,824 and 37,972 shares at September 30, 2015 and December 31, 2014, respectively	—	13,617
Class B. Authorized 10,000 shares; issued and outstanding 3,154 and 3,159 at September 30, 2015 and December 31, 2014, respectively; convertible on a share-per-share basis into Class A common stock	2,664	2,668
Less cost of 26 Class A common shares held in treasury at September 30, 2015 and December 31, 2014	(249)	(249)
Paid-in capital	(4,931)	26,773
Retained earnings	82,020	124,547
Total General Communication, Inc. stockholders' equity	79,504	167,356
Non-controlling interests	31,067	299,866
Total stockholders' equity	110,571	467,222
Total liabilities and stockholders' equity	\$ 2,031,578	2,058,498

See accompanying condensed notes to interim consolidated financial statements.

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

(Amounts in thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues:				
Non-related party	\$ 258,573	225,677	731,907	636,416
Related party	—	15,048	5,283	44,991
Total revenues	<u>258,573</u>	<u>240,725</u>	<u>737,190</u>	<u>681,407</u>
Cost of goods sold (exclusive of depreciation and amortization shown separately below):				
Non-related party	82,717	73,971	235,860	212,821
Related party	—	2,930	881	8,236
Total cost of goods sold	<u>82,717</u>	<u>76,901</u>	<u>236,741</u>	<u>221,057</u>
Selling, general and administrative expenses:				
Non-related party	82,655	71,717	249,090	211,144
Related party	—	1,066	540	3,348
Total selling, general and administrative expenses	<u>82,655</u>	<u>72,783</u>	<u>249,630</u>	<u>214,492</u>
Depreciation and amortization expense	45,157	41,705	135,563	127,843
Software impairment charge	2,571	—	29,839	—
Operating income	<u>45,473</u>	<u>49,336</u>	<u>85,417</u>	<u>118,015</u>
Other income (expense):				
Loss on extinguishment of debt	—	—	(27,700)	—
Interest expense (including amortization of deferred loan fees)	(21,088)	(17,848)	(64,473)	(54,229)
Impairment of equity method investment	—	—	(12,593)	—
Derivative instrument unrealized income (loss)	30	—	(5,040)	—
Other	1,202	(563)	2,445	(1,709)
Other expense, net	<u>(19,856)</u>	<u>(18,411)</u>	<u>(107,361)</u>	<u>(55,938)</u>
Income (loss) before income taxes	25,617	30,925	(21,944)	62,077
Income tax (expense) benefit	(8,122)	(5,078)	4,957	(8,629)
Net income (loss)	<u>17,495</u>	<u>25,847</u>	<u>(16,987)</u>	<u>53,448</u>
Net income (loss) attributable to non-controlling interests	(136)	15,932	278	36,466
Net income (loss) attributable to General Communication, Inc.	<u>\$ 17,631</u>	<u>9,915</u>	<u>(17,265)</u>	<u>16,982</u>
Basic net income (loss) attributable to General Communication, Inc. common stockholders per Class A common share				
	<u>\$ 0.45</u>	<u>0.24</u>	<u>(0.45)</u>	<u>0.41</u>
Basic net income (loss) attributable to General Communication, Inc. common stockholders per Class B common share				
	<u>\$ 0.45</u>	<u>0.24</u>	<u>(0.45)</u>	<u>0.41</u>
Diluted net income (loss) attributable to General Communication, Inc. common stockholders per Class A common share				
	<u>\$ 0.44</u>	<u>0.24</u>	<u>(0.45)</u>	<u>0.41</u>
Diluted net income (loss) attributable to General Communication, Inc. common stockholders per Class B common share				
	<u>\$ 0.44</u>	<u>0.24</u>	<u>(0.45)</u>	<u>0.41</u>

See accompanying condensed notes to interim consolidated financial statements.

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014

(Unaudited)

(Amounts in thousands)	Class A Common Stock	Class B Common Stock	Class A Shares Held in Treasury	Paid-in Capital	Retained Earnings	Non- controlling Interests	Total Stockholders' Equity
Balances at January 1, 2014	\$ 11,467	2,673	(866)	26,880	116,990	300,210	457,354
Net income	—	—	—	—	16,982	36,466	53,448
Common stock repurchases and retirements	(1,972)	—	—	—	—	—	(1,972)
Shares issued under stock option plan	344	—	—	—	—	—	344
Issuance of restricted stock awards	2,144	—	—	(2,144)	—	—	—
Share-based compensation expense	—	—	—	6,131	—	—	6,131
Issuance of treasury shares related to deferred compensation payment	—	—	617	98	—	—	715
Distribution to non-controlling interest	—	—	—	—	—	(37,500)	(37,500)
Adjustment to investment by non-controlling interest	—	—	—	—	—	(2,131)	(2,131)
Other	3	(3)	—	—	—	100	100
Balances at September 30, 2014	<u>\$ 11,986</u>	<u>2,670</u>	<u>(249)</u>	<u>30,965</u>	<u>133,972</u>	<u>297,145</u>	<u>476,489</u>
Balances at January 1, 2015	\$ 13,617	2,668	(249)	26,773	124,547	299,866	467,222
Net income (loss)	—	—	—	—	(17,265)	278	(16,987)
Common stock repurchases and retirements	(19,062)	—	—	—	(25,262)	—	(44,324)
Shares issued under stock option plan	295	—	—	—	—	—	295
Issuance of restricted stock awards	5,146	—	—	(5,146)	—	—	—
Share-based compensation expense	—	—	—	7,982	—	—	7,982
Distribution to non-controlling interest	—	—	—	—	—	(765)	(765)
Investment by non-controlling interest	—	—	—	—	—	3,209	3,209
Non-controlling interest acquisition	—	—	—	(34,310)	—	(271,521)	(305,831)
Other	4	(4)	—	(230)	—	—	(230)
Balances at September 30, 2015	<u>\$ —</u>	<u>2,664</u>	<u>(249)</u>	<u>(4,931)</u>	<u>82,020</u>	<u>31,067</u>	<u>110,571</u>

See accompanying condensed notes to interim consolidated financial statements.

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

(Amounts in thousands)

	2015	2014
Cash flows from operating activities:		
Net income (loss)	\$ (16,987)	53,448
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	135,563	127,843
Loss on extinguishment of debt	27,700	—
Software impairment charge	29,839	—
Deferred income tax expense (benefit)	(5,006)	8,629
Impairment of equity method investment	12,593	—
Share-based compensation expense	8,074	6,124
Other noncash income and expense items	14,146	7,206
Change in operating assets and liabilities	20,588	16,967
Net cash provided by operating activities	226,510	220,217
Cash flows from investing activities:		
Purchases of property and equipment	(134,562)	(124,871)
Grant proceeds	14,007	1,136
Purchase of businesses, net of cash received	(12,736)	(1,670)
Proceeds from sale of investment	7,551	—
Purchases of other assets and intangible assets	(7,191)	(7,735)
Note receivable issued to an equity method investee	(3,000)	—
Restricted cash	49	5,871
Purchase of investments	—	(21,409)
Other	(4,760)	49
Net cash used for investing activities	(140,642)	(148,629)
Cash flows from financing activities:		
Repayment of debt and capital lease obligations	(492,068)	(97,388)
Issuance of 2025 Notes	445,973	—
Borrowing on Amended Senior Credit Facility	295,000	55,000
Purchase of noncontrolling interests	(282,505)	—
Issuance of Searchlight note payable and derivative stock appreciation rights	75,000	—
Purchase of treasury stock to be retired	(44,324)	(1,972)
Payment of bond call premium	(20,244)	—
Payment of debt issuance costs	(13,979)	—
Distribution to non-controlling interest	(4,932)	(37,500)
Proceeds from stock option exercises	295	344
Borrowing on other long-term debt	203	421
Net cash used for financing activities	(41,581)	(81,095)
Net increase (decrease) in cash and cash equivalents	44,287	(9,507)
Cash and cash equivalents at beginning of period	15,402	44,971
Cash and cash equivalents at end of period	\$ 59,689	35,464

See accompanying condensed notes to interim consolidated financial statements.

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

The accompanying unaudited interim consolidated financial statements include the accounts of General Communication, Inc. ("GCI") and its direct and indirect subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. They should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2014, filed with the SEC on March 5, 2015, as part of our annual report on Form 10-K. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results of operations for interim periods are not necessarily indicative of the results that may be expected for an entire year or any other period.

(1) Business and Summary of Significant Accounting Principles

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

(a) Business

GCI, an Alaska corporation, was incorporated in 1979. We provide a full range of wireless, data, video, and voice services to residential customers, businesses, governmental entities and educational institutions primarily in Alaska.

(b) Principles of Consolidation

Our consolidated financial statements include the consolidated accounts of GCI and its wholly owned subsidiaries, The Alaska Wireless Network, LLC ("AWN") of which we owned a two-third interest through February 2, 2015 when we purchased the remaining one-third interest, and four variable interest entities ("VIEs") for which we are the primary beneficiary after providing certain loans and guarantees. These VIEs are Terra GCI Investment Fund, LLC ("TIF"), Terra GCI 2 Investment Fund, LLC ("TIF 2"), Terra GCI 2-USB Investment Fund, LLC ("TIF 2-USB") and Terra GCI 3 Investment Fund, LLC ("TIF 3"). We also include in our consolidated financial statements non-controlling interests in consolidated subsidiaries for which our ownership is less than 100 percent. All significant intercompany transactions between non-regulated affiliates of our company are eliminated. Intercompany transactions generated between regulated and non-regulated affiliates of our company are not eliminated in consolidation.

(c) Non-controlling Interests

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

(d) Acquisition

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

We have accounted for the AWN NCI Acquisition as the acquisition of a non-controlling interest in accordance with Accounting Standards Codification ("ASC") 810, Consolidation, and the Acquired ACS Assets as the acquisition of assets that do not constitute a business in accordance with ASC 805-50, Business Combinations - Related Issues. Total consideration transferred to ACS in the transaction consisted of the cash payment, settlement of working capital, and the fair market value of certain rights to receive future capacity terminated as part of the Wireless Acquisition agreement. The future capacity

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

receivable assets transferred as consideration were adjusted to fair value as of the acquisition date resulting in a gain of \$1.2 million recorded in Other Income (Expense) in our Consolidated Statements of Operations for the nine months ended September 30, 2015. We allocated the total consideration transferred to ACS between the AWN NCI Acquisition and the Acquired ACS Assets based on the relative fair values of the assets and non-controlling interest received.

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

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

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

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

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

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

During the nine months ended September 30, 2015, we completed three immaterial business acquisitions for total cash consideration of \$12.7 million, net of cash received. We accounted for the transactions using the acquisition method of accounting under ASC 805, Business Combinations. Accordingly, the assets received, liabilities assumed and any non-controlling interests were recorded at their estimated fair value as of the acquisition date. We determined the estimated fair values using a combination of the discounted cash flows method and estimates made by management.

(e) Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers. This new standard provides guidance for the recognition, measurement and disclosure of revenue resulting from contracts with customers and will supersede virtually all of the current revenue recognition guidance under GAAP. In August 2015, the FASB issued ASU 2015-14, which deferred the effective date to fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The standard permits the use of either the retrospective or cumulative effect transition method. Early adoption is permitted for annual periods beginning December 15,

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

2016. We are currently evaluating the impact of the provisions of this new standard on our financial position and results of operations.

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

In April 2015, the FASB issued ASU No. 2015-03, Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. ASU 2015-03 requires an entity to present debt issuance costs related to a recognized debt liability in the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. In August 2015, the FASB issued ASU No. 2015-15, Interest - Imputed Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements which clarifies that the guidance in ASU 2015-03 does not apply to line-of-credit arrangements. According to ASU 2015-15, line-of-credit arrangements will continue to defer and present debt issuance costs as an asset and subsequently amortize the deferred debt issue costs ratably over the term of the arrangement. For public business entities, this update is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. An entity should apply the new guidance on a retrospective basis. We expect to adopt this guidance when effective, and do not expect this guidance to have a material effect on our financial position or results of operation, although it will change the financial statement classification of our debt issuance costs.

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

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

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

(f) Regulatory Accounting

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

(g) Earnings (Loss) per Common Share

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

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

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

	Three Months Ended September 30,			
	2015		2014	
	Class A	Class B	Class A	Class B
Basic net income per share:				
Numerator:				
Net income available to common stockholders	\$ 16,213	1,418	\$ 9,161	754
Less: Undistributed income allocable to participating securities	(920)	—	(526)	—
Undistributed income allocable to common stockholders	15,293	1,418	8,635	754
Denominator:				
Weighted average common shares outstanding	34,031	3,155	36,220	3,162
Basic net income attributable to GCI common stockholders per common share	\$ 0.45	0.45	\$ 0.24	0.24

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	Three Months Ended September 30,			
	2015		2014	
	Class A	Class B	Class A	Class B
Diluted net income per share:				
Numerator:				
Undistributed income allocable to common stockholders for basic computation	\$ 15,293	1,418	\$ 8,635	754
Reallocation of undistributed earnings as a result of conversion of Class B to Class A shares	1,418	—	754	—
Reallocation of undistributed earnings as a result of conversion of dilutive securities	22	(34)	2	(3)
Effect of derivative instruments that may be settled in cash or shares	(18)	—	—	—
Effect of share based compensation that may be settled in cash or shares	4	—	(3)	—
Net income adjusted for allocation of undistributed earnings and effect of contracts that may be settled in cash or shares	\$ 16,719	1,384	\$ 9,388	751
Denominator:				
Number of shares used in basic computation	34,031	3,155	36,220	3,162
Conversion of Class B to Class A common shares outstanding	3,155	—	3,162	—
Unexercised stock options	122	—	120	—
Effect of derivative instruments that may be settled in cash or shares	781	—	—	—
Effect of share based compensation that may be settled in cash or shares	26	—	26	—
Number of shares used in per share computation	38,115	3,155	39,528	3,162
Diluted net income attributable to GCI common stockholders per common share	\$ 0.44	0.44	\$ 0.24	0.24

	Nine Months Ended September 30, 2015			
	2015		2014	
	Class A	Class B	Class A	Class B
Basic net income (loss) per share:				
Numerator:				
Net income (loss) available to common stockholders	\$ (15,838)	(1,427)	\$ 15,686	1,296
Less: Undistributed income allocable to participating securities	—	—	(868)	—
Undistributed income (loss) allocable to common stockholders	(15,838)	(1,427)	14,818	1,296
Denominator:				
Weighted average common shares outstanding	35,037	3,158	36,149	3,162
Basic net income (loss) attributable to GCI common stockholders per common share	\$ (0.45)	(0.45)	\$ 0.41	0.41

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	Nine Months Ended September 30, 2015			
	2015		2014	
	Class A	Class B	Class A	Class B
Diluted net income (loss) per share:				
Numerator:				
Undistributed income (loss) allocable to common stockholders for basic computation	\$ (15,838)	(1,427)	\$ 14,818	1,296
Reallocation of undistributed earnings (loss) as a result of conversion of Class B to Class A shares	(1,427)	—	1,296	—
Reallocation of undistributed earnings as a result of conversion of dilutive securities	—	—	3	(5)
Effect of share based compensation that may be settled in cash or shares	—	—	(4)	—
Net income (loss) adjusted for allocation of undistributed earnings and effect of contracts that may be settled in cash or shares	\$ (17,265)	(1,427)	\$ 16,113	1,291
Denominator:				
Number of shares used in basic computation	35,037	3,158	36,149	3,162
Conversion of Class B to Class A common shares outstanding	3,158	—	3,162	—
Unexercised stock options	—	—	120	—
Effect of share based compensation that may be settled in cash or shares	—	—	26	—
Number of shares used in per share computation	38,195	3,158	39,457	3,162
Diluted net income (loss) attributable to GCI common stockholders per common share	\$ (0.45)	(0.45)	\$ 0.41	0.41

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Derivative instruments that may be settled in cash or shares, the effect of which is anti-dilutive	—	—	595	—
Shares associated with anti-dilutive unexercised stock options	—	28	120	30
Share-based compensation that may be settled in cash or shares, the effect of which is anti-dilutive	—	—	26	—
Total excluded	—	28	741	30

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(h) Common Stock

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

	Class A	Class B
Balances at December 31, 2013	37,299	3,165
Class B shares converted to Class A	3	(3)
Shares issued upon stock option exercises	40	—
Share awards issued	1,186	—
Shares retired	(148)	—
Shares acquired to settle minimum statutory tax withholding requirements	(37)	—
Balances at September 30, 2014	38,343	3,162
Balances at December 31, 2014	37,998	3,159
Class B shares converted to Class A	5	(5)
Shares issued upon stock option exercises	38	—
Share awards issued	647	—
Shares retired	(2,761)	—
Shares acquired to settle minimum statutory tax withholding requirements	(77)	—
Balances at September 30, 2015	35,850	3,154

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

During the three months ended September 30, 2015 and 2014, we repurchased 0.4 million and 0.1 million shares, respectively, of our Class A common stock under the stock buyback program at a cost of \$7.3 million and \$1.3 million, respectively. During the nine months ended September 30, 2015 and 2014, we repurchased 2.8 million and 0.1 million shares, respectively, of our Class A common stock under the stock buyback program at a cost of \$43.2 million and \$1.3 million, respectively. The stock was constructively retired as of September 30, 2015. Under this program we are currently authorized to make up to \$94.3 million of repurchases as of September 30, 2015.

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

(i) Accounts Receivable and Allowance for Doubtful Receivables

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

Depending upon the type of account receivable our allowance is calculated using a pooled basis with an allowance for all accounts greater than 120 days past due or a specific identification method. When a

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specific identification method is used, potentially uncollectible accounts due to bankruptcy or other issues are reviewed individually for collectability. Account balances are charged off against the allowance when we believe it is probable the receivable will not be recovered. We do not have any off-balance-sheet credit exposure related to our customers.

(j) Derivative Financial Instruments

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

(k) Guarantees

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

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

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

(l) Revenue Recognition

Wireless

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

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

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Remote and Urban High Cost Support

We recorded high cost support revenue under the Universal Service Fund ("USF") program of \$16.5 million and \$16.5 million for the three months ended September 30, 2015 and 2014, respectively, and \$50.6 million and \$50.0 million for the nine months ended September 30, 2015 and 2014, respectively. At September 30, 2015, we have \$46.1 million in high cost support accounts receivable.

(m) Use of Estimates

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

(n) Classification of Taxes Collected from Customers

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Surcharges reported gross	\$ 1,426	990	3,960	3,224

(o) Reclassifications and Immaterial Error Correction

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

During the third quarter of 2015, we determined that the purchase of the noncontrolling interest from ACS in the Consolidated Statement of Cash Flows for the three months ended March 31, 2015 and the six months ended June 30, 2015 should have been reported as a financing outflow instead of an investing outflow as previously reported. The classification error had no effect on previously reported Consolidated Balance Sheets, Consolidated Statements of Operations, Adjusted EBITDA, or the Consolidated Statement of Stockholders' Equity. In order to assess materiality of this error we considered SAB 99, "Materiality" and SAB 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements," and determined that the impact of this classification error on prior period interim consolidated financial statements was immaterial.

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The impact of the immaterial classification error for the prior periods is as follows (amounts in thousands):

Consolidated Statements of Cash Flows for the three months ended March 31, 2015	As Previously Reported	Adjustment	As Revised
Net cash used for investing activities	\$ (328,682)	280,505	(48,177)
Net cash provided by financing activities	281,370	(280,505)	865
Consolidated Statements of Cash Flows for the six months ended June 30, 2015			
Net cash used for investing activities	\$ (372,469)	280,505	(91,964)
Net cash provided (used) by financing activities	251,698	(280,505)	(28,807)

(2) Consolidated Statements of Cash Flows Supplemental Disclosures

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

Nine Months Ended September 30,	2015	2014
Decrease in accounts receivable, net	\$ 16,916	5,185
Increase in prepaid expenses	(813)	(3,278)
Decrease in inventories	6,957	2,449
Decrease in other current assets	17	135
Increase in other assets	(7,886)	(511)
Decrease in accounts payable	(8,095)	(2,365)
Increase in deferred revenues	1,532	4,198
Decrease in accrued payroll and payroll related obligations	(3,783)	(246)
Increase (decrease) in accrued liabilities	2,505	(722)
Increase in accrued interest	20,035	14,205
Decrease in subscriber deposits	(590)	(160)
Decrease in long-term deferred revenue	(6,437)	(3,108)
Increase in components of other long-term liabilities	230	1,185
Total change in operating assets and liabilities	\$ 20,588	16,967

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

Net cash paid or received:	2015	2014
Interest paid including capitalized interest	\$ 43,195	41,396

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

	2015	2014
Non-cash consideration for Wireless Acquisition	\$ 23,326	—
Non-cash additions for purchases of property and equipment	\$ 17,683	36,805
Asset retirement obligation additions to property and equipment	\$ 1,730	382
Net capital lease obligation	\$ —	9,386
Distribution to non-controlling interest	\$ —	4,167
Deferred compensation distribution denominated in shares	\$ —	617

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(3) Intangible Assets and Goodwill

Goodwill increased \$9.5 million during the nine months ended September 30, 2015 as a result of business combinations.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Amortization expense	\$ 2,701	2,382	\$ 7,919	\$ 6,981

Amortization expense for amortizable intangible assets for each of the five succeeding fiscal years is estimated to be (amounts in thousands):

Years Ending December 31,	
2015	\$ 10,636
2016	\$ 8,957
2017	\$ 6,653
2018	\$ 4,733
2019	\$ 3,660

(4) Long-Term Debt

Amended Senior Credit Facility

On February 2, 2015, GCI Holdings, Inc. ("Holdings"), our wholly owned subsidiary, entered into a Fourth Amended and Restated Credit and Guarantee Agreement with MUFG Union Bank, N.A., Suntrust Bank, Bank of America, N.A., as documentation agent, and Credit Agricole Corporate and Investment Bank, as administrative agent ("Amended Senior Credit Facility"). The Amended Senior Credit Facility added a \$275.0 million Term B loan to the existing Senior Credit Facility described in Note 6(c) of our December 31, 2014 annual report on Form 10-K. The Amended Senior Credit Facility was subsequently amended on August 3, 2015 ("First Amendment").

Under the Amended Senior Credit Facility and First Amendment, the interest rate for the Term B loan is London Interbank Offered Rate ("LIBOR") plus 3.25%, with a 0.75% LIBOR floor. The Term B loan requires principal payments of 0.25% of the original principal amount on the last day of each calendar quarter with the full amount maturing on February 2, 2022 or December 3, 2020 if our Senior Notes due 2021 are not refinanced prior to such date. The interest rate, maturity, and other terms of the existing Senior Credit Facility as described in Note 6(c) of our December 31, 2014 annual report on Form 10-K did not change as a result of this amendment.

In connection with the Amended Senior Credit Facility and First Amendment, we paid loan fees and other expenses of \$6.2 million that were deferred and are being amortized over the life of the Amended Senior Credit Facility.

Searchlight Note

On February 2, 2015, we sold an unsecured promissory note to an affiliate of Searchlight Capital, L.P. ("Searchlight") in the principal amount of \$75.0 million at an issue price of 100% that will mature on February 2, 2023 and bears interest at a rate of 7.5% per year ("Searchlight Note"). We may not prepay the Searchlight Note prior to February 2, 2019. On July 13, 2015, we amended the Searchlight transaction documents to permit Searchlight to pledge the Searchlight Note and related stock appreciation rights, subject to our right to redeem the Searchlight Note for 50% of its then current outstanding balance in the event a lender attempts to enforce its rights with respect to such pledged collateral.

In conjunction with the Searchlight Note, we entered into a stock appreciation rights agreement pursuant to which we issued to Searchlight three million stock appreciation rights which entitles Searchlight to receive, upon

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

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

Senior Notes

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

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

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

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

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

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

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

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

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

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

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

(5) Fair Value Measurements and Derivative Instruments

Recurring Fair Value Measurements

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

September 30, 2015	Level 1 ⁽¹⁾	Level 2 ⁽²⁾	Level 3 ⁽³⁾	Total
Assets:				
Deferred compensation plan assets (mutual funds)	\$ 1,660	—	—	1,660
Liabilities:				
Derivative stock appreciation rights	\$ —	—	26,700	26,700
December 31, 2014	Level 1 ⁽¹⁾	Level 2 ⁽²⁾	Level 3 ⁽³⁾	Total
Assets:				
Deferred compensation plan assets (mutual funds)	\$ 2,068	—	—	2,068

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

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

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

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

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

Current and Long-Term Debt

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

	September 30, 2015		December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Current and long-term debt	\$ 1,348,448	1,380,691	1,036,678	1,055,952

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

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

Derivative Financial Instruments

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

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

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

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

Fair Value Measurement Using Level 3 Inputs

	Derivative Stock Appreciation Rights
Balance at January 1, 2015	\$ —
Issuance	21,660
Fair value adjustment at end of period, included in Other Income (Expense)	5,040
Balance at September 30, 2015	\$ 26,700

(6) Stockholders'
Equity

Share-based Compensation

Our Amended and Restated 1986 Stock Option Plan ("Stock Option Plan"), provides for the grant of options and restricted stock awards (collectively "award") for a maximum of 15.7 million shares of GCI Class A common stock, subject to adjustment upon the occurrence of stock dividends, stock splits, mergers, consolidations or certain other changes in corporate structure or capitalization. If an award expires or terminates, the shares subject to the award will be available for further grants of awards under the Stock Option Plan. The Compensation Committee of GCI's Board of Directors administers the Stock Option Plan. Substantially all restricted stock awards granted vest over periods of up to three years. Substantially all options vest in equal

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installments over a period of five years and expire ten years from the date of grant. The requisite service period of our awards is generally the same as the vesting period. Options granted pursuant to the Stock Option Plan are only exercisable if at the time of exercise the option holder is our employee, non-employee director, or a consultant or advisor working on our behalf. New shares are issued when stock option agreements are exercised or restricted stock awards are granted. We have not issued any new options since 2010 when we transitioned to issuing restricted stock awards. We have 1.8 million shares available for grant under the Stock Option Plan at September 30, 2015.

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

	Shares (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2015	308	\$ 6.86		
Exercised	(38)	\$ 7.77		
Expired	(2)	\$ 7.63		
Outstanding at September 30, 2015	268	\$ 6.73	3.4 years	\$ 2,828
Exercisable at September 30, 2015	268	\$ 6.73	3.4 years	\$ 2,828

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

	Shares (in thousands)	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2015	1,744	\$ 9.11
Granted	647	\$ 14.70
Vested	(342)	\$ 10.27
Forfeited	(7)	\$ 12.54
Nonvested at September 30, 2015	2,042	

The weighted average grant date fair value of awards granted during the nine months ended September 30, 2015 and 2014, were \$14.70 and \$9.89, respectively. We have recorded share-based compensation expense of \$8.0 million and \$6.1 million for the nine months ended September 30, 2015 and 2014, respectively. Share-based compensation expense is classified as Selling, General and Administrative Expense in our Consolidated Statements of Operations. Unrecognized share-based compensation expense was \$10.8 million relating to 2.0 million restricted stock awards as of September 30, 2015. We expect to recognize share-based compensation expense over a weighted average period of 1.6 years for restricted stock awards.

(7) Segments

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

A description of our reportable segments follows:

Wireless - We offer wholesale wireless services.

Wireline - We offer a full range of retail wireless, data, video and voice services to residential customers, businesses, governmental entities and educational institutions; wholesale data and voice services to common carrier customers; data 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.

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

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

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

	Three Months Ended			Nine Months Ended		
	Wireless	Wireline	Total Reportable Segments	Wireless	Wireline	Total Reportable Segments
September 30, 2015						
Revenues	\$ 80,424	178,149	258,573	\$ 207,568	529,622	737,190
Adjusted EBITDA	\$ 57,404	39,122	96,526	\$ 140,518	119,312	259,830
September 30, 2014						
Revenues	\$ 76,398	164,327	240,725	\$ 208,312	473,095	681,407
Adjusted EBITDA	\$ 47,279	45,915	93,194	\$ 125,475	126,987	252,462

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

	Three Months Ended September 30,		Nine Months Ended September 30, 2015	
	2015	2014	2015	2014
Reportable segment Adjusted EBITDA	\$ 96,526	93,194	\$ 259,830	252,462
Less depreciation and amortization expense	(45,157)	(41,705)	(135,563)	(127,843)
Less software impairment charge	(2,571)	—	(29,839)	—
Less share-based compensation expense	(2,660)	(2,153)	(8,074)	(6,124)
Less accretion expense	(191)	(359)	(992)	(961)
Other	(474)	359	55	481
Consolidated operating income	45,473	49,336	85,417	118,015
Less other expense, net	(19,856)	(18,411)	(107,361)	(55,938)
Consolidated income (loss) before income taxes	<u>\$ 25,617</u>	<u>30,925</u>	<u>\$ (21,944)</u>	<u>62,077</u>

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(8) Related Party

Transaction

ACS was a related party for financial statement reporting purposes through the date of the Wireless Acquisition on February 2, 2015. Included in our related party disclosures were ACS' provision to us of local service lines and network capacity in locations where we do not have our own facilities, our provision to ACS of wholesale wireless services for their use of our network to sell services to their respective retail customers, and our receipt of ACS' high cost support from USF for its wireless customers. For the period January 1, 2015 to February 2, 2015, we paid ACS \$6.2 million and received \$8.1 million in payments from ACS. For the nine months ended September 30, 2014, we paid \$48.2 million and received \$29.5 million in payments from ACS. We also have long term capacity exchange agreements with ACS for which no money is exchanged.

(9) Variable Interest

Entities

New Markets Tax Credit Entities

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

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

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

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

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

These transactions include put/call provisions whereby we may be obligated or entitled to repurchase US Bancorp's interests in TIF, TIF 2, TIF 2-USB and/or TIF 3. We believe that US Bancorp will exercise the put options in August 2018, October 2019 and December 2019, at the end of the compliance periods for NMTC #1, NMTC #2 and NMTC #3, respectively. The NMTCs are subject to 100% recapture for a period of seven years as provided in the Internal Revenue Code. We are required to be in compliance with various regulations and contractual provisions that apply to the NMTC arrangements. Non-compliance with applicable requirements could result in projected tax benefits not being realized by US Bancorp. We have agreed to indemnify US Bancorp for any loss or recapture of NMTCs until such time as our obligation to deliver tax benefits is

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relieved. There have been no credit recaptures as of September 30, 2015. The value attributed to the puts/calls is nominal.

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

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

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

Equity Method Investment

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

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

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

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

(10) Software

Impairment

During the years ended December 31, 2013 and 2014, we internally developed computer software in our Wireline segment to replace our wireless, Internet, video, local service, and long distance customer billing systems. During the first quarter of 2015, we completed a detailed assessment of our progress to date and determined it was no longer probable that the computer software being developed would be completed and placed in service. Our assessment concluded that the cost of continuing the development would be much higher than originally estimated, and the timing and scope risks were substantial. We identified development

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work, hardware, and software recorded as Construction in Progress through the first quarter of 2015, that may be applicable to our replacement customer billing solution, future internally developed software, and other system needs and therefore should remain capital assets. We considered the remaining capital expenditures for this billing system to have a fair value of \$0 and recorded an impairment charge of \$20.7 million during the nine months ended September 30, 2015, by recording an expense which is included in Software Impairment Charge in our Consolidated Statements of Operations.

During the nine months ended September 30, 2015, we reassessed our plans for our internally developed machine-to-machine billing system in our Wireline segment, and decided to no longer market this system to third parties. Accordingly we recognized an impairment of \$0.5 million and \$7.1 million during the three and nine months ended September 30, 2015, respectively, by recording an expense which is included in Software Impairment Charge in our Consolidated Statements of Operations.

During the third quarter of 2015, we evaluated user management software we purchased in 2014 and determined that we would not be able to use the software. Accordingly we recognized an impairment of \$1.0 million during the three and nine months ended September 30, 2015 by recording an expense which is included in Software Impairment Charge in our Consolidated Statement of Operations.

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

Update on Economic Conditions

Our business and operations depend upon economic conditions in Alaska. The economy of Alaska is dependent upon natural resource industries, and in particular oil exploration, development, and production, as well as both state and federal government spending, investment earnings and tourism. We believe the Alaska state economy continues to be stable despite declines in energy prices. The decline in energy prices has put significant pressure on the Alaska state government budget since the majority of its revenues come from the oil industry. The Alaska state government has significant reserves that we believe will help fund the state government for the next couple of years. A long-term decrease in oil prices, could have an adverse impact on the demand for our products and services and on our results of operations and financial condition.

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.

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

Results of Operations

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

	Three Months Ended September 30,		Percentage Change ¹	Nine Months Ended September 30,		Percentage Change ¹
	2015	2014	vs. 2014	2015	2014	vs. 2014
Statements of Operations Data:						
Revenues:						
Wireless segment	31%	32%	5%	28%	31%	—%
Wireline segment	69%	68%	8%	72%	69%	12%
Total revenues	100%	100%	7%	100%	100%	8%
Selling, general and administrative expenses	32%	30%	14%	34%	31%	16%
Depreciation and amortization expense	17%	17%	8%	18%	19%	6%
Software impairment charge	1%	—%	---	4%	—%	100%
Operating income	18%	20%	(8)%	12%	17%	(28)%
Other expense, net	8%	8%	8%	15%	8%	92%
Income (loss) before income taxes	10%	13%	(17)%	(3)%	9%	(135)%
Net income (loss)	7%	11%	(32)%	(2)%	8%	(132)%
Net income attributable to the non-controlling interests	—%	7%	(101)%	—%	5%	(99)%
Net income (loss) attributable to GCI	7%	4%	78%	(2)%	2%	(202)%

¹Percentage change in underlying data

We evaluate performance and allocate resources based on earnings before net interest expense, income taxes, depreciation and amortization expense, loss on extinguishment of debt, software impairment charge, derivative instrument unrealized income (loss), share-based compensation expense, accretion expense, loss attributable to non-controlling interest resulting from New Markets Tax Credit transactions, gains and impairment losses on equity and cost method investments, and other non-cash adjustments, plus imputed interest on financed devices ("Adjusted EBITDA"). Management believes that this measure is useful to investors and other users of our financial information in evaluating operating profitability as an analytical indicator of income generated to service debt and fund capital expenditures. In addition, multiples of current or projected earnings before depreciation and amortization expense, net interest expense and income taxes ("EBITDA") are used to estimate current or prospective enterprise value. See Note 7 in the accompanying "Condensed Notes to Interim Consolidated Financial Statements" included in Part I of this quarterly report on Form 10-Q for a reconciliation of consolidated Adjusted EBITDA, a non-GAAP financial measure, to consolidated income (loss) before income taxes.

Overview of Revenues and Cost of Goods Sold

Total revenues increased 7% from \$240.7 million in the three months ended September 30, 2014 to \$258.6 million in the same period in 2015. Total revenues increased 8% from \$681.4 million in the nine months ended September 30, 2014 to \$737.2 million in the same period in 2015. Revenue increased in both the Wireline and Wireless segments for the three months ended September 30, 2015 when compared to the same period in 2014. Revenue increased in our Wireline segment and decreased in our Wireless segment for the nine months ended September 30, 2015 compared to the same period in 2014. See the discussion below for more information by segment.

Total Cost of Goods Sold increased 8% from \$76.9 million in the three months ended September 30, 2014 to \$82.7 million in the same period in 2015. Total Cost of Goods Sold increased 7% from \$221.1 million in the nine months ended September 30, 2014 to \$236.7 million in the same period in 2015. Cost of Goods Sold decreased in our Wireless segment and increased in our Wireline segment for the three and nine months ended September 30, 2015 compared to the same periods in 2014. See the discussion below for more information by segment.

Wireless Segment Overview

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

	Three Months Ended September 30,		Percentage Change	Nine Months Ended September 30,		Percentage Change
	2015	2014		2015	2014	
Revenue	\$ 80,424	76,398	5 %	207,568	208,312	— %
Cost of Goods Sold	\$ 18,031	24,021	(25)%	53,897	66,234	(19)%
Adjusted EBITDA	\$ 57,404	47,279	21 %	140,518	125,475	12 %

Wireless Segment Revenues

The increase in revenue for the three months ended September 30, 2015 when compared to the same period in 2014 is primarily due to the following:

- A \$8.0 million increase in roaming revenue primarily due to increased traffic from our roaming partners and
- A \$1.9 million decrease in the contra-revenue wireless handset cash incentives to ACS for the sale of wireless handsets to their retail customers prior to the February 2, 2015 close of the Wireless Acquisition.

The increase is partially offset by a \$6.9 million decrease in plan fee revenue primarily due to our transition to a fixed percentage allocation of plan fee revenue from the Wireline segment following the February 2, 2015 close of the Wireless Acquisition.

The decrease in revenue for the nine months ended September 30, 2015 when compared to the same period in 2014 is primarily due to a \$18.9 million decrease in plan fee revenue due to our transition to a fixed percentage allocation of plan fee revenue from the Wireline segment following the February 2, 2015 close of the Wireless Acquisition.

The decrease is partially offset by the following:

- A \$10.7 million increase in roaming revenue primarily due to increased traffic from our roaming partners and
- A \$6.6 million decrease in the contra-revenue wireless handset cash incentives to ACS for the sale of wireless handsets to their retail customers prior to the February 2, 2015 close of the Wireless Acquisition.

Wireless Segment Cost of Goods Sold

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

- A \$4.2 million decrease in distribution and capacity costs for the nine months ended September 30, 2015 when compared to the same period in 2014 primarily because we were able to extend an agreement with a customer which resulted in the resolution of certain issues and the release of the related reserve and reduction of long distance traffic used by our wireless customers,
- A \$2.1 million and \$7.6 million decrease in roaming costs for the three and nine months ended September 30, 2015 when compared to the same periods in 2014, respectively, primarily due to better management of permanent roaming customers, and
- A \$4.3 million and \$3.8 million decrease in wireless equipment costs for the three and nine months ended September 30, 2015 when compared to the same periods in 2014, respectively. During the three and nine months ended September 30, 2014, the Wireless segment gave a wireless equipment subsidy to the Wireline segment in accordance with the AWN agreements. Following the February 2, 2015 close of the Wireless Acquisition this subsidy was discontinued but the Wireless segment started recording a portion of the wireless equipment costs to encourage the Wireline segment to transition customers from our CDMA network to our GSM network which partially offset the decrease.

The decreases above are partially offset by a \$1.1 million and \$3.1 million increase in network maintenance costs for the three and nine months ended September 30, 2015 when compared to the same periods in 2014, respectively.

Wireless Segment Adjusted EBITDA

The increase in Adjusted EBITDA for the three and nine months ended September 30, 2015 when compared to the same periods in 2014 is primarily due to increased Revenues for the three months ended September 30, 2015 as described above in "Wireless Segment Revenues" and decreased Cost of Goods Sold as described above in "Wireless Segment Cost of Goods Sold" and in selling, general and administrative expenses for the three and nine months ended September 30, 2015.

Wireline Segment Overview

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

Wireline Segment Services and Products	Customer Group		
	Consumer	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 businesses, governmental entities, educational institutions and wholesale data and voice services to common carrier customers.
- Managed Broadband – we offer data 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 nine months ended September 30, 2015 and 2014 are as follows (amounts in thousands):

	Three Months Ended September 30,		Percentage Change	Nine Months Ended September 30,		Percentage Change
	2015	2014		2015	2014	
Consumer						
Wireless	\$ 19,451	7,989	143 %	56,566	21,840	159 %
Data	32,465	28,755	13 %	95,771	83,012	15 %
Video	28,483	27,896	2 %	86,629	82,016	6 %
Voice	7,420	7,972	(7)%	22,950	24,696	(7)%
Business Services						
Wireless	2,036	834	144 %	6,077	2,368	157 %
Data	35,238	36,857	(4)%	107,021	107,251	— %
Video	4,476	10,432	(57)%	13,511	23,191	(42)%
Voice	10,316	11,657	(12)%	31,502	34,757	(9)%
Managed Broadband						
Data	32,542	26,596	22 %	92,794	78,033	19 %
Voice	5,722	5,339	7 %	16,801	15,931	5 %
Total Wireline segment revenue	\$ 178,149	164,327	8 %	529,622	473,095	12 %

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

	Three Months Ended September 30,		Percentage Change	Nine Months Ended September 30,		Percentage Change
	2015	2014		2015	2014	
Wireline segment Cost of Goods Sold	\$ 64,686	52,880	22 %	182,844	154,823	18 %
Wireline segment Adjusted EBITDA	\$ 39,122	45,915	(15)%	119,312	126,987	(6)%

Selected key performance indicators for our Wireline segment follow:

	September 30,		Percentage Change
	2015	2014	
Consumer			
Data:			
Cable modem subscribers ¹	124,300	117,000	6 %
Video:			
Basic subscribers ²	113,600	115,900	(2)%
Digital programming tier subscribers ³	59,500	64,200	(7)%
HD/DVR converter boxes ⁴	110,700	105,600	5 %
Homes passed	251,200	248,000	1 %
Video ARPU - quarter-to-date ⁵	\$ 80.85	\$ 80.22	1 %
Video ARPU - year-to-date ⁶	\$ 83.24	\$ 77.91	7 %
Voice:			
Total local access lines in service ⁷	51,000	55,900	(9)%
Business Services			
Data:			
Cable modem subscribers ¹	14,200	14,200	— %
Voice:			
Total local access lines in service ⁷	47,100	47,400	(1)%
Combined Consumer and Business Services			
Wireless			
Consumer Lifeline wireless lines in service ⁸	28,100	25,600	10 %
Consumer prepaid wireless lines in service ⁹	27,100	11,700	132 %
Consumer postpaid wireless lines in service ¹⁰	146,700	91,000	61 %
Business Services postpaid wireless lines in service ¹⁰	30,000	18,600	61 %
Total wireless lines in service	231,900	146,900	58 %
Wireless ARPU - quarter-to-date ¹¹	\$ 44.24	\$ 50.87	(13)%
Wireless ARPU - year-to-date ¹²	\$ 46.60	\$ 49.93	(7)%
Cable Modem ARPU - quarter-to-date ¹³	\$ 84.87	\$ 80.20	6 %
Cable Modem ARPU - year-to-date ¹⁴	\$ 84.27	\$ 77.48	9 %

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 September 30, 2015 and 2014.

⁶ Video ARPU for the nine months ended September 30, 2015 and 2014.

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

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

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

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

¹¹ 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") for the three months ended September 30, 2015 and 2014. Revenue used for this calculation includes Wireline segment - Consumer - Wireless, Wireline segment - Business Services - Wireless and wholesale wireless revenues earned from GCI retail subscribers included in the Wireless segment.

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

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

¹⁴ Cable Modem ARPU for the nine months ended September 30, 2015 and 2014.

Wireline Segment Revenues

Consumer

The items contributing to the increase in wireless revenue include:

- A \$3.2 million and \$12.6 million increase in plan fee revenue in the three and nine months ended September 30, 2015 when compared to the same periods in 2014, respectively, primarily due to the acquisition of ACS' wireless subscribers following the February 2, 2015 close of the Wireless Acquisition, and
- A \$8.1 million and \$20.1 million increase in equipment sales revenue in the three and nine months ended September 30, 2015 when compared to the same periods in 2014, respectively, due to an increase in the number of financed devices. In late 2014 we began encouraging our customers to purchase wireless devices through our financing program instead of subsidizing their device purchases. We offer a discount on the monthly plan fee for customers who choose to finance their device rather than buying a subsidized device.

The increase in data revenue is primarily due to a \$5.0 million or 20% and \$14.4 million or 20% increase in cable modem revenue for the three and nine months ended September 30, 2015 when compared to the same periods in 2014, respectively, due to an increase in the number of subscribers and our subscribers' selection of plans that offer higher speeds and higher included usage amounts.

Business Services

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

Managed Broadband

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

Wireline Segment Cost of Goods Sold

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

- A \$0.8 million or 5% and \$5.0 million or 10% increase in video Cost of Goods Sold for the three and nine months ended September 30, 2015 when compared to the same periods in 2014, respectively, primarily due to increased rates paid to programmers partially offset by a decrease in basic video subscribers,
- A \$6.6 million or 107% and \$16.5 million or 93% increase in wireless Cost of Goods Sold for the three and nine months ended September 30, 2015 when compared to the same periods in 2014, respectively, primarily due to an increase in the number of handsets sold and a change in the allocation between the Wireline and Wireless segments following the February 2, 2015 close of the Wireless Acquisition. During the three and nine months ended September 30, 2014, the Wireline segment received a wireless equipment subsidy from the Wireless segment in accordance with the AWN agreements. Following the close of the Wireless Acquisition this subsidy was discontinued except the Wireless segment started recording a portion of the wireless equipment costs to encourage the Wireline segment to transition customers from our CDMA network to our GSM network which partially offset the increase, and
- A \$2.5 million or 55% and \$4.9 million or 38% increase in the costs to provide services for Rural Health and SchoolAccess customers for the three and nine months ended September 30, 2015 when compared to the same periods in 2014, respectively.

Wireline Segment Adjusted EBITDA

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

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 14% to \$82.7 million and 16% to \$249.6 million for the three and nine months ended September 30, 2015, respectively. Items contributing to the increase include:

- A \$4.0 million and \$16.9 million increase in costs related to the acquisition of ACS' wireless subscribers and its non-controlling interest in AWN for the three and nine months ended September 30, 2015 when compared to the same periods in 2014, respectively,
- A \$4.1 million and \$14.0 million increase in labor and health insurance costs for the three and nine months ended September 30, 2015 when compared to the same periods in 2014, respectively,
- A \$1.7 million and \$3.8 million increase in contract labor costs for the three and nine months ended September 30, 2015 when compared to the same periods in 2014, respectively,
- A \$2.3 million increase in inventory adjustments for the nine months ended September 30, 2015 when compared to the same period in 2014, primarily due to the write-off of obsolete wireless handsets,
- A \$0.5 million and \$2.0 million increase in share-based compensation expense for the three and nine months ended September 30, 2015, when compared to the same periods in 2014, respectively, and
- A \$0.7 million and \$2.2 million increase in bad debt expense for the three and nine months ended September 30, 2015 when compared to the same periods in 2014.

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

Depreciation and Amortization Expense

Depreciation and amortization expense increased \$3.5 million to \$45.2 million and \$7.7 million to \$135.6 million in the three and nine months ended September 30, 2015 compared to the same periods in 2014, respectively. The increases are primarily due to new assets placed in service in the last three months of 2014 and in the first nine months of 2015, partially offset by assets which became fully depreciated during the last three months of 2014 and in the first nine months of 2015.

Software Impairment Charge

Software impairment charge increased \$2.6 million and \$29.8 million in the three and nine months ended September 30, 2015 when compared to the same periods in 2014 primarily due to an impairment charge as discussed below.

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

During the first quarter of 2015, we reassessed our plans for our internally developed machine-to-machine billing system and decided to no longer market this system to third parties. Accordingly we recognized an impairment of \$0.5 million and \$7.1 million during the three and nine months ended September 30, 2015, respectively, by recording an expense which is included in Software Impairment Charge in our Consolidated Statements of Operations.

During the third quarter of 2015, we evaluated user management software we purchased in 2014 and determined that we would not be able to use the software. Accordingly we recognized an impairment of \$1.0 million during the three and nine months ended September 30, 2015 by recording an expense which is included in Software Impairment Charge in our Consolidated Statement of Operations.

Other Expense, Net

Other expense, net of other income, increased \$1.4 million to \$19.9 million and \$51.4 million to \$107.4 million in the three and nine months ended September 30, 2015 when compared to the same periods in 2014, respectively. Items contributing to the change include:

- A \$27.7 million loss on extinguishment of debt for the nine months ended September 30, 2015, due to the retirement of our 2019 Notes (please see Part I - Item 2 - "Liquidity and Capital Resources" for additional information),
- A \$12.6 million impairment charge for the nine months ended September 30, 2015 recorded to reflect an other than temporary decline in fair value for one of our equity investments,
- A \$4.7 million gain for the nine months ended September 30, 2015 recorded upon the sale of one of our cost method investments,
- A \$5.0 million unrealized loss for the nine months ended September 30, 2015 recorded for a derivative instrument where we issued 3.0 million stock appreciation rights to an affiliate of Searchlight Capital, L.P. ("Searchlight"),
- A \$3.2 million and \$10.2 million increase in interest expense attributable to increased borrowing on our Amended Senior Credit Facility for the three and nine months ended September 30, 2015 when compared to the same periods in 2014, respectively, and
- A \$2.6 million net loss for the nine months ended September 30, 2015, from adjusting to fair value the assets included in the consideration transferred in the Wireless Acquisition and adjusting to fair value amendments to certain agreements related to the right to use ACS network assets.

Income Tax (Expense) Benefit

Income tax (expense) benefit totaled \$(8.1) million and \$5.0 million in the three and nine months ended September 30, 2015, respectively. Our effective income tax rate was 32% and 23% in the three and nine months ended September 30, 2015, respectively. Income tax expense totaled \$5.1 million and \$8.6 million and our effective income tax rate was 16% and 14% in the three and nine months ended September 30, 2014, respectively. Our effective income tax rate was lower in 2014 due to the inclusion of income attributable to the non-controlling interest in AWN in income before income taxes and the exclusion of income taxes on income attributable to the non-controlling interest in AWN. We completed the Wireless Acquisition on February 2, 2015, after which ACS no longer has a non-controlling interest in AWN.

At September 30, 2015, we have income tax net operating loss carryforwards of \$284.9 million that will begin expiring in 2020 if not utilized, and alternative minimum tax credit carryforwards of \$1.7 million available to offset regular income taxes payable in future years.

We have recorded deferred tax assets of \$117.1 million associated with income tax net operating losses that were generated from 2000 to 2014 and that expire from 2020 to 2034, respectively, and with charitable contributions that were converted to net operating losses in 2004 through 2007, 2013, and 2014 and that expire in 2024 through 2027, 2033, and 2034, respectively.

Tax benefits associated with recorded deferred tax assets are considered to be more likely than not realizable through future reversals of existing taxable temporary differences and future taxable income exclusive of reversing temporary differences and carryforwards. The amount of deferred tax assets considered realizable, however, could be reduced if estimates of future taxable income during the carryforward period are reduced which would result in additional income tax expense. We estimate that our effective annual income tax expense rate for financial statement purposes will be 20% to 25% in the year ending December 31, 2015.

Liquidity and Capital Resources

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

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

To fund the purchase from ACS, on February 2, 2015, our wholly owned subsidiary, GCI Holdings, Inc., entered into a Fourth Amended and Restated Credit and Guarantee Agreement with Credit Agricole Corporate and Investment Bank, as administrative agent, that included a \$275.0 million Term B loan ("Amended Senior Credit Facility"). The Amended Senior Credit Facility was subsequently amended on August 3, 2015 ("First Amendment"). The interest rate under the Term B loan is London Interbank Offered Rate ("LIBOR") plus 3.25%, with a 0.75% LIBOR floor. The Term B loan will mature on February 2, 2022 or December 3, 2020, if our Senior Notes due 2021 are not refinanced prior to such date. We also sold an unsecured promissory note to Searchlight in the principal amount of \$75.0 million that will mature on February 2, 2023 and will bear interest at a rate of 7.5% per year ("Searchlight Note"). A portion of the proceeds from the Searchlight Note were used to finance the Wireless Acquisition and the remainder was used for general corporate purposes. Additionally, we entered into a stock appreciation rights agreement pursuant to which we issued to Searchlight three million stock appreciation rights which entitles Searchlight to receive, upon exercise, an amount payable at our election in either cash or shares of GCI's Class A common stock equal in value to the excess of the fair market value of a share of GCI Class A common stock on the date of exercise over the price of \$13.00.

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

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

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

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

	Nine Months Ended September 30,	
	2015	2014
Operating activities	\$ 226,510	220,217
Investing activities	(140,642)	(148,629)
Financing activities	(41,581)	(81,095)
Net increase (decrease) in cash and cash equivalents	\$ 44,287	(9,507)

Investing Activities

Net cash used in investing activities during the nine months ended September 30, 2015, consists primarily of cash paid for capital expenditures. Net cash used in investing activities during the nine months ended September 30, 2014, consists primarily of cash paid for capital expenditures and an investment of \$15.0 million for a 39% interest in a next generation carrier-class communications services firm. Our most significant recurring investing activity has been capital expenditures and we expect that this will continue in the future. A significant portion of our capital expenditures is based on the level of customer growth and the technology being deployed.

Our cash expenditures for property and equipment, including construction in progress, totaled \$134.6 million and \$124.9 million during the nine months ended September 30, 2015 and 2014, respectively. Depending on available opportunities and the amount of cash flow we generate during 2015, we expect our 2015 core capital expenditures to total approximately \$170.0 million. This estimate is based on purchases in 2015 regardless of the timing of cash payments.

Financing Activities

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

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

Available Borrowings Under Amended Senior Credit Facility

Our Amended Senior Credit Facility includes a \$240.0 million term loan, a \$275.0 million Term B loan, and a \$150.0 million revolving credit facility with a \$25.0 million sublimit for letters of credit. We had \$240.0 million and \$273.6 million outstanding under the term loan and Term B loan, respectively, at September 30, 2015. Under the revolving portion of the Amended Senior Credit Facility we have \$22.5 million of letters of credit outstanding, which leaves \$127.5 million available for borrowing as of September 30, 2015. A total of \$513.6 million is outstanding as of September 30, 2015.

Debt Covenants

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

Share Repurchases

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

During the nine months ended September 30, 2015 and 2014, we repurchased 2.8 million and 0.1 million shares, respectively, of our Class A common stock under the stock buyback program at a cost of \$43.2 million and \$1.3

million, respectively. The stock was constructively retired as of September 30, 2015. Under this program we are currently authorized to make up to \$94.3 million of repurchases as of September 30, 2015.

We expect to continue the repurchases for an indefinite period dependent on leverage, liquidity, company performance, and market conditions and subject to continued oversight by GCI's Board of Directors. The open market repurchases have and will continue to comply with the restrictions of SEC Rule 10b-18.

Critical Accounting Policies and Estimates

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

Those policies considered to be critical accounting policies for 2015 are revenue recognition related to revenues from the Remote high cost, rural health, and schools and libraries USF programs, the allowance for doubtful receivables, impairment and useful lives of intangible assets, and the valuation allowance for net operating loss deferred tax assets. A complete discussion of our critical accounting policies can be found in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our December 31, 2014 annual report on Form 10-K.

Other significant accounting policies, not involving the same level of measurement uncertainties as those discussed above, are nevertheless important to an understanding of the financial statements. A complete discussion of our significant accounting policies can be found in Note 1 in the accompanying "Condensed Notes to Interim Consolidated Financial Statements" and in Part IV of our annual report on Form 10-K for the fiscal year ended December 31, 2014.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to various types of market risk in the normal course of business, including the impact of interest rate changes and adjustments to the fair value of our derivative stock appreciation rights liability. Market risk is the potential loss arising from adverse changes in market rates and prices. We do not hold or issue financial instruments for trading purposes.

Interest Rate Risk

Our Amended Senior Credit Facility carries interest rate risk. Our Amended Senior Credit Facility consists of a term loan, Term B loan, and revolving credit facility. Amounts borrowed under the term loan bear interest at LIBOR plus 2.75% or less depending upon our Total Leverage Ratio (as defined in the Amended Senior Credit Facility agreement). Amounts borrowed under the Term B loan bear interest at LIBOR plus 3.25%. Should the LIBOR rate change, our interest expense will increase or decrease accordingly. As of September 30, 2015, we have borrowed \$523.0 million subject to interest rate risk. On this amount, each 1% increase in the LIBOR interest rate would result in \$5.2 million of additional gross interest cost on an annualized basis. All of our other material borrowings have a fixed interest rate.

Other Market Risk

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 ("Exchange Act") is recorded, processed, summarized, accumulated and communicated to our management, including our principal executive and financial officers, to allow timely decisions regarding required financial disclosure, and reported as specified in the SEC's rules and forms. As of the end of the period covered by this Quarterly Report on Form 10-Q, we carried out an evaluation of the effectiveness of the design and operation of our "disclosure controls and procedures" (as defined in Exchange Act Rule 13a - 15(e)) under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer. Based on that evaluation, our management, including our Chief Executive Officer and our Chief Financial Officer, concluded that our disclosure controls and procedures were ineffective as of September 30, 2015.

Our management concluded that as of September 30, 2015, we did not maintain effective internal control over financial reporting due to a material weakness associated with management's review of significant and unusual transactions effecting the cash flow statement. See note 1(o) in the accompanying "Condensed Notes to Interim Consolidated Financial Statements" included in Part I of the quarterly report on Form 10-Q for further discussion of this immaterial error correction.

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

Management's Plan for Remediation of Material Weakness

We identified the misclassification error when we performed a classification review specific to the cash flow statement during the preparation of our third quarter of 2015 Form 10-Q. Prior to the third quarter of 2015 we had a review process over significant and unusual transactions but this process did not specifically address the cash flow statement. During the third quarter of 2015 we strengthened our internal controls over the preparation of the cash flow statement by including a review of cash flow statement classifications in our accounting memos on significant and unusual transactions. During the fourth quarter of 2015 we will continue to include a review of cash flow statement classifications in our accounting memos on significant and unusual transactions.

Changes in Internal Control Over Financial Reporting

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

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

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

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

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

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

PART II. OTHER INFORMATION

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

- (a) Not applicable.
- (b) Not applicable.
- (c) The following table provides information about repurchases of shares of our Class A common stock during the quarter ended September 30, 2015:

	(a) Total Number of Shares Purchased ¹	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ²	(d) Maximum Number (or approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plan or Programs ³
July 1, 2015 to July 31, 2015	52,149	\$ 17.33	52,149	\$ 100,743,106
August 1, 2015 to August 31, 2015	217,401	\$ 16.90	213,730	\$ 97,137,512
September 1, 2015 to September 30, 2015	164,476	\$ 17.06	164,476	\$ 94,331,353
Total	434,026			

¹ Consists of 430,355 shares from open market purchases made under our publicly announced repurchase plan and 3,671 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 \$373.7 million through September 30, 2015, consisting of \$358.4 million through December 31, 2014, and an additional \$15.3 million during the nine months ended September 30, 2015. We have made total repurchases under the program of \$279.4 million through September 30, 2015. If stock repurchases are less than the total approved quarterly amount the difference may be carried forward and used to repurchase additional shares in future quarters, subject to board approval.

Item 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
4.1	Amended and Restated Securityholder Agreement by and between General Communication, Inc. and Searchlight ALX, LTD dated as of July 13, 2015 *
4.2	Unsecured Promissory Note Due 2023 entered into as of July 13, 2015 by and between General Communication, Inc. and Searchlight ALX, LTD. *
4.3	Amended and Restated Stock Appreciation Rights Agreement entered into as of July 13, 2015 by and between General Communication, Inc. and Searchlight ALX, LTD. *
10.1	Twenty-Third Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication, Corp. dated July 27, 2015 # *
10.2	Twenty-Fourth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication, Corp. dated September 2, 2015 # *
31.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by our President and Director *
31.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by our Senior Vice President, Chief Financial Officer and Secretary *
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by our President and Director *
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by our Senior Vice President, Chief Financial Officer and Secretary *
101	The following materials from General Communication, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations; (iii) Consolidated Statements of Stockholders' Equity; (iv) Consolidated Statements of Cash Flows; and (v) Condensed Notes to Interim Consolidated Financial Statements *
#	CONFIDENTIAL PORTION has been omitted pursuant to a request for confidential treatment by us to, and the material has been separately filed with, the SEC. Each omitted Confidential Portion is marked by three asterisks.
*	Filed herewith.

SIGNATURES

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

GENERAL COMMUNICATION, INC.

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

AMENDED AND RESTATED SECURITYHOLDER AGREEMENT

by and among

GENERAL COMMUNICATION, INC.,

SEARCHLIGHT ALX, L.P. (solely for purposes of Section 1.6 hereof)

and

SEARCHLIGHT ALX, LTD.

dated as of

July 13, 2015

W/2507378

W/2507378

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AMENDED AND RESTATED SECURITYHOLDER AGREEMENT

This Amended and Restated Securityholder Agreement (this “**Agreement**”), dated as of July 13, 2015 is entered into by and among General Communication, Inc., an Alaska corporation (the “**Company**”), Searchlight ALX, L.P. (solely for purposes of Section 1.6 hereof) and Searchlight ALX, LTD, an exempted company under the laws of the Cayman Islands (the “**Investor**”).

RECITALS

WHEREAS, on December 4, 2014, the Company entered into a Purchase and Sale Agreement, among the Company, Alaska Communications Systems Group, Inc., ACS Wireless, Inc., GCI Communication Corp., GCI Wireless Holdings, LLC and The Alaska Wireless Network, LLC (the “**Purchase Agreement**”).

WHEREAS, at the Closing (as defined in the Purchase Agreement), Searchlight ALX, L.P. (the “**Original Investor**”) acquired the following securities from Company (collectively, the “**Securities**”) pursuant to the terms and conditions of the Securityholder Agreement, dated as of December 4, 2014 (the “**Original Agreement**”), entered into by and between the Company and the Original Investor: (a) that certain Unsecured Promissory Note Due 2023, dated February 2, 2015, in the principal amount of \$75,000,000 (as replaced by the note dated the date hereof, the “**Note**”); and (b) 3,000,000 SARs, as such term is defined in that certain Stock Appreciation Rights Agreement, dated as of February 2, 2015, by and between the Company and the Original Investor (as amended and restated as of the date hereof, the “**SAR Agreement**”) (subject to adjustment as provided herein or in the SAR Agreement).

WHEREAS, the Original Investor desires to transfer the Securities to the Investor in accordance with the terms of the Original Agreement, pursuant to the terms hereof.

WHEREAS, each of the Investor and the Company deems it in its respective best interests to set forth in this Agreement each party’s rights and obligations in connection with the Investor’s acquisition of the Securities.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

**ARTICLE I
DEFINITIONS**

Section 1.1 Definitions. Capitalized terms used herein and not otherwise defined will have the meanings set forth in this **Article I**.

“**Acceleration Notice**” has the meaning set forth in **Section 3.3(a)**.

“**Affiliate**” of a Person means any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person, including any director or officer of such Person or any owner of Class B Common Stock . The term “control” (including the terms “controlled by” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

“**Agreement**” has the meaning set forth in the preamble.

“**Applicable Law**” means all applicable provisions of (a) constitutions, treaties, statutes, laws (including the common law), rules, regulations, decrees, ordinances, codes, proclamations, declarations or orders of any Governmental Authority, (b) any consents or approvals of any Governmental Authority and (c) any orders, decisions, advisory or interpretative opinions, injunctions, judgments, awards, decrees of, or agreements with, any Governmental Authority.

“**Board**” has the meaning set forth in **Section 2.1**.

“**Business Day**” means a day other than a Saturday, Sunday or any other day on which commercial banks located in Anchorage, Alaska are authorized or required by Law to be closed for business.

“**Closing**” has the meaning set forth in the Recitals.

“**Capital Stock**” means the Common Stock and the Class B common stock of the Company and any securities issued in respect thereof, or in substitution therefor, in connection with any Reorganization Event (the “**Class B Common Stock**”).

“**Common Stock**” means the Class A common stock of the Company and any securities issued in respect thereof, or in substitution therefor, in connection with any Reorganization Event.

“**Company**” has the meaning set forth in the preamble.

“**Director**” has the meaning set forth in **Section 2.1**.

“**Encumbrance**” means any charge, claim, community property interest, pledge, condition, equitable interest, lien (statutory or other), option, security interest, mortgage, right of

first refusal or restriction of any kind, including any restriction on use, voting, transfer, receipt of income or exercise of any other attribute of ownership.

“Government Approval” means any authorization, consent, approval, waiver, exception, variance, order, exemption, publication, filing, declaration, concession, grant, franchise, agreement, permission, permit, or license of, from or with any Governmental Authority, the giving notice to, or registration with, any Governmental Authority or any other action in respect of any Governmental Authority.

“Governmental Authority” means any federal, state, local or foreign government or political subdivision thereof, or any agency or instrumentality of such government or political subdivision, or any self-regulated organization or other non-governmental regulatory authority or quasi-governmental authority (to the extent that the rules, regulations or orders of such organization or authority have the force of law), or any arbitrator, court or tribunal of competent jurisdiction.

“Information” has the meaning set forth in **Section 8.1**.

“Investor” has the meaning set forth in the preamble.

“Investor Closing” has the meaning set forth in **Section 1.3**.

“Investor Director” has the meaning set forth in **Section 2.1**.

“Investor Nominee” has the meaning set forth in **Section 2.1**.

“Lender” means any bank, lending institution or other financing source to whom the Investor pledges or assigns a security interest in the Securities as collateral for loans or other credit extended to the Investor by such bank, lending institution or other financing source (including, collectively, Credit Suisse AG, Cayman Islands Branch and each subsequent holder, assignee or transferee of the Loan Obligations originally owing to Credit Suisse AG, Cayman Islands Branch).

“Loan Obligations” means any and all of the obligations owed by the Investor to any Lender in respect of loans or other credit extended to the Investor by such Lender (including any such obligations pursuant to that certain loan agreement dated as of July 13, 2015, with Credit Suisse AG, Cayman Islands Branch, as amended, modified and restated from time to time).

“Note” has the meaning set forth in the Recitals.

“Offered Securities” has the meaning set forth in **Section 3.2(a)**.

“Offering Notice” has the meaning set forth in **Section 3.2(b)**.

“Original Agreement” has the meaning set forth in the Recitals.

“Original Investor” has the meaning set forth in the Recitals.

“**Par Redemption Right**” has the meaning set forth in **Section 3.3(b)**.

“**Permitted Transferee**” means with respect to the Investor, any Affiliate of the Investor and any Lender to whom the Investor pledges or assigns a security interest in the Securities as collateral for loans or other credit extended to the Investor by such Lender. For all purposes of this Agreement, for the avoidance of doubt, Searchlight Capital, L.P. shall be an Affiliate of the Investor and a Permitted Transferee hereunder. In addition, for clarification, while the Investor shall be permitted to pledge or assign a security interest in the Securities as collateral for Loan Obligations, any such Lender shall not be considered to be a Permitted Transferee upon the disposition or foreclosure of any such secured interest, which transfer shall be subject to the provisions set forth in **Section 3.3**.

“**Person**” means an individual, corporation, partnership, joint venture, limited liability company, Governmental Authority, unincorporated organization, trust, association or other entity.

“**Purchase Agreement**” has the meaning set forth in the Recitals.

“**Redemption Amount**” has the meaning set forth in **Section 3.3(a)**.

“**Redemption Expiration Date**” means the first date that the Company is deemed to have waived its redemption rights as set forth in the first sentence of **Section 3.3(b)**.

“**Redemption Period**” has the meaning set forth in **Section 3.3(a)**.

“**Redemption Notice**” has the meaning set forth in **Section 3.3(a)**.

“**Representative**” means, with respect to any Person, any and all directors, officers, employees, partners, members, investors, consultants, financial advisors, counsel, accountants and other agents of such Person.

“**ROFR Notice**” has the meaning set forth in **Section 3.2(d)**.

“**ROFR Notice Period**” has the meaning set forth in **Section 3.2(d)**.

“**SAR Agreement**” has the meaning set forth in the Recitals.

“**Securities**” has the meaning set forth in the Recitals.

“**Securities Act**” means the Securities Act of 1933, as amended, or any successor federal statute, and the rules and regulations issued thereunder, as in effect at the time.

“**Third Party Purchaser**” means any Person who, immediately prior to the contemplated transaction, is not the Investor or a Permitted Transferee.

“**Transfer**” means to, directly or indirectly, sell, transfer, assign, pledge, encumber, hypothecate or similarly dispose of, either voluntarily or involuntarily, or to enter into any contract, option or other arrangement or understanding with respect to the sale, transfer,

assignment, pledge, encumbrance, hypothecation or similar disposition of, any Securities owned by a Person or any interest (including a beneficial interest) in any Securities owned by a Person; provided, however, that for all purposes of this Agreement, the Investor shall be permitted to pledge or assign a security interest in the Securities to a Lender as collateral for loans or other credit extended to the Investor by such Lender.

“**Treasury Regulations**” means the Treasury Regulations (including temporary or proposed regulations) promulgated under the Internal Revenue Code of 1986, as amended from time to time (including corresponding provisions of succeeding regulations).

Section 1.2 Terms Generally. The definitions set forth or referenced in **Section 1.1** apply equally to both the singular and plural forms of the terms defined. Any pronoun includes the corresponding masculine, feminine and neuter forms, as the context requires. The words “include,” “includes” and “including” will be deemed to be followed by the phrase “without limitation.” The word “or” is not exclusive. The words “will” and “shall” are used interchangeably and are intended to have, and will be deemed to have, the same meaning. The words “herein,” “hereof,” “hereby” and “hereunder” and words of similar import refer to this Agreement in its entirety and not to any part of this Agreement unless the context otherwise requires. All references to Articles and Sections will be deemed references to Articles and Sections of this Agreement unless the context otherwise requires. Any references to any agreement or other document or instrument or to any statute or regulation are to it as amended and supplemented from time to time (and, in the case of a statute or regulation, to any successor provisions, and to any rules and regulations promulgated thereunder), unless the context otherwise requires. Any reference to a “day” or number of “days” (without the explicit qualification of “business”) will be interpreted as a reference to a calendar day or number of calendar days. If any action or notice is to be taken or given on or by a particular calendar day, and such calendar day is not a Business Day, then such action or notice will be deferred until, or may be taken or given on, the next Business Day.

Section 1.3 Closing. The Company and the Original Investor consummated the transactions contemplated by the Original Agreement on February 2, 2015 (the consummation of such transactions, the “**Investor Closing**”).

Section 1.4 Actions Prior to Investor Closing. The Investor and the Company hereby acknowledge that prior to the Investor Closing the Original Investor and the Company cooperated in good faith to determine and agree upon the relative fair market values of the Note and the SARs for purposes of the application of Treasury Regulation Section 1.1273-2(h), and the Company and Investor hereby agree not to take any position on any tax return or otherwise for income tax purposes inconsistent with such fair market values (provided, that the Investor shall, upon request by any subsequent Investor that is not an Affiliate of the Investor party hereto on the date hereof, provide such relative fair market values of the Note and the SARs to such Investor).

Section 1.5 Post-Closing Actions. To the extent the Investor receives SARs and/or Common Stock pursuant to the SAR Agreement: (a) the Company and the Investor shall negotiate in good faith and enter into a customary registration rights agreement with respect to

such Common Stock; and (b) the Company shall use reasonable best efforts to cause the Compensation Committee of the Board to approve the issuance of such SARs and/or Common Stock in a manner designed to exempt the issuance from Section 16(b) of the Securities Exchange Act of 1934, as amended, pursuant to Rule 16b-3(d)(1) promulgated thereunder.

Section 1.6 Transfer of Securities to the Investor On the date hereof, in accordance with the terms of the Original Agreement, the Original Investor hereby transfers to the Investor the Securities and the Investor will be substituted for, and will assume all the rights and obligations under the Original Agreement and this Agreement.

ARTICLE II DIRECTOR NOMINATION RIGHTS

Section 2.1 Investor Nominees. The Investor acknowledges that the business and affairs of the Company are managed through a board of directors (the “**Board**”) currently consisting of nine members (each, a “**Director**”). From time to time and at any time after the Investor Closing and for so long as any principal amount remains outstanding under the Note (or until such right is otherwise terminated as provided for in this Agreement), the Investor (or, if applicable, a Permitted Transferee that is an Affiliate of the Investor) shall be entitled to nominate one Director to serve on the Board (the “**Investor Nominee**” and, if elected to the Board, the “**Investor Director**”), such Investor Nominee to initially be Eric Zinterhofer. The Board shall expand its size to ten members or such number as necessary to accommodate the Investor Nominee.

Section 2.2 Company Nomination. At each meeting of the Company’s stockholders at which the election of the class II Directors is to be considered, the Company shall nominate the Investor Nominee so designated by the Investor for election to the Board by the Company’s stockholders and use reasonable best efforts to solicit proxies from the Company’s stockholders in favor of the election of the Investor Nominee. The Company shall use reasonable best efforts to cause the Investor Nominee to be elected to the Board (including voting all unrestricted proxies in favor of the election of such Investor Nominee and including recommending approval of such Investor Nominee’s appointment to the Board) and shall not take any action designed to diminish the prospects of such Investor Nominee of being elected to the Board.

Section 2.3 Removal. The Investor Director appointed pursuant to this Article II shall continue to hold office until the next annual meeting of the stockholders of the Company at which the class II Directors are to be elected and until his or her successor is elected and qualified in accordance with this **Section 2.3** and the bylaws of the Company, unless such Investor Director is earlier removed from office by the Investor (or, if applicable, a Permitted Transferee that is an Affiliate of the Investor) (in which event the Investor shall cause the Investor Director to resign from the Board) or at such time as such Investor Director’s death, resignation, retirement or disqualification. The Company shall use all reasonable best efforts to ensure that any Investor Director is removed only if so directed in writing by the Investor, unless otherwise required by this Section 2.3 or applicable law.

Section 2.4 Vacancies. In the event of a vacancy on the Board resulting from the death, disqualification, resignation, retirement or termination of the term of office of the Investor Director, the Company shall use reasonable best efforts to cause the Board to fill such vacancy or new directorship with a representative designated by the Investor (or, if applicable, a Permitted Transferee that is an Affiliate of the Investor) to serve until the next annual or special meeting of the stockholders at which the class II Directors are to be elected (and at such meeting, such representative, or another representative designated by such holders, will be nominated to be elected to the Board in the manner set forth in **Section 2.1**). If the Investor (or, if applicable, a Permitted Transferee that is an Affiliate of the Investor) fails or declines to fill the vacancy, then the directorship shall remain open until such time as the Investor elects to fill it with a representative designated hereunder. Any representative designated by the Investor (or, if applicable, a Permitted Transferee that is an Affiliate of the Investor) to fill such a vacancy must be a principal or senior executive officer of the Investor or any of its Affiliates and must have sufficient industry expertise and professional qualifications to enable such representative to make meaningful and significant contributions to the Board, as determined in good faith by the Company.

ARTICLE III TRANSFER OF SECURITIES

Section 3.1 General Restrictions on Transfer.

(a) At any time when any of the Securities remain outstanding, the Investor acknowledges and agrees that it (or any Permitted Transferee) will not voluntarily or involuntarily Transfer any of the Securities, in whole or in part, without the prior written consent of the Company except (i) to a Permitted Transferee in accordance with the procedures set forth in this **Section 3.1**, (ii) in accordance with the procedures set forth in **Section 3.2** or (iii) in accordance with the procedures set forth in **Section 3.3(e)**. For the avoidance of doubt, all issued and outstanding Securities, if Transferred pursuant to this **Section 3.1** or **Section 3.2**, may only be Transferred together and in their entirety.

(b) A Transfer of all of the then issued and outstanding Securities by the Investor (i) to a Permitted Transferee at any time or (ii) in accordance with **Section 3.3(e)** shall, in each case, not be subject to **Section 3.2**.

(c) In the event of a Transfer or attempted Transfer of any of the Securities (i) in violation of this Agreement or (ii) in accordance with **Section 3.3(e)**, the rights of the Investor set forth in **Article II** will immediately be of no further force or effect and the Investor shall promptly cause the Investor Director to resign from the Board.

(d) Prior to the consummation of any Transfer of the Securities by the Investor that is permitted pursuant to the terms and conditions of this Agreement (other than a pledge of, or assignment of a security interest in, the Securities as collateral for loans or other credit extended to the Investor by a Lender or a Transfer in accordance with **Section 3.3(e)**), the Investor will cause the transferee thereof to execute and deliver to the Company an agreement to be bound by the terms and conditions of this Agreement, which shall be in form and substance reasonably

acceptable to the Company. Except as set forth in this **Section 3.1**, upon any Transfer by the Investor of all of its then issued and outstanding Securities in accordance with the terms of this Agreement, the transferee thereof will be substituted for, and will assume all the rights and obligations under this Agreement of, the Investor; provided, that if the Transfer is not made to a Permitted Transferee, then any such transferee shall not be entitled to enforce the rights of the Investor set forth in **Article II** which will immediately be of no further force or effect and the Investor shall promptly cause the Investor Director to resign from the Board.

(e) Notwithstanding any other provision of this Agreement, the Investor agrees that it will not, directly or indirectly, Transfer the Securities (i) except as permitted under the Securities Act and other applicable federal or state securities laws, and then, if requested by the Company, only upon delivery to the Company of an opinion of counsel in form and substance satisfactory to the Company to the effect that such Transfer may be effected without registration under the Securities Act, (ii) if it would cause the Company or any of its subsidiaries to be required to register as an investment company under the Investment Company Act of 1940, as amended, or (iii) if it would cause the assets of the Company or any of its subsidiaries to be deemed plan assets as defined under the Employee Retirement Income Security Act of 1974 or its accompanying regulations or result in any “prohibited transaction” thereunder involving the Company. In any event, the Company may refuse the Transfer to any Person if such Transfer would have a material adverse effect on the Company as a result of any regulatory or other restrictions imposed by any Governmental Authority.

(f) Any Transfer or attempted Transfer of the Securities in violation of this Agreement will be null and void, no such Transfer will be recorded on the Company’s books and the purported transferee in any such Transfer will not be treated (and the purported transferor will continue be treated) as the owner of the Securities for all purposes of this Agreement.

(g) Notwithstanding anything contained herein to the contrary or otherwise, the Investor may at any time pledge or assign a security interest in the Securities to any Lender to secure loans or other credit extended to the Investor by such Lender and the Company hereby agrees at any time during which Loans Obligations owing by the Investor to such Lender shall remain outstanding to make any and all payments on account of the Securities to one or more accounts designated in writing by such Lender; *provided* that no such pledge or assignment shall release the Investor from any of its obligations hereunder or substitute any such pledgee or assignee for the Investor as a party hereto. In addition, for clarification, while the Investor shall be permitted to pledge or assign a security interest in the Securities as collateral for Loan Obligations, any such Lender shall not be considered to be a Permitted Transferee upon the disposition or foreclosure of any such secured interest, which transfer shall be subject to the provisions set forth in **Section 3.3(e)**. In no event shall any such Lender be entitled to enforce the rights of the Investor set forth in **Article II** and upon any such disposition or foreclosure of any such secured interest, the rights of the Investor set forth in **Article II** will immediately be of no further force or effect and the Investor shall promptly cause the Investor Director to resign from the Board.

Section 3.2 Right of First Refusal.

(a) If at any time during the period from the Investor Closing until the fourth (4th) anniversary of the Investor Closing (but subject to **Section 3.3(e)**), the Investor owning all of the then issued and outstanding Securities receives a bona fide offer from any Third Party Purchaser to purchase all of such Securities (the “**Offered Securities**”) owned by the Investor and the Investor desires to Transfer the Offered Securities (other than Transfers that are permitted by **Section 3.1** or **Section 3.3(e)**), then the Investor must first offer the Offered Securities to the Company in accordance with the provisions of this **Section 3.2**.

(b) The Investor shall, within five Business Days of receipt of the offer from the Third Party Purchaser, give written notice (the “**Offering Notice**”) to the Company stating that it has received a bona fide offer from a Third Party Purchaser and specifying:

(i) that the Investor intends to Transfer all (but not less than all) of the then issued and outstanding Securities and the exact number of then issued and outstanding Securities to be Transferred by the Investor;

(ii) the identity of the Third Party Purchaser; and

(iii) the total purchase price for the Offered Securities (such cost to be payable solely in cash) and the other material terms and conditions of the Transfer.

The Offering Notice will constitute the Investor’s offer to Transfer the Offered Securities to the Company, which offer will be irrevocable until the end of the ROFR Notice Period.

(c) By delivering the Offering Notice, the Investor represents and warrants to the Company that: (i) the Investor has full right, title and interest in and to the Offered Securities, (ii) the Investor has all the necessary power and authority and has taken all necessary action to Transfer such Offered Securities as contemplated by this **Section 3.2**, and (iii) the Offered Securities are (or upon consummation of such Transfer to the Company, will be) free and clear of any and all Encumbrances other than those arising as a result of or under the terms of this Agreement.

(d) Upon receipt of the Offering Notice, the Company will have ten Business Days (the “**ROFR Notice Period**”) to elect to purchase all (and not less than all) of the Offered Securities by delivering a written notice (a “**ROFR Notice**”) to the Investor stating that it will purchase such Offered Securities on the terms specified in the Offering Notice, provided that the Company will have a period of up to 60 days in order to close any such purchase, which period may be extended for a reasonable time not to exceed 150 total days to the extent reasonably necessary to obtain any Government Approvals. Any ROFR Notice will be binding upon delivery and irrevocable by the Company.

(e) Subject to **Section 3.2(f)**, if the Company does not deliver a ROFR Notice during the ROFR Notice Period, the Company will be deemed to have waived all of its rights to purchase the Offered Securities under this **Section 3.2**.

(f) If the Company does not deliver a ROFR Notice in accordance with **Section 3.2(d)**, the Investor may, during the 60 day period immediately following the expiration of the ROFR Notice Period, which period may be extended for a reasonable time not to exceed 150 total days to the extent reasonably necessary to obtain any Government Approvals, Transfer all (and not less than all) of the Offered Securities to the Third Party Purchaser on terms and conditions no more favorable to the Third Party Purchaser than those set forth in the Offering Notice. If the Investor does not Transfer all of the Offered Securities within such period, or if such Transfer is not consummated within such period, the rights provided hereunder will be revived and the Offered Securities may not be Transferred to the Third Party Purchaser unless the Investor sends a new Offering Notice in accordance with, and otherwise complies with, this **Section 3.2**.

(g) At the closing of any Transfer to the Company pursuant to this **Section 3.2**, the Investor will deliver to the Company the promissory note and agreements representing the Offered Securities to be sold (if any), accompanied by such assignment instruments and other documents as are reasonably necessary to reflect the transfer and assignment of the Securities to the Company against receipt of the purchase price therefor from the Company by certified or official bank check or by wire transfer of immediately available funds. Notwithstanding the failure of the Investor to deliver any such assignment instruments and other documents, at the closing of any Transfer to the Company, the Company shall for all purposes be deemed to be the record and beneficial owner of the Securities and the Investor shall have no further right, title or interest to such Securities.

Section 3.3 Redemption and Transfer Rights.

(a) Upon notification in writing by any Lender to the Company (the “**Acceleration Notice**”) that the Loan Obligations have matured or been accelerated and the Investor has failed to repay the Loan Obligations in full, the Company will have five (5) days from the date of the delivery of the Acceleration Notice (such five (5) day period, the “**Redemption Period**”) to elect to redeem the Note in its entirety (and not in part) by delivering a written notice (the “**Redemption Notice**”) to such Lender and the Investor stating that it will redeem the Note for an amount equal to fifty percent (50%) of the current outstanding balance of the Note as of the date it received the Acceleration Notice (the “**Redemption Amount**”); provided that (i) the Company shall close such redemption (5) days after the date of the delivery of the Redemption Notice (the “**Closing Date**”) and (ii) the Investor shall not have repaid the applicable Loan Obligations prior to the Closing Date. The Redemption Notice will be binding upon delivery and irrevocable by the Company; provided, however, that such Redemption Notice will be deemed not to have been delivered in the event the Investor repays the applicable Loan Obligations prior to the Closing Date.

(b) If the Company (i) does not deliver a Redemption Notice during the Redemption Period, or (ii) delivers a Redemption Notice, but fails to pay the Redemption Amount on the Closing Date, the Company will be deemed to have waived all of its rights to redeem the Note under **Section 3.3(a)**. Notwithstanding any provision of this Article III, after the Redemption Expiration Date but prior to February 2, 2019, the Company shall have the right to voluntarily prepay the Note in full

(but not in part) at any time together with all accrued and unpaid interest on the principal balance, without premium or penalty, three (3) business days after giving written notice to the Investor of the Company's intention to prepay the note in full (the "**Par Redemption Right**").

(c) At the closing of the redemption pursuant to **Section 3.3(a)**, the Investor shall deliver to the Company the original Note, accompanied by such payoff letters, lien releases and other documents as are reasonably necessary to reflect the redemption of the Note in full.

(d) At the closing of the redemption pursuant to **Section 3.3(a)**, the Company shall wire transfer the Redemption Amount in immediately available funds denominated in lawful money of the United State of America to an account designated in writing by Lender.

(e) Subject to **clauses (e)(i)** (other than the requirement of an opinion), **(ii)** and **(iii)** of **Section 3.1** (but not the last full sentence of Section 3.1(e)), at any time on or after the Redemption Expiration Date (unless the Investor repays the applicable Loan Obligations in full prior to the disposition or foreclosure of the Securities by the applicable Lender to whom the Investor has pledged or assigned a security interest in the Securities as collateral for loans or other credit extended to the Investor by such Lender) the Investor or any Lender (and any subsequent transferee of either of them, as applicable) may Transfer the Securities, in whole, to any Person (subject to **clauses (e)(i)** (other than the requirement of an opinion), **(ii)** and **(iii)** of **Section 3.1**) upon written notice of such Transfer to the Company.

(f) Prior to the consummation of a Transfer of the Securities by the Investor or any Lender pursuant to **Section 3.3(e)** (other than a pledge of, or assignment of a security interest in, the Securities as collateral for loans or other credit extended to the Investor by such Lender), the Investor or any Lender will cause the transferee thereof to execute and deliver to the Company an agreement to be bound by the terms and conditions of this Agreement, which shall be in the form of Exhibit A attached hereto or such other form reasonably acceptable to the Company. Upon a Transfer made in accordance with **Section 3.3(e)** above, the transferee of the Securities will be substituted for, and will assume all rights and obligations under this Agreement (except as set forth in **Sections 3.1 and 3.2 and Article V**) of, the Investor.

ARTICLE IV REPRESENTATIONS AND WARRANTIES

Section 4.1 Representations and Warranties of Both Parties. The parties represent and warrant to each other, as of the date hereof, as follows:

(a) Each party represents and warrants to that other that (i) it has full corporate power and authority to execute and deliver this Agreement, the SAR Agreement and the Note, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby and (ii) the execution and delivery of this Agreement, the SAR Agreement and the Note, the performance of the obligations hereunder and thereunder and the consummation of the transactions contemplated hereby and thereby, have been duly authorized by all requisite corporate action and each party has duly executed and delivered this Agreement.

(b) Each party represents and warrants to the other that the execution, delivery and performance of this Agreement, the SAR Agreement and the Note and the consummation of the transactions contemplated hereby and thereby, require no action by or in respect of, or filing with, any Governmental Authority.

(c) Each party represents and warrants to the other that the execution, delivery and performance by the Investor and the Company (as applicable) of this Agreement, the SAR Agreement and the Note and the consummation of the transactions contemplated hereby and thereby do not (i) conflict with or result in any violation or breach of any provision of any of the organizational documents of the Investor or the Company (as applicable), (ii) conflict with or result in any violation or breach of any provision of any Applicable Law or (iii) require any consent or other action by any Person under any provision of any material agreement or other instrument to which the Investor or the Company (as applicable) is a party.

(d) Each party represents and warrants to the other that this Agreement, the SAR Agreement, the SARs and the Note each constitutes a legal, valid and binding obligation, enforceable against each applicable party and its successors and permitted assigns in accordance with its terms except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

Section 4.2 Reserved.

ARTICLE V STANDSTILL

Section 5.1 Standstill. Unless approved in advance in writing by the Board, the Investor agrees that neither it nor any of its Representatives acting on behalf of or in concert with the Investor will, from and after the Investor Closing until none of the Securities are owned by the Investor or its Affiliates, directly or indirectly:

(a) make any public statement or proposal to the board of directors of any of the Company, any of the Company's Representatives or any of the Company's stockholders (other than the Investor and its Affiliates) regarding, or make any public announcement, proposal or offer (including any "solicitation" of "proxies" as such terms are defined or used in Regulation 14A of the Securities Exchange Act of 1934, as amended) with respect to, or otherwise solicit, seek or offer to effect (including, for the avoidance of doubt, indirectly by means of communication with the press or media) (i) any business combination, merger, tender offer, exchange offer or similar transaction involving the Company or any of its subsidiaries, (ii) any restructuring, recapitalization, liquidation or similar transaction involving the Company or any of its subsidiaries, (iii) any acquisition of any of the Company's loans, debt securities, equity securities or assets, or rights or options to acquire interests in any of the Company's loans, debt securities, equity securities or assets, (iv) any proposal to seek representation on the Board (except as set forth in **Article II** hereof) or otherwise seek to control or influence the management, Board or policies of any of the Company, (v) any request or proposal to waive,

terminate or amend the provisions of this Agreement or (vi) any proposal, arrangement or other statement that is inconsistent with the terms of this Agreement, including this **Section 5.1(a)**;

(b) instigate, encourage or assist any third party (including forming a "group" with any such third party) to do, or enter into any discussions or agreements with any third party with respect to, any of the actions set forth in clause (a) above;

(c) take any action which would reasonably be expected to require the Company or any of its affiliates to make a public announcement regarding any of the actions set forth in clause (a) above;

(d) except as provided in this Agreement, the SAR Agreement or the Note, acquire (or propose or agree to acquire), of record or beneficially, by purchase or otherwise, any equity securities of the Company or any of its subsidiaries, or rights or options to acquire interests in any of the Company's equity securities, except that subject to applicable securities laws limitations (including Company imposed blackout periods), Investor may acquire up to an additional two million (2,000,000) shares of Capital Stock (subject to appropriate adjustments to reflect any Reorganization Event) at any time after the date of this Agreement (in addition to any shares of Common Stock issuable upon exercise of the SARs); or

(e) engage in put, call, short sale, hedge, swap, straddle, collar or similar transactions with respect to any of the Securities (including any shares of Common Stock issuable upon exercise of the SARs), except with respect to any pledge or assignment of a security interest in the Securities to secure loans or other credit extended to the Investor by a Lender.

Notwithstanding the foregoing, (i) nothing in this Agreement shall restrict any Director from taking action in such capacity, and (ii) if (1) a Person "commences" (within the meaning of Rule 14d-2 under the Securities Exchange Act of 1934, as amended) a tender or exchange offer for at least 50% of the outstanding capital stock of the Company and the Board does not publicly recommend against such offer within ten business days of such commencement or (2) a Person enters into a definitive written agreement with the Company or any of its subsidiaries contemplating the acquisition (by way of merger, tender offer, or otherwise) of at least 50% of the outstanding capital stock of the Company or any of its subsidiaries, then, in any of such cases, the restrictions set forth in this **Section 5.1** shall immediately terminate and cease to be of any further force or effect with respect to the Investor or any of its Representatives.

ARTICLE VI ADJUSTMENTS

Section 6.1 Adjustments to Exercise Price for Cash Dividend. In case the Company shall pay or make a dividend or other distribution to holders of record of any shares of Common Stock in cash, the Exercise Price shall be reduced by amount of cash paid per share of Common Stock to such holders, such reduction to become effective when such dividend or other distribution is declared by the Board.

Section 6.2 Agreement for Reorganization Event. In the event of a stock dividend or stock distribution, stock split, subdivision, reclassification or reclassification or other change in corporate structure or capitalization affecting any of the Capital Stock (a “**Reorganization Event**”), the Exercise Price, the number of outstanding SARs pursuant to the SAR Agreement, the number of SARs payable pursuant to a SARs Payment Option (as defined and pursuant to the Note) and the number and/or kind of shares or other property to be issued hereunder shall be appropriately adjusted to preserve the economic benefits of the SARs to the Investor (as such economic benefits existed immediately prior to the announcement of such event) in a manner reasonably and in good faith determined by the Board.

Section 6.3 Adjustments to SARs for Merger or Consolidation. If the Company shall be the surviving corporation in any merger or consolidation (other than a merger or consolidation in which the Company survives but its outstanding shares are converted into securities of another corporation or exchanged for other consideration), the SAR Agreement shall pertain and apply to the securities which a holder of the number of shares of Common Stock then subject to the SAR Agreement should have been entitled to receive. Notwithstanding the provisions of Section 11 of the SAR Agreement, any dissolution or liquidation of the Company, a sale of all or substantially all of the assets of the Company or a merger or consolidation in which the Company is not the surviving corporation or becomes a subsidiary of another Person (in each case, other than in connection with a reincorporation of the Company into another jurisdiction, in which case the SAR Agreement shall pertain and apply to the securities which a holder of the number of shares of Common Stock then subject to the SAR Agreement should have been entitled to receive) or its outstanding shares are so converted or exchanged shall cause every SAR under the SAR Agreement to terminate and the Company shall pay to the Investor in cash the Appreciation Value or Adjusted Appreciation Value, as applicable, pursuant to the terms of the SAR Agreement.

Section 6.4 Cancellation of SARs. Upon initial disposition or foreclosure of the Note by the Investor or any Lender in accordance with **Section 3.3(e)**, all SARs granted under the SAR Agreement by the Company to the Investor on or prior to the date of such initial disposition or foreclosure shall automatically be cancelled and forfeited.

ARTICLE VII TERM AND TERMINATION

Section 7.1 Termination. This Agreement will terminate upon the earliest of:

- (a) such time as there are no Securities that remain issued and outstanding;
- (b) the termination of the Purchase Agreement in accordance with its terms; or
- (c) the written agreement to terminate this Agreement between the Company and the Investor.

Section 7.2 Effect of Termination. The termination of this Agreement will terminate all further rights and obligations of the Investor and the Company under this Agreement except that such termination will not affect:

(a) the obligation of a party to pay any amounts arising on or prior to the date of termination, or as a result of or in connection with such termination; or

(b) the rights contained herein which by their terms are intended to survive termination of this Agreement, including this **Section 7.2**, **Section 8.1**, **Section 8.3**, **Section 8.4**, **Section 8.5**, **Section 8.11** and **Section 8.12**.

ARTICLE VIII MISCELLANEOUS

Section 8.1 Confidentiality.

(a) The Investor will, and will cause its Representatives to, keep confidential and not divulge any information (including all budgets, business plans and analyses) concerning the Company, including its assets, business, operations, financial condition or prospects (“**Information**”), and to use, and cause its Representatives to use, such Information only in connection with its investment in the Company; *provided, that* nothing herein will prevent the Investor from disclosing such Information (i) upon the order of any court or administrative agency, (ii) upon the request or demand of any regulatory agency or authority having jurisdiction over the Investor, (iii) to the extent compelled by legal process or required or requested pursuant to subpoena, interrogatories or other discovery requests, (iv) to the extent necessary in connection with the exercise of any remedy hereunder, (v) to Investor Representatives that in the reasonable judgment of the Investor need to know such Information or (vi) to any potential Third Party Purchaser in connection with a proposed Transfer of the Securities from the Investor as long as such transferee agrees to be bound by the provisions of this **Section 8.1**, *provided, further*, that in the case of clause (i), (ii) or (iii), the Investor will notify the Company of the proposed disclosure as far in advance of such disclosure as practicable and use reasonable efforts to ensure that any Information so disclosed is accorded confidential treatment, when and if available.

(b) The restrictions of this **Section 8.1** will not apply to information that (i) is or becomes generally available to the public other than as a result of a disclosure by the Investor or any of its Representatives in violation of this Agreement, (ii) is or has been independently developed or conceived by the Investor without use of the Company’s Information, or (iii) is or becomes available to the Investor or any of its Representatives on a non-confidential basis from a source other than the Company or any of its Representatives, *provided, that* such source is not known by the Investor to be bound by a confidentiality agreement with the Company or any of its Representatives.

Section 8.2 Expenses. Company shall reimburse Investor for (a) all fees and disbursements of counsel incurred in connection with this Agreement, the SAR Agreement and the Note, provided that such fees and disbursements shall in no event exceed the amount of fees

Section 8.4 Effectiveness. In no event will any draft of this Agreement create any obligation or liability, it being understood that this Agreement will be effective and binding only when a counterpart hereof has been executed and delivered by each party hereto.

Section 8.5 Interpretation. This Agreement will be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

Section 8.6 Headings. The headings in this Agreement are for reference only and will not affect the interpretation of this Agreement.

Section 8.7 Severability. If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the parties hereto will negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

Section 8.8 Agreement. This Agreement, the Note and the SAR Agreement constitute the sole and entire agreement of the parties to this Agreement with respect to the subject matter contained herein, and supersede all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter. In the event of any inconsistency or conflict between this Agreement and the Note or the SAR Agreement, the Investor and the Company shall, to the extent permitted by Applicable Law, amend this Agreement to comply with the terms of the Note or the SAR Agreement.

Section 8.9 No Third Party Beneficiaries. This Agreement is for the sole benefit of the parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or will confer upon any other Person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement. Notwithstanding the foregoing, each Lender is a third party beneficiary of the terms and provisions contained in this Agreement (other than **Articles II, IV and V**).

Section 8.10 Amendment and Modification; Waiver. This Agreement may only be amended, modified or supplemented by an agreement in writing signed by each party hereto (provided, that, at any time any Loan Obligations remain outstanding, the written consent of the applicable Lender shall also be required to amend, modify or supplement this Agreement other than **Articles II and V** of this Agreement). No waiver by any party of any of the provisions hereof will be effective unless explicitly set forth in writing and signed by the party so waiving (provided, that, at any time any Loan Obligations remain outstanding, the written consent of the applicable Lender shall also be required prior to any waiver by the Investor of its rights under this Agreement other than **Articles II and V**). No waiver by any party will operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after

that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement will operate or be construed as a waiver thereof; nor will any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

Section 8.11 Governing Law; Submission to Jurisdiction; Service of Process; Waiver of Jury Trial.

(a) This Agreement, the Note and the SAR Agreement will be governed, construed, and enforced in accordance with the laws of the State of Delaware, without regard to conflicts of law principles thereunder.

(b) The parties hereby irrevocably submit in any proceeding arising out of or relating to this Agreement, the Note and the SAR Agreement, or any of the transactions contemplated hereby or thereby, to the exclusive jurisdiction of the United States District Court for the District of Alaska or if jurisdiction is not available therein the jurisdiction of any court of the State of Alaska, and waive any and all objections to such jurisdiction or venue that they may have under the laws of any state or country, including any argument that jurisdiction, sites or venue are inconvenient or otherwise improper

(c) Each party agrees that process may be served upon such party in any manner authorized under the laws of the United States or Alaska, and waives any objections that such party may otherwise have to such process, *provided, however*, that process will be served to the address set forth in **Section 8.3**.

(d) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY THAT MAY ARISE UNDER THIS AGREEMENT, THE NOTE OR THE SAR AGREEMENT ARE LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE NOTE OR THE SAR AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. EACH PARTY TO THIS AGREEMENT, THE NOTE OR THE SAR AGREEMENT CERTIFIES AND ACKNOWLEDGES THAT (i) NO REPRESENTATIVE OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT SEEK TO ENFORCE THE FOREGOING WAIVER IN THE EVENT OF A LEGAL ACTION, (ii) SUCH PARTY HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (iii) SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (iv) SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS **SECTION 8.11(d)**.

Section 8.12 Specific Performance. The parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the parties will be entitled to specific performance of the terms hereof, in addition to any other remedy to which they are entitled at law or in equity.

Section 8.13 Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together will be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission will be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

[Signature Page Follows]

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

General Communication, Inc.

By: /s/ Peter Pounds
Name: Peter Pounds
Title: SVP and
CFO

Searchlight ALX, LTD., as Investor

By: /s/ Eric Zinterhofer
Name: Eric Zinterhofer
Title: Director

Searchlight ALX, L.P., as Original Investor (solely for purposes of Section 1.6 hereof)

By: Searchlight ALX GP, LLC, its general partner

By: /s/ Eric Zinterhofer
Name: Eric Zinterhofer
Title: Authorized
Person

Exhibit A: Assumption Agreement

ASSUMPTION AGREEMENT

This ASSUMPTION AGREEMENT ("Agreement") is effective as of [_____] ("Effective Date") among [_____] ("Assignor"), [_____] ("Assignee"), and General Communication, Inc., an Alaska corporation ("Company").

WHEREAS, Assignor is party to that certain Amended and Restated Securityholder Agreement dated as of July 13, 2015 with Company (the "Securityholder Agreement"); and

WHEREAS, Assignor desires to assign to Assignee all of its rights, title, interests and obligations under and in respect of the Securityholder Agreement (the "Proposed Assignment").

In connection with the Proposed Assignment, Assignee hereby agrees that contemporaneously with the effectiveness of the Proposed Assignment, Assignee shall become bound by the applicable terms and conditions of the Securityholder Agreement.

This Agreement shall be governed, construed, and enforced in accordance with the laws of the State of Delaware, without regard to conflicts of law principles thereunder.

No amendment, modification or waiver in respect of this Agreement will be effective unless in writing and executed by each of the parties hereto.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, and all of which together shall constitute one single Agreement.

[Signature Pages Follow]

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

ASSIGNOR:

[_____]

By: _____

Name:
Title:

ASSIGNEE:

[_____]

By: _____

Name:
Title:

COMPANY:

GENERAL COMMUNICATION, INC.

By: _____

Name:
Title:

THIS PROMISSORY NOTE IS SUBJECT TO ALL OF THE TERMS AND CONDITIONS OF THE AMENDED AND RESTATED SECURITYHOLDER AGREEMENT, DATED AS OF JULY 13, 2015, BY AND AMONG GENERAL COMMUNICATION, INC., SEARCHLIGHT ALX L.P. AND SEARCHLIGHT ALX, LTD, AS AMENDED FROM TIME TO TIME, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL EXECUTIVE OFFICE OF THE MAKER. ANY ATTEMPTED TRANSFER IN VIOLATION OF THE TERMS OF SUCH AGREEMENT IS VOID.

THIS PROMISSORY NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY APPLICABLE STATE SECURITIES LAWS. IT MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THE NOTE UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO EXEMPTIONS FROM THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.

UNSECURED PROMISSORY NOTE DUE 2023

\$75,000,000

Anchorage, Alaska

July 13, 2015

GENERAL COMMUNICATION, INC. ("**Maker**"), an Alaska corporation, for value received, hereby promises to pay to SEARCHLIGHT ALX, LTD, an exempted company under the laws of the Cayman Islands ("**Payee**"), in lawful money of the United States of America, the principal amount of SEVENTY FIVE MILLION DOLLARS (\$75,000,000) plus interest as set forth below from the date of this Unsecured Promissory Note Due 2023 (the "**Note**") on the unpaid balance. All principal and interest is to be paid without setoff or counterclaim as set forth below. This Note is subject to the terms and conditions, of that certain Amended and Restated Securityholder Agreement dated as of July 13, 2015 by and among the Maker, Searchlight ALX, L.P. and Payee (the "**Securityholder Agreement**"), which was executed in connection with the execution of this Note, and that certain Amended and Restated Stock Appreciation Rights Agreement dated as of July 13, 2015 by and between the Maker and Payee (as assignee of Searchlight ALX, L.P.) (the "**SAR Agreement**") pursuant to which Maker issued certain SARs (as defined in the SAR Agreement) to Payee. Capitalized terms used but not otherwise defined herein shall have the meanings specified in the Securityholder Agreement. Maker further agrees as follows:

Section 1. Interest Rate.

W/2507778

(a) Except as provided in Section 1(d), this Note will bear interest at a per annum rate equal to SEVEN AND ONE-HALF PERCENT (7.5%) from the date hereof until this Note is paid in full. Interest shall be payable annually in arrears on each anniversary of the date of this Note (or, if such anniversary is not a Business Day, on the next succeeding Business Day), at maturity and at the time of any payment or prepayment of principal. All interest payments shall be made in cash, or at the discretion of Maker, by making the interest payable in kind by capitalizing such interest due and adding it to the outstanding principal amount of this Note, in which case the Maker shall also issue to Payee FOUR HUNDRETHS (.04) of a SAR for each ONE DOLLAR (\$1.00) of such interest being capitalized (as such conversion ratio may be adjusted from time to time pursuant to Article VI of the Securityholder Agreement) (the "**PIK Payment Option**"). Maker shall exercise the PIK Payment Option by providing written notice to the Payee, at which time the number of SARs subject to the SAR Agreement shall be appropriately adjusted in accordance with Section 3 of the SAR Agreement.

(b) References to the "principal amount of the Note" shall include any increase in the principal amount of the Note as a result of the exercise of the PIK Payment Option.

(c) Interest shall be computed on the basis of a year of 365/366 days for the actual number of days elapsed.

(d) After an Event of Default (as defined below) has occurred or maturity (whether by acceleration or otherwise, and before as well as after judgment), all unpaid principal, accrued interest and any other amounts payable by Maker under this Note shall bear interest until paid at TWO PERCENT (2%) in excess of the interest rate otherwise applicable to the unpaid balance under this Note.

Section 2. Payments.

(a) All outstanding amounts owing under this Note, including unpaid interest and principal, shall be due and payable in cash on February 2, 2023.

(b) Other than as set forth in Section 2(e) of this Note, prior to February 2, 2019, Maker may not prepay this Note. At any time on or after February 2, 2019, Maker shall have the right to prepay this Note in full or in part, together with all accrued and unpaid interest on the principal amount of this Note being prepaid, without premium or penalty three business days after giving written notice to Payee of Maker's intention to prepay this Note.

(c) All cash payments received for application to this Note, whether designated as principal or interest, shall be first applied to the payment of accrued interest and the balance applied in reduction of the principal amount hereof.

(d) Payments under this Note shall be made in the lawful money of the United States of America to the Payee by wire transfer to such account or accounts as the Payee may direct by written notice to the Maker.

(e) Maker shall have the right to redeem this Note as set forth in Section 3.3(a) and 3.3(b) of the Securityholder Agreement.

Section 3. Default. It shall be an event of default (“**Event of Default**”) upon the occurrence of any of the following events:

- (a) any failure on the part of Maker to make any principal payment under this Note when due, whether by acceleration or otherwise;
- (b) any failure on the part of Maker to make any interest payment under this Note when due, whether by acceleration or otherwise, and the continuation of such failure for 30 days;
- (c) any failure on the part of Maker to keep or perform any of the terms or provisions (other than payment) of this Note and the continuation of such failure for 30 days after notice of such failure by Payee to Maker;
- (d) Maker becomes insolvent or generally fails to pay, or admits in writing its inability to pay, its debts as they become due, or Maker commences any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, moratorium or similar law or statute;
- (e) a proceeding shall be commenced against Maker under any bankruptcy, reorganization, arrangement, readjustment of debt, moratorium or similar law or statute, and relief is ordered against it, or the proceeding is controverted but is not dismissed within 60 days after commencement thereof;
- (f) Maker consents to or suffers the appointment of a receiver, trustee or custodian to any substantial part of its assets that is not vacated within 30 days;
- (g) any representation or warranty made by the Maker herein or in the Securityholder Agreement shall prove to have been false or misleading in any material respect when so made; or
- (h) (i) Maker delivers a Redemption Notice, but fails to pay the full Redemption Amount in accordance with Section 3.3(a) and 3.3(d) of the Securityholder Agreement on the Closing Date or (ii) any payment or delivery of the Redemption Amount is subsequently rescinded or is subsequently recovered from or repaid by the recipient thereof, in whole or in part, in any bankruptcy, reorganization, insolvency or similar proceedings instituted by or against the Investor.

Upon the occurrence of and during the continuation of an Event of Default (i) if such event is an Event of Default specified in clause (d), (e) or (h)(ii) above, the entire unpaid principal of this Note, interest accrued thereon and all other amounts owing by Maker hereunder, shall become immediately due and payable, and (ii) if such event is any other Event of Default,

Payee may, by notice to Maker, declare the unpaid principal amount of this Note, interest accrued thereon and all other amounts owing by Maker hereunder to be immediately due and payable.

Section 4. Waivers.

(a) Maker waives demand, presentment, protest, notice of protest, notice of dishonor and all other notices or demands of any kind or nature with respect to this Note.

(b) Maker agrees that a waiver of rights under this Note shall not be deemed to be made by Payee unless such waiver shall be in writing, duly signed by Payee, and each such waiver, if any, shall apply only with respect to the specific instance involved and shall in no way impair the rights of Payee or the obligations of Maker in any other respect at any other time.

(c) Maker agrees that in the event Payee demands or accepts partial payment of this Note, such demand or acceptance shall not be deemed to constitute a waiver of any right to demand the entire unpaid balance of this Note at any time in accordance with the terms of this Note.

Section 5. Collection Costs. Maker will upon demand pay to Payee the amount of any and all reasonable costs and expenses including, without limitation, the reasonable fees and disbursements of its counsel (whether or not suit is instituted) and of any experts and agents, which Payee may incur in connection with the enforcement of this Note during an Event of Default.

Section 6. Assignment of Note. Maker will not be permitted to assign or transfer this Note or any of its obligations under this Note without the consent of the Payee. Payee may not assign or transfer this Note or any of its rights under this Note in any manner whatsoever except as set forth in Article III of the Securityholder Agreement.

Section 7. Miscellaneous.

(a) This Note may be modified only by written agreement signed by Maker and Payee (provided, that, at any time any Loan Obligations remain outstanding, the written consent of the applicable Lender shall also be required to modify this Note). This Note may not be modified by an oral agreement, even if supported by new consideration.

(b) The governing law for this Agreement and certain related provisions are set forth in Section 8.11 of the Securityholder Agreement.

(c) Subject to Section 6, the covenants, terms and conditions contained in this Note apply to and bind the successors and permitted assigns of the parties.

(d) This Note, together with the Securityholder Agreement and the SAR Agreement constitute a final written expression of all the terms of the agreement between the parties regarding the subject matter hereof, is a complete and exclusive statement of those terms, and supersedes all prior and contemporaneous agreements, understandings and representations between the parties. If any provision or any word, term, clause or other part of any provision of

this Note shall be invalid for any reason, the same shall be ineffective, but the remainder of this Note shall not be affected and shall remain in full force and effect.

(e) All notices, consents or other communications provided for in this Note or otherwise required by law shall be in writing and shall be given as provided in Section 8.3 of the Securityholder Agreement. Such addresses may be changed by notice given as provided in such section.

(f) Maker hereby agrees to treat, for United States federal income tax purposes, the possibility that Maker will exercise the PIK Payment Option as a contingency that is “remote” or “incidental” within the meaning of Treasury Regulation Section 1.1275-2(h), and Maker shall not take any position on any tax return or otherwise for income tax purposes inconsistent with such treatment.

[Signature Page Follows]

IN WITNESS WHEREOF, Maker has executed this Note effective as of the date first set forth above.

General Communication, Inc.

By: /s/ Peter Pounds
Name: Peter Pounds
Title: SVP and CFO

[Unsecured Promissory Note Due 2023 – Signature Page]

EXECUTION VERSION

THIS AMENDED AND RESTATED STOCK APPRECIATION RIGHTS AGREEMENT IS SUBJECT TO ALL OF THE TERMS AND CONDITIONS OF THE AMENDED AND RESTATED SECURITYHOLDER AGREEMENT, DATED AS OF JULY 13, 2015, BY AND AMONG GENERAL COMMUNICATION, INC., SEARCHLIGHT ALX, L.P. AND SEARCHLIGHT ALX, LTD., AS AMENDED FROM TIME TO TIME, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL EXECUTIVE OFFICE OF THE COMPANY. ANY ATTEMPTED TRANSFER IN VIOLATION OF THE TERMS OF SUCH AGREEMENT IS VOID.

THE SARS (AS DEFINED BELOW) REPRESENTED BY THIS STOCK APPRECIATION RIGHTS AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY APPLICABLE STATE SECURITIES LAWS. SUCH SARS MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THE SARS UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO EXEMPTIONS FROM THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.

AMENDED AND RESTATED
STOCK APPRECIATION RIGHTS AGREEMENT

This Stock Appreciation Rights Agreement (as amended, amended and restated, or otherwise modified from time to time, this "**Agreement**") is made and entered into as of July 13, 2015 by and between General Communication, Inc., an Alaska corporation (the "**Company**") and Searchlight ALX, LTD, an exempted company under the laws of the Cayman Islands ("**Searchlight**").

Grant Date: February 2, 2015

Number of SARs: 3,000,000 (as adjusted pursuant to Section 3 below)

Exercise Price per SAR: \$13.00

Expiration Date: Eight years from Grant Date

Section 1. Grant of SARs.

W/2514215

Section 1.1 Grant. The Company hereby grants to Searchlight an aggregate of 3,000,000 stock appreciation rights (as adjusted pursuant to Section 3 below, the “**SARs**”). Each SAR entitles Searchlight to receive, upon exercise, an amount payable, at the election of the Company in either shares of Class A common stock of the Company (the “**Common Stock**”) or cash equal in value to the excess of (a) the Fair Market Value of a share of Common Stock on the date of exercise, over (b) the Exercise Price (the “**Appreciation Value**”). For this purpose, “**Fair Market Value**” means, as of any particular exercise date, the volume weighted average of the Common Stock on the primary stock exchange on which the Common Stock may at the time be listed for the 10 trading day period ending on the day immediately preceding such exercise date.

Section 1.2 Promissory Note; Securityholder Agreement. Simultaneously with the execution of this Agreement, Searchlight is purchasing an Unsecured Promissory Note due 2023 issued by the Company dated as of the date hereof in the principal amount of \$75,000,000 (the “**Promissory Note**”); and prior to the execution of this Agreement, Searchlight and the Company have entered into that Amended and Restated Securityholder Agreement dated as of July 13, 2015 (the “**Securityholder Agreement**”) which provides certain rights to Searchlight and provides for certain restrictions on the transfer of the SARs. Capitalized terms used but not defined herein will have the meaning ascribed to them in the Securityholder Agreement.

Section 2. Exercise. Each SAR will become exercisable on the fourth anniversary of the Grant Date (the “**Exercise Date**”), subject to the call right of the Company as set forth in **Section 6.2**.

Section 2.1 Expiration. The SARs will expire on the Expiration Date set forth above, or earlier as provided in this Agreement. In addition, the SARs shall be cancelled at such time as expressly set forth in Section 6.4 of the Securityholder Agreement.

Section 3. Adjustment to Number of SARs and Exercise Price. Pursuant to the terms and conditions set forth in Section 1(a) of the Promissory Note, the Company has the option to pay accrued interest payments under the Promissory Note with the PIK Payment Option (as defined in the Promissory Note). To the extent that the Company exercises the PIK Payment Option in accordance with the terms and conditions of the Promissory Note or an Adjustment Event (as defined below) occurs, then the number of SARs represented by this Agreement from time to time shall be evidenced by notations by the Company on the attached Schedule 1. Such amended Schedule 1 shall promptly thereafter be provided to Searchlight and the

number of SARs reflected on such amended Schedule 1 shall be the number of SARs represented by this Agreement. In addition, the number of SARs represented by this Agreement and the Exercise Price of the SARs hereunder shall be subject to adjustment as provided in Article VI of the Securityholder Agreement, which provisions are expressly incorporated by reference herein (any such adjustment described therein, an “**Adjustment Event**”).

Section 4. Manner of Exercise.

Section 4.1 When to Exercise. Except as otherwise provided in this Agreement, Searchlight may exercise its SARs, in whole or in part, at any time after the Exercise Date and until the Expiration Date by following the procedures set forth in this **Section 4**. If partially exercised, Searchlight may exercise the remaining unexercised portion of the SARs at any time after the Exercise Date and until the Expiration Date. No SARs shall be exercisable after the Expiration Date.

Section 4.2 Election to Exercise. To exercise the SARs, Searchlight must deliver to the Company a written notice in accordance with **Section 8.3** of the Securityholder Agreement to the Company which sets forth the number of SARs being exercised, together with any additional documents as the Company may reasonably require (the “**Exercise Notice**”). Each such Exercise Notice must satisfy whatever then current procedures set forth in this Agreement apply to the SARs and must contain such representations as the Company reasonably requires.

Section 4.3 Documentation of Right to Exercise. If someone other than Searchlight exercises the SARs, then such person must submit documentation reasonably acceptable to the Company verifying that the transfer to such person was made in compliance with the terms and conditions of the Securityholder Agreement and that such person has the legal right to exercise the SARs.

Section 4.4 Date of Exercise. The SARs shall be deemed to be exercised on the business day that the Company receives a fully executed Exercise Notice. If the notice is received after business hours on such date, then the SARs shall be deemed to be exercised on the business day immediately following the business day such Exercise Notice is received by the Company.

Section 5. [Reserved]

Section 6. Settlement of SARs; Early Cash-Out Option.

Section 6.1 Upon the exercise of all or a portion of the SARs, Searchlight shall be entitled to shares of Common Stock equal to the Appreciation Value of the SARs being exercised; provided, that if Searchlight shall have exercised its SARs, then for a period of seven days following the delivery of an Exercise Notice, the Company may, in its discretion deliver a notice to Searchlight pursuant to which it may elect to immediately cancel the SARs that have been exercised and make a cash payment to Searchlight within 45 days thereafter equal to the Appreciation Value of such exercised SARs; provided that if the Company does not deliver such notice, the Company shall deliver such shares of Common Stock to Searchlight within five days following the end of such seven day period. Fractional shares will not be delivered and the number of shares of Common Stock to be delivered on exercise shall be rounded down to the nearest whole share.

Section 6.2 At any time on or after the date that all outstanding amounts (included all accrued interest) under the Promissory Note have been repaid, the Company may, in its discretion deliver a notice to Searchlight (the “**Early Cash-Out Notice**”) pursuant to which it may elect to immediately cancel all outstanding SARs in exchange for a cash payment to Searchlight within 45 days thereafter equal to the Adjusted Appreciation Value of such cancelled SARs. For purposes of this Agreement, “**Adjusted Appreciation Value**” shall mean the greater of: (a) the Appreciation Value; or (b) an amount equal to the excess of (i) the Guaranteed Minimum Value (as defined below) of a share of Common Stock on the date of the Early Cash-Out Notice or the date of the Change of Control Notice (as defined below) (as applicable), over (ii) the Exercise Price. “**Guaranteed Minimum Value**” shall be an amount determined pursuant to the following table (which amounts shall be adjusted in the same manner and at the same time as the Exercise Price is adjusted pursuant to the terms of Article VI of the Securityholder Agreement):

Date of Early Cash-Out Notice or Date of Change of Control Notice	Guaranteed Minimum Value
Date of this Agreement	\$13.00
On the first anniversary of the date of this Agreement	\$14.56
On the second anniversary of the date of this Agreement	\$16.34

On the third anniversary of the date of this Agreement	\$18.36
On the fourth anniversary of the date of this Agreement	\$20.66
On the fifth anniversary of the date of this Agreement	\$23.28
On the sixth anniversary of the date of this Agreement	\$26.25
On the seventh anniversary of the date of this Agreement	\$29.64
On the eighth anniversary of the date of this Agreement	\$33.49
On a date that is in between the date of this Agreement and the eighth anniversary of this Agreement (not including the date that is the first, second, third, fourth, fifth, sixth, seventh or eighth anniversary of the date of this Agreement)	<p>An amount equal to:</p> $A + ((B - A) * (C/365))$ <p>Where:</p> <p>A = the Guaranteed Minimum Value of the first anniversary immediately preceding the date of the Early Cash-Out Notice or the Change of Control Notice (either such notice, the "Notice")</p> <p>B = the Guaranteed Minimum Value of the first anniversary immediately following the date of the Notice</p> <p>C = the number of days between the first anniversary immediately preceding the date of the Notice</p>

Section 7. [Reserved]

Section 8. No Right to Continued Service on the Board. Nothing in this Agreement shall confer upon Searchlight any right to continue to appoint a member of the Board of Directors of the Company. Such right shall be governed exclusively by the terms and conditions of the Securityholder Agreement.

Section 9. No Rights as Shareholder. Searchlight shall not have any rights as a shareholder with respect to any of the shares of Common Stock covered by the SARs prior to the date that it exercises the SARs and becomes the holder of record. Other than pursuant to the terms of this Agreement or the Securityholder Agreement, no adjustment shall be made for dividends or other rights for which the record date is prior to the date of issuance.

Section 10. Transferability. The SARs are not transferable by Searchlight other than as expressly permitted by the terms and conditions of Article III of the Securityholder Agreement. To the extent the SARs are transferred in accordance with the Securityholder Agreement, references to Searchlight herein shall be deemed to refer to such transferee.

Section 11. Change of Control.

Section 11.1 Effect on SARs. For purposes of this Section 11, the phrase “Change of Control” shall have the same meaning as set forth in the Amended and Restated 1986 Stock Option Plan of the Company (restated effective September 26, 2014), and shall also include (i) any merger or other similar transaction in which the Company does not survive or becomes a subsidiary of another Person (other than in connection with a reincorporation of the Company into another jurisdiction), (ii) a liquidation or dissolution of the Company and (iii) a transaction or series of related transactions as a result of or in connection with which the Common Stock becomes eligible for delisting on a national securities exchange; provided, however that a Change of Control shall not be deemed to include an Affiliate who acquires 50% or more but less than 75% of the combined voting power of the then outstanding securities of the Company having the right to vote in the election of directors.

Section 11.2 Change of Control Cash-Out. Notwithstanding anything herein to the contrary, in the event of a Change of Control (which the Company shall give Searchlight ten days written notice (“**Change of Control Notice**”) prior to consummation thereof) (a) on or prior to the four-year anniversary of the date of this Agreement, the Company shall pay to Searchlight the Adjusted Appreciation Value of the SARs in cash, and (b) after the four-year anniversary of the date of this Agreement, the Company shall pay to Searchlight (i) the Appreciation Value of the SARs in cash based upon the price per share of Common Stock received or to be received by other shareholders of the Company or if no such consideration is to be received based on the Appreciation Value as calculated elsewhere in this Agreement, if such Change of Control is not an Affiliate Transaction, or (ii) the Adjusted Appreciation Value of the SARs in cash, if such Change of Control is an Affiliate

Transaction. Notwithstanding the foregoing, if at the time of a Change of Control that is not an Affiliate Transaction, the Exercise Price of the SAR equals or exceeds the price paid for a share of Common Stock in connection with such Change of Control, the Company may cancel the SARs without the payment of consideration therefor. For purposes of this Agreement, “**Affiliate Transaction**” shall mean a Change of Control involving or with an Affiliate (as defined in the Securityholder Agreement) of the Company.

Section 12. Compliance with Law. The exercise of the SARs shall be subject to compliance by the Company and Searchlight with all applicable laws, including the requirements of any stock exchange on which the Company's shares of Common Stock may be listed. Searchlight may not exercise the SARs if such exercise would violate any applicable Federal or state securities laws or other laws or regulations. Other than with respect to its obligations under the Securityholders Agreement and any registration rights agreement entered into by the Company with Searchlight, Searchlight understands that the Company is under no obligation to register the shares of Common Stock with the Securities and Exchange Commission, any state securities commission or any stock exchange to effect such compliance.

Section 13. Notices. Any notice required to be delivered to the parties under this Agreement shall be made in accordance with **Section 8.3** of the Securityholder Agreement.

Section 14. Governing Law. The governing law for this Agreement and certain related provisions are set forth in Section 8.11 of the Securityholder Agreement.

Section 15. Binding Effect; No Third Party Beneficiaries. This Agreement will be binding upon and inure to the benefit of the parties and their respective permitted successors, transferees and assigns. Except as provided in **Section 10** of this Agreement, nothing in this Agreement, expressed or implied, is intended to confer upon any person or entity, other than the parties or their respective permitted successors, transferees and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

Section 16. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each provision of this Agreement shall be severable and enforceable to the extent permitted by law.

Section 17. Amendment. This Agreement may be amended or modified only by an instrument in writing signed by each party.

Section 18. Nonalienation of Benefits. Except as provided in Section 10 of this Agreement, (i) no right or benefit under this Agreement shall be subject to anticipation, alienation, sale, assignment, hypothecation, pledge, exchange, transfer, encumbrance or charge, and any attempt to alienate, sell, assign, hypothecate, pledge, exchange, transfer, encumber or charge the same shall be void, and (ii) no right or benefit hereunder shall in any manner be liable for or subject to the debts, contracts, liabilities or torts of Searchlight or other person entitled to such benefits.

Section 19. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. Counterpart signature pages to this Agreement transmitted by facsimile transmission, by electronic mail in portable document format (.pdf), or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing an original signature.

Section 20. Acceptance. Searchlight hereby acknowledges receipt of a copy of this Agreement. Searchlight has read and understands the terms and provisions thereof, and accepts the SARs subject to all of the terms and conditions of this Agreement and the Securityholder Agreement. Searchlight acknowledges that there may be adverse tax consequences upon exercise of the SARs and that Searchlight should consult a tax advisor prior to such exercise.

Section 21. Nature of SAR Interest. The SAR will be entirely unfunded, and nothing contained in, and no action taken pursuant to, this Agreement will create or be construed to create a trust or funded benefit of any kind in favor of any Person, or a fiduciary relationship between or among the Company, the Company Board of Directors, Searchlight or any other Person. Title to and beneficial ownership of all assets, if any, whether cash or investments, that the Company may designate to pay the SAR Appreciation Value will at all times remain in the Company's general asset account, and neither Searchlight nor any other Person will have any right or property interest whatsoever in any such asset of the Company until such SAR Appreciation Value is required to be paid to Searchlight in accordance with this Agreement. The Company will not be required to pre-fund its obligations under this Agreement in any manner, whether by purchase of insurance contracts, contributions to a trust fund, deposits in an escrow account or otherwise. If the Company in its discretion does purchase any such contract or deposit funds in any such fund or account, Searchlight will not have any right or interest in or to such contract, trust or account, and Searchlight will have

only the rights of a general unsecured creditor with respect to the Company's unsecured promise to pay the SAR Appreciation Value in accordance with this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

General Communication, Inc.

By: /s/ Peter Pounds
Name: Peter Pounds
Title: SVP and CFO

Searchlight ALX, LTD

By: /s/ Eric Zinterhofer
Name: Eric Zinterhofer
Title: Director

[Stock Appreciation Rights Agreement – Signature Page]

SCHEDULE 1

**ADJUSTMENTS TO NUMBER OF SARS
FOLLOWING EACH EXERCISE OF PIK PAYMENT OPTION OR ADJUSTMENT EVENT**

Number of SARS Before Exercise of PIK Payment Option or Adjustment Event	Date of Exercise of PIK Payment Option or Applicable Adjustment Event	Number of SARS Issued In Connection With Exercise of PIK Payment Option Or Adjustment Event	Number of SARS After Exercise of PIK Payment Option or Adjustment Event	Notation Made By
3,000,000				

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

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

This Twenty-Third Amendment to the Full-time Transponder Capacity Agreement (Pre-Launch) (the "Twenty-Third Amendment") is made and entered into as of this 27th day of July, 2015 (the "Effective Date") by and between INTELSAT CORPORATION, a Delaware corporation ("Intelsat"), and GCI COMMUNICATIONS CORP., an Alaskan corporation ("Customer").

RECITALS

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

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

AGREEMENT

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

1. Except as specifically provided herein, all terms and provisions of the Agreement shall remain in full force and effect.
2. Section 1.1, Description of Capacity. This Section shall be deleted and replaced with the following:

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

***CONFIDENTIAL TREATMENT

****,” located **** Longitude, (b) **** transponders from the **** of that certain satellite referred to by Intelsat as “****” at **** Longitude (“Customer’s **** Transponder”); (c) **** Transponder **** on ****; (d) **** Transponder on **** (the “**** Transponder”); (e) **** Transponder **** on **** (the “**** Transponder ****”); (f) **** Transponder **** on **** (the “**** Transponder ****”); (g) **** Transponder from **** (the “**** Transponder”); (h) **** Transponder from **** (the “**** Transponder”) and (i) **** Transponder from **** (the “**** Transponder.”

- 3. Article 2, Capacity Term. The Capacity Term for the **** Transponder shall commence **** and continue until ****. In addition the Capacity Term for **** transponder **** shall be ****.
- 4. Section 3.1, **** Fee. Customer’s **** Fee shall be as set forth in Appendix A attached hereto.
- 4. Except as specifically set forth in this Amendment, all terms and conditions of the Agreement remain in full force and effect.

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

INTELSAT CORPORATION

GCI COMMUNICATION CORP.

By: /s/ Stephen A. Chernow

By: /s/ Jimmy R. Sipes

Name: Stephen A. Chernow

Name: Jimmy R. Sipes

Title: VP & Deputy General Counsel

Title: VP Network Services & Chief Engineer

Date: July 24, 2015

Date: July 27, 2015

SPID: OPT-048370
OSC#10361 OPT-047748

****CONFIDENTIAL TREATMENT

is **** or **** Customer **** a Transponder on **** Replacement, the **** Fee **** Transponder ****. If, however, the **** Replacement Transponder ****, then the **** Fee for **** Transponder ****. The **** Replacement **** Fee shall be ****.

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

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

SPID: _____ OPT-048370
OSC#10361 OPT-047748

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

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

This Twenty-Fourth Amendment to the Full-time Transponder Capacity Agreement (Pre-Launch) (the "Twenty-Fourth Amendment") is made and entered into as of this 2nd day of September, 2015 (the "Effective Date") by and between INTELSAT CORPORATION, a Delaware corporation ("Intelsat"), and GCI COMMUNICATIONS CORP., an Alaskan corporation ("Customer").

RECITALS

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

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

AGREEMENT

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

1. Except as specifically provided herein, all terms and provisions of the Agreement shall remain in full force and effect.
2. Section 1.1, Description of Capacity. This Section shall be deleted and replaced with the following:

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

satellite referred to by Intelsat as “****” at **** Longitude (“Customer’s **** Transponder”); (c) **** Transponder **** on ****; (d) **** Transponder on **** (the “**** Transponder”); (e) **** Transponder **** on **** (the “**** Transponder ****”); (f) **** Transponder **** on **** (the “**** Transponder ****”); (g) **** Transponder from **** (the “**** Transponder”); (h) **** Transponder from **** (the “**** Transponder”); (i) **** Transponder from **** (the “**** Transponder”); and (j) **** Transponder **** on **** (the “**** Transponder ****”).”

- 3. Article 2, Capacity Term. The Capacity Term for the **** Transponder **** shall commence on **** and continue until ****.
- 4. Section 3.1, **** Fee. Customer’s **** Fee shall be as set forth in Appendix A attached hereto.
- 4. Except as specifically set forth in this Amendment, all terms and conditions of the Agreement remain in full force and effect.

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

INTELSAT CORPORATION

GCI COMMUNICATION CORP.

By: /s/ Stephen A. Chernow

By: /s/ Jimmy R. Sipes

Name: Stephen A. Chernow

Name: Jimmy R. Sipes

Title: VP & Deputy General Counsel

Title: VP Network Services & Chief Engineer

Date: September 3, 2015

Date: September 2, 2015

****CONFIDENTIAL TREATMENT

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

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

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

SPID: 5-101494 OPT-049162
OSC#10361

SECTION 302 CERTIFICATION

I, Ronald A. Duncan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of General Communication, Inc. for the period ended September 30, 2015;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2015

/s/ Ronald A. Duncan

Ronald A. Duncan

President and Director

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 September 30, 2015;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2015

/s/ Peter J. Pounds

Peter J. Pounds

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

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

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

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

Date: November 5, 2015

/s/ Ronald A. Duncan

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

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

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

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

Date: November 5, 2015

/s/ Peter J. Pounds

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