UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2010

or

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

For the transition period from _____ to _____

Commission File No. 0-15279

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

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

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

Securities registered pursuant to Section 12(b) of the Exchange Act: None

Securities registered pursuant to Section 12(g) of the Exchange Act:

Class A common stock	Class B common stock
(Title of class)	(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Act.

Yes ☐ No ☒

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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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 Act). Yes ☐ No ☒

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the average high and low prices of such stock as of the close of trading as of the last business day of the registrant's most recently completed second fiscal quarter of June 30, 2010 was $208,185,109. Shares of voting stock held by each officer and director and by each person who owns 5% or more of the outstanding voting stock (as publicly reported by such persons pursuant to Section 13 and Section 16 of the Exchange Act) have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares outstanding of the registrant's common stock as of March 1, 2011, was:

Class A common stock – 43,868,438 shares; and,

Class B common stock – 3,178,019 shares.

Documents Incorporated by Reference

Portions of the Registrant's definitive proxy statement relating to its 2011 Annual Meeting of Shareholders are incorporated by reference in Part III of this Annual Report on Form 10-K where indicated. Alternatively, the Registrant may file an amendment to this Form 10-K to provide such information within 120 days following the end of Registrant's fiscal year ended December 31, 2010.

GENERAL COMMUNICATION, INC.
2010 ANNUAL REPORT ON FORM 10-K
TABLE OF CONTENTS

This Annual Report on Form 10-K is for the year ending December 31, 2010. This Annual Report modifies and supersedes documents filed prior to this Annual Report. The Securities and Exchange Commission ("SEC") allows us to "incorporate by reference" information that we file with them, which means that we can disclose important information to you by referring you directly to those documents. Information incorporated by reference is considered to be part of this Annual Report. In addition, information that we file with the SEC in the future will automatically update and supersede information contained in this Annual Report.

Cautionary Statement Regarding Forward-Looking Statements

You should carefully review the information contained in this Annual Report, but should particularly consider any risk factors that we set forth in this Annual Report and in other reports or documents that we file from time to time with the SEC. In this Annual Report, in addition to historical information, we state our future strategies, plans, objectives or goals and our beliefs of future events and of our future operating results, financial position and cash flows. In some cases, you can identify those so-called “forward-looking statements” by words such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” “project,” or “continue” or the negative of those words and other comparable words. All forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance, achievements, plans and objectives to differ materially from any future results, performance, achievements, plans and objectives expressed or implied by these forward-looking statements. In evaluating those statements, you should specifically consider various factors, including those identified under “Risk Factors,” and elsewhere in this Annual Report. 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

Item 1. Business

General

In this Annual Report, “we,” “us,” “our,” "GCI" and “the Company” refer to General Communication, Inc. and its direct and indirect subsidiaries.

GCI was incorporated in 1979 under the laws of the State of Alaska and has its principal executive offices at 2550 Denali Street, Suite 1000, Anchorage, AK 99503-2781 (telephone number 907-868-5600).

GCI is primarily a holding company and together with its direct and indirect subsidiaries, is a diversified communications provider with operations primarily in the state of Alaska.

Availability of Reports and Other Information

Internet users can access information about the Company and its services at http://www.gci.com/, http://www.gci-industrialtelecom.com, http://www.unicom-alaska.com/, http://www.alaska-wireless.com/ and http://www.alaskaunited.com/. The Company hosts Internet services at http://www.gci.net/, broadband delivery of health services at http://www.connectmd.com, and SchoolAccess ® services at http://www.schoolaccess.net/. The Company hosts information about our TERRA-Southwest (“TERRA-SW”) project at http://terra.gci.com/.

We make available on the http://www.gci.com/ website, free of charge, access to our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statement on Schedule 14A and amendments to those materials filed or furnished pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934 as soon as reasonably practicable after we electronically submit such material to the SEC. In addition, the SEC’s website is http://www.sec.gov/. The SEC makes available on this website, free of charge, reports, proxy and information statements, and other information regarding issuers, such as us, that file electronically with the SEC. Information on our websites or the SEC’s website is not part of this document.

Financial Information about Industry Segments

Our five reportable segments are Consumer, Network Access, Commercial, Managed Broadband, and Regulated Operations.

For financial information about our reportable segments, see "Part II — Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations." Also refer to note 10 included in "Part II — Item 8 — Consolidated Financial Statements and Supplementary Data."

Narrative Description of our Business

General

We are the largest communications provider in Alaska as measured by revenues. We offer facilities-based local and long-distance voice services, cable television, data and Internet access to residential and business customers across the state under our GCI brand. In addition, we provide wireless telephone services over our own facilities under the GCI and Alaska Wireless brand names. Due to the unique nature of the markets we serve, including harsh winter weather and remote geographies, our customers rely extensively on our systems to meet their communication and entertainment needs. We benefit from the attractive demographic and economic characteristics of Alaska.

Since our founding in 1979 as a competitive long distance provider, we have consistently expanded our product portfolio and facilities to become the leading integrated communication services provider in our markets. Our facilities include redundant and geographically diverse digital undersea fiber optic cable systems linking our Alaska terrestrial networks to the networks of other carriers in the lower 48 contiguous states. As of December 31, 2010, our cable systems passed 84% of Alaska's households, and we have achieved 55% basic cable penetration of the homes we reach. We believe we offer superior video services relative to digital broadcast satellite ("DBS"), which is limited by Alaska's geographic location, challenging climate and terrain features. We have continued our statewide deployment of digital local phone service ("DLPS") utilizing our own coaxial cable facilities enabling us to move off of facilities that we previously leased from incumbent local exchange carriers ("ILEC"). At December 31, 2010, 76% of the local access lines we served were carried on our own last mile facilities. In recent years, we expanded our efforts in wireless and presently operate the only statewide wireless network. Our network provides access for both global system for mobile communications ("GSM") and code division multiple access ("CDMA") based devices, and can provide us with an eventual path to fourth generation Long Term Evolution ("LTE") based wireless communications.

Our Consumer segment serves residential customers. Our Network Access segment serves other common carriers. Our Commercial segment serves small businesses, local, national and global businesses, governmental entities, and public and private educational institutions. Our Managed Broadband segment serves rural school districts, hospitals and health clinics. The financial results of the long-distance, local access and Internet services sold to consumer and commercial customers that we serve in the Bethel, Alaska area are reported in the Regulated Operations segment.

For the year ended December 31, 2010, we generated consolidated revenues of $651.3 million. We ended the period with approximately 97,500 long-distance customers, 144,800 local access lines in service, 147,100 basic cable subscribers, 138,700 wireless subscribers and 116,900 cable modem subscribers.

Development of our Business During the Past Fiscal Year

TERRA-SW Project. In January 2010 the U.S. Department of Agriculture's Rural Utilities Service ("RUS") approved our wholly-owned subsidiary, United Utilities, Inc.'s ("UUI") application for an $88.2 million loan/grant combination to extend terrestrial broadband service for the first time to Bristol Bay and the Yukon-Kuskokwim Delta, an area in Alaska roughly the size of the state of North Dakota. Upon completion TERRA-SW will be able to serve over 9,000 households and over 700 businesses in the 65 covered communities. The project will also be able to serve numerous public/non-profit/private community anchor institutions and entities, such as regional health care providers, school districts, and other regional and Alaska Native organizations. The RUS award, consisting of a $44.2 million loan and a $44.0 million grant, will be made under the RUS Broadband Initiatives Program established pursuant to the American Recovery and Reinvestment Act. The grant portion of the award will fund backbone network facilities that we would not otherwise be able to construct within our return-on-investment requirements. UUI began construction on TERRA-SW in 2010 and expects to complete the project in 2012 or earlier if possible.

You should see “Part I — Item 1. Business — Regulation” for regulatory developments.

Business Strategy

We intend to continue to increase revenues using the following strategies:

Offer Bundled Products. We offer innovative service bundles to meet the needs of our consumer and commercial customers. We believe that bundling our services significantly improves customer retention, increases revenue per customer and reduces customer acquisition expenses. Our experience indicates that our bundled customers are significantly less likely to churn, and we experience less price erosion when we effectively combine our offerings. Bundling improves our top line revenue growth, provides operating cost efficiencies that expand our margins and drives our overall business performance. As a measure of success to date, over 62,600 of our residential customers subscribe to one of our service bundles that include two or more services.

Maximize Sales Opportunities. We successfully sell new and enhanced services and products between and within our business segments to our existing customer base to achieve increased revenues and penetration of our services. Through close coordination of our customer service and sales and marketing efforts, our customer service representatives suggest to our customers other services they can purchase or enhanced versions of services they already purchase. Many calls into our customer service centers or visits into one of our 32 retail stores result in sales of additional services and products.

Deliver Industry Leading Customer Service. We have positioned ourselves as a customer service leader in the Alaska communications market. We have organized our operations to effectively focus on our customers. We operate our own customer service department and maintain and staff our own call centers. We have empowered our customer service representatives to handle most service issues and questions on a single call. We prioritize our customer services to expedite handling of our most valuable customers’ issues, particularly for our largest commercial customers. We believe our integrated approach to customer service, including service set-up, programming various network databases with the customer’s information, installation, and ongoing service, allows us to provide a customer experience that fosters customer loyalty.

Leverage Communications Operations. We continue to expand and evolve our integrated network for the delivery of our services. Our bundled strategy and integrated approach to serving our customers creates efficiencies of scale and maximizes network utilization. By offering multiple services, we are better able to leverage our network assets and increase returns on our invested capital. We periodically evaluate our network assets and continually monitor technological developments that we can potentially deploy to increase network efficiency and performance.

Expand Our Product Portfolio and Footprint in Alaska. Throughout our history, we have successfully added and expect to continue to add new products to our product portfolio. We have a demonstrated history of new product evaluation, development and deployment for our customers, and we continue to assess revenue-enhancing opportunities that create value for our customers. In addition to new services such as additional high definition television ("HDTV") channels, video-on-demand, on-line advertising placement, on-line content delivery such as streaming music, and mobile high speed data, we are also expanding the reach of our core products to new markets. Where feasible and where economic analysis supports geographic expansion of our network coverage, we are currently pursuing or expect to pursue opportunities to increase the scale of our facilities, enhance our ability to serve our existing customers’ needs and attract new customers.

Make Strategic Acquisitions. We have a history of making and integrating acquisitions of in-state telecommunications providers. In 2008, we completed three acquisitions of telecommunications providers in various Alaska communities. Our management team is adept at sourcing, acquiring and integrating these acquired companies, and we will continue to actively pursue and buy companies that we believe fit with our strategy and networks and that enhance earnings.

Description of our Business by Reportable Segment

Overview

Our five reportable segments are Consumer, Network Access, Commercial, Managed Broadband, and Regulated Operations. Our reportable segments are business units that offer different products, are each managed separately, and serve distinct types of customers.

Following are our segments and the services and products each offers to its customers:

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

Many of our networks and facilities are utilized by more than one segment to provide services and products to our customers. The following description of our business by reportable segment includes a comprehensive discussion within the Consumer segment section with references to that section if such common network and facility use exists in another segment. Similarly, many of the same services and products are sold to our customers in different segments.

The following discussion includes information about significant services and products, sales and marketing, facilities, competition and seasonality for each of our five reportable segments. For a discussion and analysis of financial condition and results of operations please see "Part II – Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations."

Consumer Segment

Consumer segment revenues for 2010, 2009 and 2008 are summarized as follows (amounts in thousands):

	Year Ended December 31,		
	2010	2009	2008
Total Consumer segment revenues[1]	$ 342,898	294,925	255,632

[1] See "Part II — Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations" and note 10 included in "Part II — Item 8 — Consolidated Financial Statements and Supplementary Data" for more information regarding the financial performance of our Consumer segment.

Services and Products

Our Consumer segment offers a full range of voice, video, data and wireless services and products to residential customers.

Voice Services and Products

Revenues derived from Consumer segment voice services and products in 2010, 2009, and 2008 totaled $57.3 million, $52.7 million, and $47.0 million, respectively, or 9%, 9%, and 8% of our total revenues, respectively.

Long-Distance
We are a full-service long-distance provider including intrastate, interstate and international calling. The value of our long-distance services is generally designed to be equal to or greater than that for comparable services provided by our competitors.

Local Access
We offer local access services in many communities and areas in Alaska, including the state's five largest population centers, Anchorage, Fairbanks, the Matanuska-Susitna Valley, the Kenai Peninsula, and Juneau. Our own DLPS facilities and collocated remote facilities that access the ILEC unbundled network element ("UNE") loops allow us to offer full featured local service products to customers. In areas where we do not have our own DLPS facilities or access to ILEC UNE loop facilities, we offer service using total service resale of the ILEC's local service or UNE platform.

Video Services and Products
Revenues derived from Consumer segment video services and products in 2010, 2009, and 2008 totaled $118.5 million, $111.0 million, and $105.2 million, respectively, or 18%, 19%, and 18% of our total revenues, respectively.

Our cable television systems serve 41 communities and areas in Alaska, including the state's five largest population centers, Anchorage, Fairbanks, the Matanuska-Susitna Valley, the Kenai Peninsula, and Juneau.

We offer a full range of video services over our broadband cable systems. Our video service offerings include the following:

Basic cable. Our basic cable service consists of digital basic service with access to between 13 and 21 channels of programming and an expanded digital basic service with access to between 40 and 102 additional channels of programming. These services generally consist of programming provided by national and local broadcast networks, national and regional cable networks, and governmental and public access programming. We transmit an entirely digital signal for all cable television channels in all markets we serve.

High-definition television. Our high definition television ("HDTV") service provides our subscribers with improved, high-resolution picture quality, improved audio quality and a wide-screen, theater-like display. Our HDTV service offers a broad selection of high-definition programming with access of up to 82 high-definition channels including most major broadcast networks, leading national cable networks, premium channels and national sports networks.

Digital video recorder. Our advanced digital video recorder ("DVR") service lets digital cable subscribers select, record and store programs and play them at whatever time is convenient. DVR service also provides the ability to pause and rewind "live" television.

Premium channel programming. Our premium channel programming service, which includes cable networks such as Home Box Office, Showtime, Starz and Cinemax, generally offers, without commercial interruption, feature motion pictures, live and taped sporting events, concerts and other special features.

Video on demand. Our video on demand service permits our cable subscribers to order at their convenience and for a separate fee, individual feature motion pictures and special event programs, on an unedited, commercial-free basis.

Pay-per-view programming. Our pay-per-view service permits our cable subscribers to order, for a separate fee, scheduled individual feature motion pictures and special event programs, such as professional boxing, professional wrestling and concerts, on an unedited, commercial-free basis.

Data Services and Products
Revenues derived from Consumer segment data services and products in 2010, 2009, and 2008 totaled $61.4 million, $50.3 million, and $42.7 million, respectively, or 9%, 8%, and 7% of our total revenues, respectively.

Internet
We primarily offer four types of Internet access for consumer use: high-speed cable modem, dial-up, mobile wireless and fixed wireless. Value-added Internet features, such as e-mail virus prevention, personal web

site and domain hosting, and additional e-mail accounts, are available for additional charges. Our consumer high-speed cable modem Internet service offers up to 22 Mbps download and 2 Mbps upload speeds.

Wireless Services and Products
Revenues derived from Consumer segment wireless services and products in 2010, 2009, and 2008 totaled $105.7 million, $81.0 million, and $60.7 million, respectively, or 16%, 14%, and 11% of our total revenues, respectively.

We offer mobile wireless voice and data services by selling services over our own facilities under the GCI and Alaska Wireless brand names. We offer fixed wireless local access services over our own facilities, have purchased personal communication services ("PCS") and local multipoint distribution system ("LMDS") wireless broadband licenses in Federal Communications Commission ("FCC") auctions covering markets in Alaska, and secured cellular licenses utilizing the FCC's established process. We offer mobile wireless service to our customers in the state's five largest population centers, Anchorage, Fairbanks, the Matanuska-Susitna Valley, the Kenai Peninsula, and Juneau and many other small Alaska communities.

We offer our customers a variety of post-paid and prepaid wireless rate plans so they can choose the plan that best fits their expected calling needs. Consumer voice service is generally offered on a contract basis for one or two year periods. Under the terms of these contracts, service is billed and provided on a monthly basis according to the applicable rate plan chosen. Our offerings include regional and national rate plans at a variety of pricing tiers. Our wireless voice plans generally combine a fixed monthly access charge, a designated number of minutes-of-use, per minute usage charges for minutes in excess of the included amount and additional charges for certain custom-calling features. Most of our plans include basic features such as voice messaging, caller ID, call forwarding and call waiting, and two-way text messaging. Wireless data service is included in certain plans or can be purchased as a feature to a plan.

We sell a variety of handsets and personal computer wireless data cards manufactured by various suppliers for use with our wireless services. We also sell accessories, such as carrying cases, hands-free devices, batteries, battery chargers and other items. We provide contract subscribers substantial equipment subsidies to initiate, continue or upgrade service.

Bundled Services and Products
We combine one or more of our individual service and product offerings into bundles that we sell to our Consumer segment customers at attractive prices. Our most popular bundled offering includes long-distance, cable television, cable modem Internet access and local access services. In addition to several other bundled offerings, we also offer a bundle of wireless services, cable television and cable modem Internet access.

Sales and Marketing
Our Consumer segment sales efforts are primarily directed toward increasing the number of subscribers we serve, selling bundled services, and generating incremental revenues through product and feature up-sell opportunities.

Facilities
We operate a modern, competitive communications network employing digital transmission technology over our fiber optic facilities within Alaska and between Alaska and the lower 48 states. Our facilities include three self-constructed digital undersea fiber optic cable systems linking our Alaska terrestrial networks to the networks of other carriers in the lower 48 states:

- Alaska United East was placed into service in 1999 and connects Whittier, Valdez and Juneau, Alaska and Seattle, Washington,
- Alaska United West was placed into service in 2004 and connects Seward, Alaska to Warrenton, Oregon, and
- Alaska United Southeast was placed into service in 2008 and connects Ketchikan, Wrangell, Petersburg, Angoon and Sitka, Alaska to Alaska United West and Alaska United East.

The combination of our Alaska United East, Alaska United West and Alaska United Southeast systems provides us with the ability to provide fully protected geographically diverse routing of service between Alaska and the lower 48 states.

Our Alaska United Northwest self-constructed terrestrial fiber optic cable system connects Anchorage and Fairbanks, Alaska along the Parks Highway corridor and we own a terrestrial fiber optic cable system that extends from Prudhoe Bay, Alaska to Valdez, Alaska via Fairbanks, Alaska.

We have indefeasible rights to use ("IRU") capacity in the Kodiak-Kenai Cable Company, LLC's undersea fiber optic cable system linking Anchorage to Kenai, Homer, Kodiak, Narrow Cape on Kodiak Island, and Seward, Alaska.

Another carrier operates a pair of fiber optic cable facilities connecting points in Alaska to the lower 48 states. This additional fiber system provides direct competition to services we provide on our owned fiber optic cable facilities.

We serve many rural and remote Alaska locations solely via satellite communications. Each of our C-band and Ku-band satellite transponders is backed up on the same spacecraft with multiple backup transponders. The primary spacecrafts we use to provide voice, data and Internet services to our rural Alaska customers are Intelsat's Galaxy 18 for C-band and Intelsat's Horizons 1 for Ku-band, but we also lease capacity on two other spacecraft, SES Americom's AMC-7 and AMC-8.

We also lease one 36 MHz transponder on SES Americom's AMC-7 spacecraft. We use this transponder to distribute multi-channel, digitally encoded video programming and services to remote locations within Alaska. We may use this transponder along with two others that we reserve on AMC-7 to restore service during any fiber outage that may occur in our network.

We operate digital microwave systems to link Anchorage with the Kenai Peninsula, our Prudhoe Bay Earth Station with Deadhorse, Alaska, and to link Bethel, Alaska with 40 rural communities. Virtually all switched services are computer controlled, digitally switched, and interconnected by a packet switched SS7 signaling network.

Other facilities include major earth stations at Adak, Barrow, Bethel, Cordova, Dillingham, Dutch Harbor, Eagle River, Galena, Juneau, Ketchikan, King Salmon, Kodiak, Kotzebue, McGrath, Nome, Prudhoe Bay, Sitka, Unalakleet, and Yakutat, all in Alaska, serving the communities in their vicinity, and at Issaquah, Washington, which provides interconnection to Seattle and the lower 48 states for traffic to and from major Alaska earth stations. The Eagle River earth station is linked to the Anchorage distribution center by fiber optic facilities.

We use a synchronous optical network ("SONET") as a service delivery method for our terrestrial metropolitan area networks and long-haul terrestrial and undersea fiber optic cable systems.

A fiber optic cable system from our Anchorage distribution center connects to the Matanuska Telephone Association ("MTA"), Eagle River central office and to our major hub earth station in Eagle River. The Issaquah earth station is connected with the Seattle distribution center by means of diversely-routed leased fiber optic cable transmission systems, each having the capability to restore the other in the event of failure. The Juneau earth station and distribution centers are collocated. We have digital microwave facilities serving the Kenai Peninsula communities. We maintain earth stations in Fairbanks (linked by digital microwave to the Fairbanks distribution center), Juneau (collocated with the Juneau distribution center), Anchorage (Benson earth station), and in Prudhoe Bay as fiber network restoration earth stations. Our Benson earth station also uplinks our statewide video service; such service may be pre-empted if earth station capacity is needed to restore our fiber network between Anchorage and Prudhoe Bay.

We use our demand assigned multiple access ("DAMA") facilities to serve 69 additional locations throughout Alaska. DAMA is a digital satellite earth station technology that allows calls to be made between remote villages using only one satellite hop, thereby reducing satellite delay and capacity requirements while improving quality. In addition, 54 (for a total of 123) C-band facilities provide dedicated Internet access and private network services to rural public schools, hospitals, health clinics, and natural resource development industries throughout Alaska. Our network of 83 Ku-band facilities provides dedicated Internet access and private network services to rural public schools, hospitals, health clinics, and natural resource development industries throughout Alaska, and in ten locations in the lower 48 states.

Our Anchorage, Fairbanks, and Juneau distribution centers contain electronic switches to route calls to and from local exchange companies and, in Seattle, to obtain access to other carriers to distribute our southbound traffic to the remaining 49 states and international destinations. Our extensive metropolitan area fiber network in Anchorage supports cable television, Internet and telephony services. The Anchorage,

Fairbanks, and Juneau facilities also include digital access cross-connect systems, frame relay data switches, Internet platforms, and in Anchorage and Fairbanks, collocation facilities for interconnecting and hosting equipment for other carriers. We also maintain an operator and customer service center in Wasilla, Alaska. Our operator services traffic is processed by an integrated services platform that also hosts answering services, directory assistance, and internal conferencing services.

We utilize our coaxial cable facilities for DLPS. This delivery method allows us to utilize our own cable facilities to provide local access service to our customers and avoid paying local loop charges to the ILEC.

Our statewide cable systems consist of 3,057 miles of installed cable plant having 450 to 625 MHz of channel capacity. Our cable television businesses are located throughout Alaska and serve 41 communities and areas in Alaska, including the state's five largest population centers, Anchorage, Fairbanks, the Matanuska-Susitna Valley, the Kenai Peninsula, and Juneau. Our facilities include cable plant and head-end distribution equipment. Some of our locations on the fiber routes are served from the head-end distribution equipment in Anchorage. All of our cable systems are completely digital.

We provide access to the Internet using a platform that includes many of the latest advancements in technology. The physical platform is concentrated in Anchorage and is extended into many remote areas of the state. Our Internet platform includes the following:

- Our Anchorage facilities are connected to multiple Internet access points in Seattle through multiple, diversely routed networks;
- We use multiple routers on each end of the circuits to control the flow of data and to provide resiliency; and
- Our Anchorage facility consists of routers, a bank of servers that perform support and application functions, database servers providing authentication and user demographic data, layer 2 gigabit switch networks for intercommunications and broadband services.

Our dedicated Internet access and Internet protocol ("IP") data services are delivered to a router located at the service point. Our Internet management platform constantly monitors this router and continual communications are maintained with all of the core and distribution routers in the network. The availability and quality of service, as well as statistical information on traffic loading, are continuously monitored for quality assurance. The management platform has the capability to remotely access routers, servers and layer two switches, permitting changes in configuration without the need to be physically located at the service point.

We own state-wide wireless facilities that cover 98% of the population providing service to urban and rural Alaska communities and we will continue to expand these networks throughout the terrestrially and satellite served portions of Alaska in 2011. We own GSM and CDMA wireless facilities serving urban Alaska locations. Our urban network includes Ericsson and Nortel wireless switches located in Anchorage and 183 cell sites that serve the following areas of Alaska: Anchorage and Eagle River, the Matanuska-Susitna Valley, Kenai Peninsula, Southeast, Kodiak and Fairbanks. Our rural network consists of GSM facilities that are located throughout Alaska's rural villages and communities. We extend our network coverage through roaming arrangements with other GSM and CDMA carriers.

Competition

A discussion of competition by product and service in our Consumer segment follows.

Voice Services and Products Competition

Long-Distance

The long-distance industry is intensely competitive and based upon price and bundling.

In the intrastate, interstate and international long-distance market, we compete against AT&T Alascom, Inc. ("AT&T Alascom"), Alaska Communications Systems Group, Inc. ("ACS"), MTA, long-distance resellers, and certain smaller rural local telephone companies. AT&T Alascom, as a subsidiary of AT&T, Inc., has access to greater financial, technical and marketing resources than we have. There is also the possibility that

new competitors will enter the Alaska market. In addition, wireless and voice over Internet protocol ("VoIP") services continue to grow as an alternative to wireline services as a means of reaching customers. Wireless local number portability allows consumers to retain the same phone number as they change service providers allowing for interchangeable and portable fixed-line and wireless numbers. Some consumers now use wireless service as their primary voice phone service for local and long-distance calling.

We have competed in the long-distance market by offering discounts from rates charged by our competitors and by providing desirable bundles of services.

Our ability to compete successfully will depend on our ability to anticipate and respond to various competitive factors affecting the industry, including new services that may be introduced, changes in consumer preferences, demographic trends, economic conditions and pricing strategies.

Local Access
We compete against ACS, the ILEC, in Anchorage, Juneau, Fairbanks and the Kenai Peninsula area; MTA, the ILEC, in the Matanuska-Susitna Valley, and other smaller ILECs in other communities.

In the local telephone services market, the 1996 Telecom Act, judicial decisions, state and federal legislative and regulatory developments, and new technologies have increased the overall likelihood that barriers to local telephone competition will be substantially reduced or removed. These initiatives include requirements that ILECs negotiate with entities, including us, to provide interconnection to the existing local telephone network, to allow the purchase, at cost-based rates, of access to UNEs, to establish dialing parity, to obtain access to rights-of-way and to resell services offered by the ILEC. We have been able to obtain interconnection, access and related services from the ILECs, at rates that allow us to offer competitive services. However, if we are unable to continue to obtain these services and access at acceptable rates, our ability to offer local access services, and our revenues and net income, could be materially adversely affected. To date, we have been successful in capturing a significant portion of the local telephone market in the locations where we are offering these services. However, there can be no assurance that we will continue to be successful in attracting or retaining these customers.

We believe that we have certain advantages over ILECs in providing communications services, including awareness by Alaskan customers of the GCI brand name, our facilities-based communications network, and our prior experience in, and knowledge of, the Alaskan market.

See “Regulation — Wireline Voice Services and Products” below for more information.

Video Services and Products Competition
Our cable television systems face competition from alternative methods of receiving and distributing television signals, including direct broadcast satellite ("DBS"), digital video over telephone lines, broadband IP-based services, wireless and satellite master antenna television ("SMATV") systems, and from other sources of news, information and entertainment such as Internet services, off-air television broadcast programming, newspapers, movie theaters, live sporting events, interactive computer services, and home video products, including video disks. Our cable television systems also face competition from potential overbuilds of our existing cable systems by other cable television operators and municipally-owned cable systems, and alternative methods of receiving and distributing television signals. The extent to which our cable television systems are competitive depends, in part, upon our ability to provide quality programming and other services at competitive prices.

We believe that the greatest source of potential competition for video services comes from the DBS industry. Two major companies, The DirecTV Group, Inc. and DISH DBS Corporation, are currently offering nationwide high-power DBS services. The ILECs in the Matanuska-Susitna Valley and Ketchikan offer digital video service over telephone lines in limited areas. Their product offerings and price points are similar to our product offerings. With the addition of Anchorage local broadcast stations, increased marketing, ILEC and DBS alliances, and emerging technologies creating new opportunities, competition from these sources has increased and will likely continue to increase.

Competitive forces will be counteracted by offering expanded programming through digital services. Digital delivery technology is being utilized in all of our systems. We have retransmission agreements with Anchorage broadcasters and provide for the uplink/downlink of their signals into all our systems, and local programming for our customers.

Other new technologies may become competitive with non-entertainment services that cable television systems can offer. The FCC has authorized television broadcast stations to transmit textual and graphic information useful to both consumers and businesses. The FCC also permits commercial and non-commercial FM stations to use their subcarrier frequencies to provide non-broadcast services including data

transmissions. The FCC established an over-the-air interactive video and data service that will permit two-way interaction with commercial and educational programming along with informational and data services. ILECs and other common carriers also provide facilities for the transmission and distribution to homes and businesses of interactive computer-based services, including the Internet, as well as data and other non-video services. The FCC has conducted spectrum auctions for licenses to provide PCS, as well as other services. PCS and other services will enable license holders, including cable operators, to provide voice and data services. We own a statewide PCS license in Alaska.

Cable television systems generally operate pursuant to franchises granted on a non-exclusive basis. The 1992 Cable Act gives local franchising authorities jurisdiction over basic cable service rates and equipment in the absence of "effective competition." The 1992 Cable Act also prohibits franchising authorities from unreasonably denying requests for additional franchises and permits franchising authorities to operate cable systems. Well-financed businesses from outside the cable industry (such as the public utilities that own certain of the poles on which cable is attached) may become competitors for franchises or providers of competing services.

We expect to continue to provide, at reasonable prices and in competitive bundles, a greater variety of communication services than are available off-air or through other alternative delivery sources. Additionally, we believe we offer superior technical performance and responsive community-based customer service. Increased competition, however, may adversely affect our market share and results of operations from our cable services product offerings.

Data Services and Products Competition

The Internet industry is highly competitive, rapidly evolving and subject to constant technological change. Competition is based upon price and pricing plans, service bundles, the types of services offered, the technologies used, customer service, billing services, and perceived quality, reliability and availability. We compete with other Alaska based Internet providers and domestic, non-Alaska based providers that provide national service coverage. Several of the providers headquartered outside of Alaska have substantially greater financial, technical and marketing resources than we do.

With respect to our high-speed cable modem service, ACS and other Alaska telephone service providers are providing competitive high-speed data subscriber line services over their telephone lines in direct competition with our high-speed cable modem service. Competitive local fixed wireless providers are providing service in certain of our markets as is a national WiMax-based provider in Anchorage with plans for Juneau and Fairbanks. WiMax is a standards-based wireless technology that provides high-throughput broadband connections over long distances. WiMax can be used for a number of applications, including last mile broadband connections, hotspots and cellular backhaul, and high-speed enterprise connectivity for business. DBS providers and others provide wireless high speed Internet service in competition with our high-speed cable modem services.

Niche providers in the industry, both local and national, compete with certain of our Internet service products, such as web hosting, list services and e-mail.

Wireless Services and Products Competition

We compete against AT&T Mobility, LLC ("AT&T Mobility"), ACS, MTA, and resellers of those services in Anchorage and other markets.

Regulatory policies favor robust competition in wireless markets. Wireless local number portability, which was implemented by the FCC late in 2003, has also increased the level of competition in the industry. Number portability allows subscribers to switch carriers without having to change their telephone numbers.

The communications industry continues to experience significant technological changes, as evidenced by the increasing pace of improvements in the capacity and quality of digital technology, shorter cycles for new products and enhancements and changes in consumer preferences and expectations. Accordingly, we expect competition in the wireless communications industry to continue to be dynamic and intense as a result of the development of new technologies, services and products.

We compete for customers based principally upon price, bundled services, the services and enhancements offered, network quality, customer service, network coverage and capacity, the type of wireless handsets

offered, and the availability of differentiated features and services. Our ability to compete successfully will depend, in part, on our marketing efforts and our ability to anticipate and respond to various competitive factors affecting the industry.

Seasonality

Our Consumer segment services and products do not exhibit significant seasonality. Our ability to implement construction projects is hampered during the winter months because of cold temperatures, snow and short daylight hours.

Network Access Segment

Network Access segment revenues for 2010, 2009 and 2008 are summarized as follows (amounts in thousands):

	Year Ended December 31,		
	2010	2009	2008
Total Network Access segment revenues[1]	$ 107,227	122,072	153,821

[1] See "Part II — Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations" and note 10 included in "Part II — Item 8 — Consolidated Financial Statements and Supplementary Data" for more information regarding the financial performance of our Network Access segment.

Services and Products

Our Network Access segment offers wholesale voice, data, and wireless services and products to other common carrier customers. We provide network transport, billing services and access to our network to other common carriers. These services allow other common carriers to provide services to their customers that originate or terminate on our network, or on the networks of other communication companies to which we connect.

Voice Services and Products

Revenues derived from Network Access segment voice services and products in 2010, 2009, and 2008 totaled $29.0 million, $49.8 million, and $79.7 million, respectively, or 4%, 8%, and 14% of our total revenues, respectively.

We are engaged in the transmission of interstate and intrastate-switched message telephone service. We terminate northbound message telephone service traffic for several large resellers who do not have facilities of their own in Alaska. We also provide origination of southbound calling card, toll-free services, and toll services for interexchange carriers. Services are generally provided pursuant to contracts.

Data Services and Products

Revenues derived from Network Access segment data services and products in 2010, 2009, and 2008 totaled $61.5 million, $63.9 million, and $71.4 million, respectively, or 9%, 11%, and 12% of our total revenues, respectively.

Data network services include multi-protocol label switching, frame relay, private line and dedicated Internet service.

Wireless Services and Products

Revenues derived from Network Access segment wireless services and products in 2010, 2009, and 2008 totaled $16.7 million, $8.4 million, and $2.7 million, respectively, or 3%, 1%, and 0% of our total revenues, respectively. We provide roaming services on our wireless network within Alaska to other GSM and CDMA wireless carriers.

Sales and Marketing

Our Network Access segment sales and marketing efforts are primarily directed toward increasing the number of other common carriers we serve, the number of billable minutes of long-distance and wireless traffic we carry over our network and the number of voice and data transmission circuits leased. We sell our voice, data and wireless services primarily through direct contact marketing.

Facilities
Our Network Access segment shares common facilities used for voice, data and wireless services by other segments. You should refer to "Consumer Segment — Facilities" above for additional information.

Major Customer
We had no major customer in 2010. During the years ended December 31, 2009 and 2008, Verizon was a major customer. Revenues attributed to our major customer during the years ended December 31, 2009 and 2008, totaled $64.5 million and $65.0 million, respectively, or 11% of total revenues for each year.

Competition
Our Network Access segment competes against AT&T Alascom, ACS, and certain smaller rural local telephone carriers. There is also the possibility that new competitors will enter the Alaska market.

Other common carrier traffic routed to us for termination in Alaska is largely dependent on traffic routed to our carrier customers by their customers. Pricing pressures, new program offerings, revised business plans, and market consolidation continue to evolve in the markets served by our carrier customers. If, as a result, their traffic is reduced, or if their competitors' costs to terminate or originate traffic in Alaska are reduced, our traffic will also likely be reduced, and we may have to respond to competitive pressures. We are unable to predict the effect of such changes on our business.

Historically, we have competed in the Network Access segment market by offering rates comparable to or less than our competitors, by providing a comprehensive service model to meet the complete needs of our carrier customers, and by providing responsive customer service.

Seasonality
Network Access segment long-distance and wireless services revenues derived from our other common carrier customers have historically been highest in the summer months because of temporary population increases attributable to tourism and increased seasonal economic activity such as construction, commercial fishing, and oil and gas activities. Our Network Access segment data services do not exhibit significant seasonality.

Commercial Segment
We offer a full range of communications services and products to commercial and governmental customers. Commercial segment revenues for 2010, 2009 and 2008 are summarized as follows:

	Year Ended December 31,		
	2010	2009	2008
Total Commercial segment revenues[1]	$ 128,458	110,135	114,660

[1] See "Part II — Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations" and note 10 included in "Part II — Item 8 — Consolidated Financial Statements and Supplementary Data" for more information regarding the financial performance of our Commercial segment.

Services and Products
Our Commercial segment offers a full range of voice, video, data, wireless and managed services and products to small businesses, local, national and global businesses, governmental entities, and public and private educational institutions.

Voice Services and Products
Revenues derived from Commercial segment voice services and products in 2010, 2009, and 2008 totaled $31.7 million, $30.8 million, and $29.4 million, respectively, or 5% of our total revenues for each year.

Long-Distance
We are engaged in the transmission of interstate and intrastate-switched message telephone service between the major communities in Alaska, the remaining 49 states, and foreign countries. Our message toll

services include intrastate, interstate and international direct dial, toll-free services, calling card, operator and enhanced conference calling services. Small business subscribers generally may cancel long-distance service at any time. Certain small business and most large business, governmental and educational institution customers generally contract with us for service over one to five year periods.

Local Access
We offer full featured local access service to our Commercial segment customers using our own fiber and coax facilities and collocated remote facilities that access the ILEC's UNE loops and wholesale facilities. In areas where we do not have our own facilities or access to ILEC loop facilities, we offer service using total service resale of the ILEC's local service or UNE platform.

Our package offerings are competitively priced and include popular features, including caller ID, voice messaging, three-way calling, call forwarding, and call waiting. Small business subscribers generally may cancel local access service at any time. Certain small business and most large business, governmental and educational institution customers generally contract with us for service over one to five year periods.

Video Services and Products
Revenues derived from Commercial segment video services and products in 2010, 2009, and 2008 totaled $11.2 million, $9.2 million, and $9.6 million, respectively, or 2% of our total revenues for each year.

Commercial segment subscribers such as hospitals, hotels and motels are charged negotiated monthly service fees. Our video on demand platform is available to hotels in Anchorage that are connected using our fiber facilities. Programming services offered to our cable television systems subscribers differ by system as described in the Consumer segment Video Services and Products section above. You should refer to "Consumer Segment — Services and Products" above for additional information.

Data Services and Products
Revenues derived from Commercial segment data services and products in 2010, 2009, and 2008 totaled $76.8 million, $63.4 million, and $70.1 million, respectively, or 12%, 11%, and 12% of our total revenues, respectively.

Internet
We currently offer several Internet service packages for commercial use. Our business high-speed cable modem Internet service offers access of up to 22 Mbps download and upload speeds, and free 24-hour customer service and technical support. We also provide dedicated access Internet service to commercial and public organizations in Alaska.

Data Networks
Data network services utilize voice and data transmission circuits, dedicated to particular subscribers, which link a device in one location to another in a different location. Private IP, private lines, metro Ethernet and frame relay offer a secure solution for frequent communication of large amounts of data between sites.

Managed Services
We design, sell, install, service and operate, on behalf of certain customers, communications and computer networking equipment and provide field/depot, third party, technical support, communications consulting and outsourcing services. We supply integrated voice and data communications systems incorporating private IP, interstate and intrastate digital data networks, point-to-point and multipoint data network and small earth station services.

Wireless Services and Products
Revenues derived from Commercial segment wireless services and products in 2010, 2009, and 2008 totaled $8.7 million, $6.7 million, and $5.6 million, respectively, or 1% of our total revenues for each year.

Wireless services and products offered to our Commercial segment customers are the same as those described in the Consumer Wireless Services and Products section above. You should refer to "Consumer Segment — Services and Products" above for additional information.

Bundled Services and Products

We combine one or more of our individual service or product offerings into bundles that we sell to our Commercial segment customers at attractive prices as described further in the Consumer segment Services and Products section above. You should refer to “Consumer Segment — Services and Products” above for additional information. Additionally, we use master service agreements with larger enterprise customers to capture the overall relationship.

Sales and Marketing

Our Commercial segment sales and marketing efforts focus on increasing the number of subscribers we serve, selling bundled services, and generating incremental revenues through product and feature up-sell opportunities. We sell our Commercial segment services and products primarily through direct contact marketing.

Facilities

Our Commercial segment uses many facilities to provide services and products that are common to the Consumer segment. You should refer to “Consumer Segment — Facilities” above for additional information.

We provide our own facilities-based local access services to many of Anchorage’s larger business customers through expansion and deployment of SONET, optical ethernet, and gigabit passive optical network fiber transmission facilities, digital loop carrier facilities, and leased facilities.

Our dedicated Internet access and Internet protocol/Multi-Protocol Label Switching data services are delivered to an Ethernet port located at the service point. Our management platform constantly monitors this port and continual communications are maintained with all of the core and distribution elements in the network. The availability and quality of service, as well as statistical information on traffic loading, are continuously monitored for quality assurance. The management platform has the capability to remotely access routers, servers and layer two switches, permitting changes in configuration without the need to physically be at the service point. This management platform allows us to offer network monitoring and management services to businesses and governmental entities. Many of the largest commercial networks in Alaska use this service, including the State government.

Competition

Many of our Commercial segment voice, video, data and wireless services and products are also common to the Consumer segment. You should refer to “Consumer Segment — Competition” above for additional information.

We expect continued competition in commercial customer telephone access, Internet access, wireless and data markets. Competition is based upon price and pricing plans, the type of services offered, customer service, billing services, performance, and perceived quality, reliability and availability.

Presently, there are a number of competing companies in Alaska that actively sell and maintain data and voice communications systems. Our ability to integrate communications networks and data communications equipment has allowed us to maintain our market position based on customer support services rather than price competition alone. These services are blended with other transport products into unique customer solutions, including managed services and outsourcing.

Seasonality

Our Commercial segment voice, video, data and wireless services do not exhibit significant seasonality. Our ability to implement construction projects to expand our outside plant facilities is hampered during the winter months because of cold temperatures, snow and short daylight hours.

Managed Broadband Segment

Managed Broadband segment revenues for 2010, 2009 and 2008 are summarized as follows:

	Year Ended December 31,		
	2010	2009	2008
Total Managed Broadband segment revenues[1]	$ 49,962	44,875	37,047

[1] See “Part II — Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations” and note 10 included in “Part II — Item 8 — Consolidated Financial Statements and Supplementary Data” for more information regarding the financial performance of our Managed Broadband segment.

Services and Products

Our Managed Broadband segment offers Internet access, data network and managed services to rural schools and health organizations.

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

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

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

Our videoconferencing network is the largest in Alaska, and network coverage includes parts of the states of Washington and Montana. The network supports all H.323 IP videoconferencing standards including the newer H.264 standard, and supports call data rates from 128 Kb per second up to and including multi-megabit high definition calls. In 2010, 2009, and 2008, we terminated over 33,000, 32,000 and 30,000, respectively, videoconferencing endpoint connections amounting to over 2.5 million, 2.0 million and 1.8 million, respectively, videoconferencing minutes on our network.

Sales and Marketing

Our Managed Broadband segment sales and marketing efforts focus on increasing the number of subscribers we serve, selling bundled services, and generating incremental revenues through product and feature up-sell opportunities. We sell our Managed Broadband segment services and products primarily through direct contact marketing.

Facilities

Our Managed Broadband segment services and products are delivered using a platform including many of the latest advancements in technology through a locally available circuit, our existing lines, and/or satellite earth stations. Our Internet services are partially provisioned over a satellite based digital video broadcast carrier that reduces the requirement for new satellite transponder bandwidth to support growth in ConnectMD®, SchoolAccess® and other broadband services.

We employ a packet data satellite transmission technology for the efficient transport of broadband data in support of our ConnectMD ® and SchoolAccess® initiatives. Our SchoolAccess® Internet service is delivered as follows:

- In communities where we have terrestrial interconnects or provide existing service over regional earth stations, we have configured intermediate distribution facilities. Schools that are within these service boundaries are connected locally to one of those facilities;
- In communities where we have extended communications services via our DAMA earth station program, SchoolAccess® is provided via a satellite circuit to an intermediate distribution facility at the Eagle River earth station; and
- In communities or remote locations to which we have not extended communications services, SchoolAccess® is provided via a dedicated (usually on premise) very small aperture terminal ("VSAT") satellite station. The VSAT connects to an intermediate distribution facility located in Anchorage.

Our facilities include DeltaNet, a long-haul broadband microwave network ringing the Yukon-Kuskokwim Delta – a region of approximately 50,000 square miles in western Alaska. DeltaNet links more than 30 villages to Bethel, the region's hub. We utilize DeltaNet to support growth in wireless and broadband services including ConnectMD ®and SchoolAccess®.

You should refer to "Consumer Segment — Facilities" above for additional information.

Competition

There are several competing companies in Alaska that actively sell broadband services. Our ability to provide end-to-end broadband services solutions has allowed us to maintain our market position based on "value added" services and products rather than solely based on price competition. These services are blended with other transport and software products into unique customer solutions, including SchoolAccess ® and ConnectMD® applications such as video conferencing and unique web content services.

Seasonality

Our Managed Broadband segment does not exhibit seasonality.

Regulated Operations Segment

We offer voice and data services and products to commercial and residential customers in 60 rural communities primarily in Southwest Alaska. Regulated Operations segment revenues were $22.7 million, $23.8 million, and $14.3 million in 2010, 2009, and from the June 1, 2008 date of acquisition of UUI and United-KUC, Inc. ("United-KUC") through December 31, 2008, respectively.

Services and Products

Our Regulated Operations segment offers wireline communications services to our residential and commercial customers, including local access and Internet services and products.

Sales and Marketing

Our Regulated Operations segment sales efforts are primarily directed toward increasing the number of subscribers we serve. We sell our Regulated Operations segment services through local media advertising, retail stores, and through our website.

Facilities

Our Regulated Operations segment services are delivered by switching, outside plant, terrestrial microwave, and satellite facilities. Our outside plant is primarily aerial and buried copper and fiber optic cables.

Competition

Our Regulated Operations segment has no competition for its local access services.

Seasonality

Our Regulated Operations segment services do not exhibit significant seasonality.

Sales and Marketing – Company-wide

Our sales and marketing strategy hinges on our ability to leverage (i) our unique position as an integrated provider of multiple communications, Internet and cable services, (ii) our well-recognized and respected brand names in the Alaskan marketplace and (iii) our leading market positions in the services and products we offer. By continuing to pursue a marketing strategy that takes advantage of these characteristics, we believe we can increase our customer market penetration and retention rates, increase our share of our customers' aggregate voice, video, data and wireless services expenditures and achieve continued growth in revenues and operating cash flow.

Environmental Regulations

We may undertake activities that, under certain circumstances may affect the environment. Accordingly, they are subject to federal, state, and local regulations designed to preserve or protect the environment. The FCC, the Bureau of Land Management, the United States Forest Service, the United States Fish and Wildlife Service and the National Park Service are required by the National Environmental Policy Act of 1969 to consider the environmental impact before the commencement of facility construction.

We believe that compliance with such regulations has had no material effect on our consolidated operations. The principal effect of our facilities on the environment would be in the form of construction of facilities and networks at various locations in Alaska and between Alaska, Seattle, Washington, and Warrenton, Oregon. Our facilities have been constructed in accordance with federal, state and local building codes and zoning regulations whenever and wherever applicable. Some facilities may be on lands that may be subject to state and federal wetland regulation.

Uncertainty as to the applicability of environmental regulations is caused in major part by the federal government's decision to consider a change in the definition of wetlands. Most of our facilities are on leased property, and, with respect to all of these facilities, we are unaware of any violations of lease terms or federal, state or local regulations pertaining to preservation or protection of the environment.

The engineered routes of our projects to construct terrestrial and undersea fiber optic cable facilities pass over wetlands and other environmentally sensitive areas. We believe our construction methods used for buried cable have a minimal impact on the environment. The agencies, among others, that are involved in permitting and oversight of our cable deployment efforts are the United States Army Corps of Engineers, National Marine Fisheries Service, United States Fish and Wildlife Service, United States Coast Guard, National Oceanic and Atmospheric Administration, Alaska Department of Natural Resources, and the Alaska Office of the Governor-Governmental Coordination. We are unaware of any violations of federal, state or local regulations or permits pertaining to preservation or protection of the environment.

In the course of operating our cable television and communications systems, we have used various materials defined as hazardous by applicable governmental regulations. These materials have been used for insect repellent, paint used to mark the location of our facilities, and pole treatment, and as heating fuel, transformer oil, cable cleaner, batteries, diesel fuel, and in various other ways in the operation of those systems. We do not believe that these materials, when used in accordance with manufacturer instructions, pose an unreasonable hazard to those who use them or to the environment.

Patents, Trademarks, and Licenses

We do not hold patents, franchises or concessions for communications services or local access services. We do hold registered service marks for the letters GCI®, and for the terms SchoolAccess®, Alaska United Fiber Optic Cable System®, GCI ConnectMD®, ConnectMD®, GCI Hypernet®, My GCI®, MyGCI®, Keep Talking Alaska®, Digiminutes®, Unicom®, Cell-ID®, and United-KUC®. The Communications Act of 1934, as amended, gives the FCC the authority to license and regulate the use of the electromagnetic spectrum for radio communications. We hold licenses through our subsidiary GCI Communication Corp. for our satellite and microwave transmission facilities for provision of long-distance services provided by our Consumer, Commercial and Network Access segments.

We hold the following licenses, among others:

- Two licenses for use of a 30 MHz block of spectrum, which together authorize provision of PCS services in Alaska. Both licenses have an expiration date of June 23, 2015. Licenses may be revoked and license renewal applications may be denied for cause. We expect the PCS licenses will be renewed in due course when, at the end of the license period, a renewal application will be filed,
- A LMDS license which we acquired in 1998 for use of a 150 MHz block of spectrum in the 28 GHz Ka-band for providing wireless services. The LMDS license was renewed in 2008 for an additional 10-year term, following the grant of an extension until June 1, 2012 of the requirement to provide "substantial service" in the service region,
- A 25 MHz cellular A license for sites located in the Bethel AK-2 B2 portion of RSA 316, serving the Aleutians West Census Area, and
- Several 25 MHz cellular B licenses are held by our subsidiary Unicom for sites located in the Wade Hampton AK-1 portion of CMA 315 and the Bethel AK-2 portion of CMA 316, throughout the Yukon-Kuskokwim Delta.

Earth stations are licensed generally for fifteen years. The FCC also issues a single blanket license for a large number of technically identical earth stations (e.g., VSATs). Our operations may require additional licenses in the future.

We are certified through the Regulatory Commission of Alaska ("RCA") to provide cable service by Certificates of Public Convenience and Necessity ("CPCN"). These CPCNs are nonexclusive certificates issued for each community. Although CPCNs have no stated expiration date they may be revoked due to cause.

Regulation

Our businesses are subject to substantial government regulation and oversight. The following summary of regulatory issues does not purport to describe all existing and proposed federal, state, and local laws and regulations, or judicial and regulatory proceedings that affect our businesses. Existing laws and regulations are reviewed frequently by legislative bodies, regulatory agencies, and the courts and are subject to change. Any change in the Act that loosened regulatory oversight of ILECs' control of bottleneck facilities could have an adverse impact on our businesses. We cannot predict at this time the outcome of any present or future consideration of proposed changes to governing laws and regulations.

Wireline Voice Services and Products

General. As an Interexchange carrier, we are subject to regulation by the FCC and the RCA as a non-dominant provider of interstate, international, and intrastate long-distance services. As a state-certificated competitive local exchange carrier, we are subject to regulation by the RCA and the FCC as a non-dominant provider of local communications services. Military franchise requirements also affect our ability to provide communications services to military bases.

Rural Exemption and Interconnection. A Rural Telephone Company is exempt from compliance with certain material interconnection requirements under Section 251(c) of the 1996 Telecom Act, including the obligation to negotiate Section 251(b) and (c) interconnection requirements in good faith, unless and until a state regulatory commission lifts such "rural exemption" or otherwise finds it not to apply. All ILECs in Alaska are Rural Telephone Companies except ACS in its Anchorage study area. We have had to participate in numerous proceedings regarding the rural exemptions of various ILECs, including ACS for its Fairbanks and Juneau operating companies, MTA and Ketchikan, in order to achieve the necessary Interconnection Agreements with the remaining ILECs. In other cases the Interconnection Agreements were reached by negotiation without regard to the implications of the ILEC's rural exemption.

We have completed negotiation and/or arbitration of the necessary interconnection provisions and the RCA has approved current wireline Interconnection Agreements between GCI and all of the major ILECs. We have entered all of the major Alaskan markets with local access services.

See "Description of Our Business by Reportable Segment — Consumer — Competition — Voice Services and Products Competition" for more information.

Access Charges and Other Regulated Fees. The FCC regulates the fees that local telephone companies charge long-distance companies for access to their local networks. On February 8, 2011, the FCC issued its most recent proposal to restructure and possibly reduce interstate access charges. Changes to the interstate access charge regime or introduction of new technologies not subject to access charges could fundamentally change the economics of some aspects of our business. In addition, the RCA adopted intrastate access reform, which has not yet been promulgated as final rules. We believe the proposed reduction of intrastate access rates will result in a cost savings to us and does not present a substantial risk.

Carriers also pay fees for switched wholesale transport services in and out of Alaska. The rates for such services offered by and to any provider were governed by a federal law that was effective through December 31, 2009. The expiration of the applicable federal law is likely to result in a decrease in the rates for services, which would result in a reduction of revenues.

Access to Unbundled Network Elements. The ability to obtain UNEs is an important element of our local access services business. We cannot predict the extent to which existing FCC rules governing access to and pricing for UNEs will be sustained in the face of additional legal action and the impact of any further rules that are yet to be determined by the FCC. Moreover, the future regulatory classification of services that

are transmitted over facilities may impact the extent to which we will be permitted access to such facilities. Changes to the applicable regulations could result in a change in our cost of serving new and existing markets.

Recurring and non-recurring charges for UNE-loops and other UNEs may increase based on the rates adopted in RCA proceedings to establish new Interconnection Agreements or renew existing agreements. These increases could have an adverse effect on our financial position, results of operations or liquidity.

Universal Service. The USF pays Eligible Telecommunications Carriers ("ETC") to support the provision of facilities-based wireline telephone service in high-cost areas. Under FCC regulations and RCA orders, we are an authorized ETC for purposes of providing wireline local exchange service in Anchorage, Juneau, Fairbanks, and the MTA study area (which includes the Matanuska-Susitna Valley) and other small areas throughout Alaska. Without ETC status, we would not qualify for USF support in these areas or other rural areas where we propose to offer facilities-based wireline telephone services, and our net cost of providing local telephone services in these areas would be materially adversely affected.

On May 1, 2008, the FCC issued an order adopting the recommendation of the Federal State Joint Board on Universal Service ("Joint Board") to impose a state-by-state interim cap on high cost funds to be distributed to competitive ETCs. As part of the revised policy, the FCC adopted a limited exception from the cap for competitive ETCs serving tribal lands or Alaska Native regions. While the operation of the cap has generally reduced the high cost fund amounts available to competitive ETCs as new competitive ETCs are designated and as existing competitive ETCs acquire new customers, providers like us who serve tribal lands or Alaska Native regions were provided some relief. On March 5, 2009, the FCC issued an additional order waiving a previously adopted limitation to the exception, the result of which was to provide uncapped support for all lines served by competitive ETCs for tribal lands or Alaska Native regions during the time the interim cap is in effect. The uncapped support for tribal lands or Alaska Native regions and the cap for all other regions will be in place until the FCC takes action on proposals for long term reform.

On March 16, 2010, the FCC staff released the National Broadband Plan, including among its topics a proposal to transition existing USF high cost support from voice to broadband networks over a ten year period. On April 21, 2010, the FCC initiated a proceeding to consider interim and long-term USF reforms, including a five year phase-out of support to competitive ETCs. On February 8, 2011, the FCC issued a Notice of Proposed Rulemaking to consider adopting reforms to its high cost support program, including, among other things, the proposed competitive ETC phase-out and ways to fund and distribute support for broadband services. We cannot predict at this time the outcome of this proceeding or its effect on high cost support available to us, but our revenue for providing local services in these areas would be materially adversely affected by the reduction of USF support.

Local Regulation. We may be required to obtain local permits for street opening and construction permits to install and expand our networks. Local zoning authorities often regulate our use of towers for microwave and other communications sites. We also are subject to general regulations concerning building codes and local licensing. The 1996 Telecom Act requires that fees charged to communications carriers be applied in a competitively neutral manner, but there can be no assurance that ILECs and others with whom we will be competing will bear costs similar to those we will bear in this regard.

Video Services and Products

General. Because cable communications systems use local streets and rights-of-way, they generally are operated pursuant to franchises (which can take the form of certificates, permits or licenses) granted by a municipality or other state or local government entity. The RCA is the franchising authority for all of Alaska. We believe that we have generally met the terms of our franchises, which do not require periodic renewal,

and have provided quality levels of service. Military franchise requirements also affect our ability to provide video services to military bases.

The RCA is also certified under federal law to regulate rates for the Basic Service tier on our cable systems. Under state law, however, cable television service is exempt from regulation unless subscribers petition the RCA. At present, regulation of basic cable rates takes place only in Juneau. The RCA does not regulate rates for cable modem service.

Must Carry/Retransmission Consent. The 1992 Cable Act contains broadcast signal carriage requirements that allow local commercial television broadcast stations to elect once every three years to require a cable system to carry the station, subject to certain exceptions, or to negotiate for "retransmission consent" to carry the station.

The FCC has adopted rules to require cable operators to carry the digital programming streams of broadcast television stations. The FCC requirement that cable operators carry both the analog and digital programming streams of broadcast television stations while broadcasters are transitioning from analog to digital transmission does not apply to all-digital systems like ours. Further, the FCC has declined to require any cable operator to carry multiple digital programming streams from a single broadcast television station, but should the FCC change this policy, we would be required to devote additional cable capacity to carrying broadcast television programming streams, a step that could require the removal of other programming services.

Cable System Delivery of Internet Service. The FCC has defined high-speed Internet over cable as an "information service" not subject to local cable-franchise fees, as cable service may be, or any explicit requirements for "open access." The Supreme Court affirmed the FCC's position in a decision issued in 2005.

Although there is at present no significant federal regulation of cable system delivery of Internet services, this situation may change as cable systems expand their broadband delivery of Internet services. Proposals have been advanced at the FCC and Congress to require cable operators to provide access to unaffiliated Internet service providers and online service providers and to govern the terms under which content providers and applications are delivered by all broadband network operators. If such requirements were imposed on cable operators, it could burden the capacity of cable systems and frustrate our plans for providing expanded Internet access services. These access obligations could adversely affect our financial position, results of operations or liquidity.

Segregated Security for Set-top Devices. The FCC mandated, effective July 1, 2007, that all new set-top video navigation devices must segregate the security function from the navigation function. The new devices are more expensive than existing equipment, and compliance would increase our cost of providing cable services. Subject to a waiver granted by the FCC on May 4, 2007, we may continue providing low-cost integrated set-top boxes to consumers to facilitate our all-digital cable networks.

AllVid Proceeding. On April 21, 2010, the FCC adopted a Notice of Inquiry to consider ways to develop a standardized interface for accessing video content, as an alternative to set-top boxes. Adoption of new rules or standards in this area could affect the manner in which we deliver video products to our customers. We do not know if the FCC will propose rules for further consideration.

Pole Attachments. The Communications Act requires the FCC to regulate the rates, terms and conditions imposed by public utilities for cable systems' use of utility pole and conduit space unless state authorities can demonstrate that they adequately regulate pole attachment rates. In the absence of state regulation, the FCC administers pole attachment rates on a formula basis. This formula governs the maximum rate certain utilities may charge for attachments to their poles and conduit by companies providing communications services, including cable operators. The RCA, however, does not use the federal formula and instead has adopted its own formula that has been in place since 1987. This formula could be subject to further revisions upon petition to the RCA and the FCC has an open rulemaking proceeding to consider application of the federal formula. We cannot predict at this time the outcome of any such proceedings.

Copyright. Cable television systems are subject to federal copyright licensing covering carriage of television and radio broadcast signals. In exchange for filing certain reports and contributing a percentage of their revenues to a federal copyright royalty pool that varies depending on the size of the system, the number of distant broadcast television signals carried, and the location of the cable system, cable operators can obtain blanket permission to retransmit copyrighted material included in broadcast signals. The possible modification or elimination of this compulsory copyright license is the subject of continuing legislative

review. We cannot predict the outcome of this legislative review, which could adversely affect our ability to obtain desired broadcast programming. Copyright clearances for non-broadcast programming services are arranged through private negotiations.

Internet-based Services and Products

General. There is no one entity or organization that governs the Internet. Each facilities-based network provider that is interconnected with the global Internet controls operational aspects of their own network. Certain functions, such as IP addressing, domain name routing, and the definition of the TCP/IP protocol, are coordinated by an array of quasi-governmental, intergovernmental, and non-governmental bodies. The legal authority of these bodies is not precisely defined.

Although the FCC does not regulate the prices charged by Internet service providers or Internet backbone providers, the vast majority of users connect to the Internet over facilities of existing communications carriers. Those communications carriers are subject to varying levels of regulation at both the federal and the state level. Thus, non-Internet-specific regulatory decisions exercise a significant influence over the economics of the Internet market.

Many aspects of the coordination and regulation of Internet activities and the underlying networks over which those activities are conducted are evolving. Internet-specific and non-Internet-specific changes in the regulatory environment, including changes that affect communications costs or increase competition from ILECs or other communications services providers, could adversely affect the prices at which we sell Internet-based services.

Recently adopted net neutrality regulations have not yet gone into effect and are subject to court appeals. We are currently assessing the steps required to satisfy the regulations as adopted by the FCC. Further legislative proposals under the banner of “net neutrality”, if adopted, could interfere with our ability to reasonably manage and invest in our broadband network, and could adversely affect the manner and price of providing service.

Wireless Services and Products

General. The FCC regulates the licensing, construction, interconnection, operation, acquisition, and transfer of wireless network systems in the United States pursuant to the Communications Act. As a licensee of PCS, LMDS, and other wireless services, we are subject to regulation by the FCC, and must comply with certain build-out and other license conditions, as well as with the FCC’s specific regulations governing the PCS and LMDS services (described above). The FCC does not currently regulate rates for services offered by commercial mobile radio service providers.

Commercial mobile radio service wireless systems are subject to Federal Aviation Administration and FCC regulations governing the location, lighting and construction of antenna structures on which our antennas and associated equipment are located and are also subject to regulation under federal environmental laws and the FCC’s environmental regulations, including limits on radio frequency radiation from wireless handsets and antennas on towers.

Interconnection. We have completed negotiation and the RCA has approved current direct wireless Interconnection Agreements between GCI and all of the major Alaska ILECs. These are in addition to indirect interconnection arrangements utilized elsewhere.

Universal Service. The USF pays ETCs to support the provision of facilities-based wireless telephone service in high-cost areas. A wireless carrier may seek ETC status so that it can receive support from the USF. Several wireless carriers, including us, have successfully applied to the RCA for ETC status in Alaska. Under FCC regulations and RCA orders, we are an authorized ETC for purposes of providing wireless telephone service in Anchorage, Juneau, Fairbanks, and the MTA study area (which includes the Matanuska-Susitna Valley) and other small areas throughout Alaska. Without ETC status, we would not qualify for USF support in these areas or other rural areas where we propose to offer facilities-based wireless telephone services, and our net cost of providing wireless telephone services in these areas would be materially adversely affected.

See “Description of Our Business by Reportable Segment — Regulation — Wireline Voice Services and Products — Universal Service” for more information.

Emergency 911. The FCC has imposed rules requiring carriers to provide emergency 911 services, including enhanced 911 services that provide to local public safety dispatch agencies the caller's communications number and approximate location. Providers are required to transmit the geographic coordinates of the customer's location, either by means of network-based or handset-based technologies, within accuracy parameters recently revised by the FCC, to be implemented over a phase-in period. We are assessing the application of such parameters in Alaska's relatively low population and rural service areas. Providers may not demand cost recovery as a condition of doing so, although they are permitted to negotiate cost recovery if it is not mandated by the state or local governments.

State and Local Regulation. While the Communications Act generally preempts state and local governments from regulating the entry of, or the rates charged by, wireless carriers, it also permits a state to petition the FCC to allow it to impose commercial mobile radio service rate regulation when market conditions fail to adequately protect customers and such service is a replacement for a substantial portion of the telephone wireline exchange service within a state. No state currently has such a petition on file, and all prior efforts have been rejected. In addition, the Communications Act does not expressly preempt the states from regulating the "terms and conditions" of wireless service.

Several states have invoked this "terms and conditions" authority to impose or propose various consumer protection regulations on the wireless industry. State attorneys general have also become more active in enforcing state consumer protection laws against sales practices and services of wireless carriers. States also may impose their own universal service support requirements on wireless and other communications carriers, similar to the contribution requirements that have been established by the FCC.

States have become more active in attempting to impose new taxes and fees on wireless carriers, such as gross receipts taxes. Where successful, these taxes and fees are generally passed through to our customers and result in higher costs to our customers.

At the local level, wireless facilities typically are subject to zoning and land use regulation. Neither local nor state governments may categorically prohibit the construction of wireless facilities in any community or take actions, such as indefinite moratoria, which have the effect of prohibiting construction. Nonetheless, securing state and local government approvals for new tower sites has been and is likely to continue to be difficult, lengthy and costly.

Financial Information about our Foreign and Domestic Operations and Export Sales

Although we have several agreements to help originate and terminate international toll traffic, we do not have foreign operations or export sales. We conduct our operations throughout the western contiguous United States and Alaska and believe that any subdivision of our operations into distinct geographic areas would not be meaningful.

Customer-Sponsored Research

We have not expended material amounts during the last three fiscal years on customer-sponsored research activities.

Geographic Concentration and the Alaska Economy

We offer voice, data and wireless telecommunication services and video services to customers primarily throughout Alaska. Because of this geographic concentration, growth of our business and operations depends upon economic conditions in Alaska. The economy of Alaska is dependent upon the natural resource industries, and in particular oil production, as well as investment earnings, tourism, government, and United States military spending. Any deterioration in these markets could have an adverse impact on us. A significant part of the Alaska economy is the state government. All of the federal funding and the majority of investment revenues are dedicated for specific purposes, leaving oil revenues as the primary source of general operating revenues for the State of Alaska. The State of Alaska reported in fiscal 2010 that oil revenues supplied 89% of the State's unrestricted revenues. In fiscal 2011 state economists forecast that Alaska's oil revenues will supply 87% of the State's projected unrestricted revenues.

The volume of oil transported by the TransAlaska Oil Pipeline System over the past 20 years has been as high as 2.011 million barrels per day in fiscal 1988. Production has been declining over the last several years with an average of 0.644 million barrels produced per day in fiscal 2010. The State forecasts the production rate to decline from 0.616 million barrels produced per day in fiscal 2011 to 0.52 million barrels produced per day in fiscal 2020.

Market prices for North Slope oil averaged $74.90 in fiscal 2010 and are forecasted to average $77.96 in fiscal 2011. The closing price per barrel was $111.98 on March 1, 2011. To the extent that actual oil prices vary materially from the State's projected prices, the State's projected revenues and deficits will change. The production policy of the Organization of Petroleum Exporting Countries and its ability to continue to act in concert represents a key uncertainty in the State's revenue forecast.

Should new oil discoveries or developments not materialize or the price of oil become depressed, the long term trend of continued decline in oil production from the Prudhoe Bay area is inevitable with a corresponding adverse impact on the economy of the State, in general, and on demand for telecommunications and cable television services, and, therefore, on us, in particular. Periodically there are renewed efforts to allow exploration and development in the Arctic National Wildlife Refuge ("ANWR"). The United States Energy Information Agency has estimated that it could take nine years to begin oil field drilling after approval of ANWR exploration.

No assurance can be given that the driving forces in the Alaska economy, and in particular, oil production, will continue at appropriate levels to provide an environment for expanded economic activity. The governor of the State of Alaska and the Alaska legislature continue to evaluate the state's oil tax structure which may also affect the oil production industry in Alaska.

No assurance can be given that oil companies doing business in Alaska will be successful in discovering new fields or further developing existing fields which are economic to develop and produce oil with access to the pipeline or other means of transport to market. We are not able to predict the effect of changes in the price and production volumes of North Slope oil on Alaska's economy or on us.

Deployment of a natural gas pipeline from the State of Alaska's North Slope to the lower 48 states has been proposed to supplement natural gas supplies. There are two competing companies that are studying the economic viability of a natural gas pipeline, which depends upon the price of and demand for natural gas. Both of the companies completed an initial open season for shipping bids during 2010. These open seasons were approved by government regulators and submissions are currently under evaluation by involved parties.

The State of Alaska maintains the Constitutional Budget Reserve Fund ("CBRF") that is intended to fund budgetary shortfalls. If the State's current projections are realized and no surpluses are deposited into the CBRF it is projected that the fund would not be depleted before 2020. The date the CBRF is depleted is highly influenced by the price of oil. If the fund is depleted, aggressive state action will be necessary to increase revenues and reduce spending in order to balance the budget. The governor of the State of Alaska and the Alaska legislature continue to evaluate cost cutting and revenue enhancing measures.

We have, since our entry into the telecommunication marketplace, aggressively marketed our services to seek a larger share of the available market. The customer base in Alaska is limited, however, with a population of approximately 710,000 people. The State of Alaska's population is distributed as follows:

- 42% are located in the Municipality of Anchorage,
- 14% are located in the Fairbanks North Star Borough,
- 12% are located in the Matanuska-Susitna Borough,
- 8% are located in the Kenai Peninsula Borough,
- 4% are located in the City and Borough of Juneau, and
- The remaining 20% are located in other communities across the State of Alaska.

Employees

We employed 1,655 persons as of December 31, 2010, and we are not subject to any collective bargaining agreements with our employees. We believe our future success will depend upon our continued ability to attract and retain highly skilled and qualified employees. We believe that relations with our employees are satisfactory.

Other

No material portion of our business is subject to renegotiation of profits or termination of contracts at the election of the federal government.

Item 1A. Risk Factors.

Factors That May Affect Our Business and Future Results

Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business operations. Any of the following risks could materially and adversely affect our business, financial position, results of operations or liquidity.

We face competition that may reduce our market share and harm our financial performance.

There is substantial competition in the telecommunications industry. The traditional dividing lines between long-distance, local access, wireless, Internet and video services are increasingly becoming blurred. Through mergers and various service integration strategies, major providers are striving to provide integrated communications services offerings within and across geographic markets. We face increasing video services competition from DBS providers.

We expect competition to increase as a result of the rapid development of new technologies, services and products. We cannot predict which of many possible future technologies, products or services will be important to maintain our competitive position or what expenditures will be required to develop and provide these technologies, products or services. Our ability to compete successfully will depend on marketing and on our ability to anticipate and respond to various competitive factors affecting the industry, including new services that may be introduced, changes in consumer preferences, economic conditions and pricing strategies by competitors. To the extent we do not keep pace with technological advances or fail to timely respond to changes in competitive factors in our industry and in our markets, we could lose market share or experience a decline in our revenue and net income. Competitive conditions create a risk of market share loss and the risk that customers shift to less profitable lower margin services. Competitive pressures also create challenges for our ability to grow new businesses or introduce new services successfully and execute our business plan. Each of our business segments also faces the risk of potential price cuts by our competitors that could materially adversely affect our market share and gross margins.

For more information about competition by segment, see the sections titled “Competition” included in “Item 1 — Business — Narrative Description of our Business — Description of our Business by Reportable Segment.”

Our business is subject to extensive governmental legislation and regulation. Applicable legislation and regulations and changes to them could adversely affect our business, financial position, results of operations or liquidity.

Wireless Services. The licensing, construction, operation, sale and interconnection arrangements of wireless communications systems are regulated by the FCC and, depending on the jurisdiction, state and local regulatory agencies. In particular, the FCC imposes significant regulation on licensees of wireless spectrum with respect to:

- How radio spectrum is used by licensees;
- The nature of the services that licensees may offer and how such services may be offered; and
- Resolution of issues of interference between spectrum bands.

The Communications Act of 1934, as amended, preempts state and local regulation of market entry by, and the rates charged by, commercial mobile radio service providers, except that states may exercise authority over such things as certain billing practices and consumer-related issues. These regulations could increase the costs of our wireless operations. The FCC grants wireless licenses for terms of generally ten years that are subject to renewal and revocation. FCC rules require all wireless licensees to meet certain build-out requirements and substantially comply with applicable FCC rules and policies and the Communications Act of 1934, as amended, in order to retain their licenses. Failure to comply with FCC requirements in a given license area could result in revocation of the license for that license area. There is no guarantee that our licenses will be renewed.

The FCC has initiated a number of proceedings to evaluate its rules and policies regarding spectrum licensing and usage. Changes proposed by the FCC could adversely impact our utilization of our licensed spectrum and our operation costs.

Commercial mobile radio service providers must implement enhanced 911 ("E911") capabilities in accordance with FCC rules. Failure to deploy E911 service consistent with FCC requirements could subject us to significant fines.

The FCC, together with the Federal Aviation Administration, also regulates tower marking and lighting. In addition, tower construction is affected by federal, state and local statutes addressing zoning, environmental protection and historic preservation. The FCC adopted significant changes to its rules governing historic preservation review of projects, which makes it more difficult and expensive to deploy antenna facilities. The FCC is also considering changes to its rules regarding environmental protection as related to tower construction, which, if adopted, could make it more difficult to deploy facilities.

Video Services. The cable television industry is subject to extensive regulation at various levels, and many aspects of such regulation are currently the subject of judicial proceedings and administrative or legislative proposals. The law permits certified local franchising authorities to order refunds of rates paid in the previous 12-month period determined to be in excess of the reasonable rates. It is possible that rate reductions or refunds of previously collected fees may be required of us in the future. Currently, pursuant to Alaska law, the basic cable rates in Juneau are the only rates in Alaska subject to regulation by the local franchising authority, and the rates in Juneau were reviewed and approved by the RCA in July 2010.

Proposals may be made before Congress and the FCC to mandate cable operators provide “open access” over their cable systems to Internet service providers. As of the date of this report, the FCC has declined to impose such requirements. If the FCC or other authorities mandate additional access to our cable systems, we cannot predict the effect that this would have on our Internet service offerings.

Other existing federal regulations, currently the subject of judicial, legislative, and administrative review, could change, in varying degrees, the manner in which cable television systems operate. Neither the outcome of these proceedings nor their impact upon the cable television industry in general, or on our activities and prospects in the cable television business in particular, can be predicted at this time. There can be no assurance that future regulatory actions taken by Congress, the FCC or other federal, state or local government authorities will not have a material adverse effect on our business, financial position, results of operations or liquidity.

Internet Services. Changes in the regulatory environment relating to the Internet access market, including changes in legislation, FCC regulation, judicial action or local regulation that affect communications costs or increase competition from the ILEC or other communications services providers, could adversely affect the prices at which we sell Internet services.

Local Access Services. Our success in the local telephone market depends on our continued ability to obtain interconnection, access and related services from local exchange carriers on terms that are reasonable and that are based on the cost of providing these services. Our local telephone services business faces the risk of the impact of the implementation of current regulations and legislation, unfavorable changes in regulation or legislation or the introduction of new regulations. Our ability to enter into the local telephone market depends on our negotiation or arbitration with local exchange carriers to allow interconnection to the carrier’s existing local telephone network, to establish dialing parity, to obtain access to rights-of-way, to resell services offered by the local exchange carrier, and in some cases, to allow the purchase, at cost-based rates, of access to UNEs. In some Alaska markets, it also depends on our ability to gain interconnection at economic costs. Future arbitration proceedings with respect to new or existing markets could result in a change in our cost of serving these markets via the facilities of the ILEC or via wholesale offerings.

For more information about Regulations affecting our operations, see “Competition” contained in “Item 1 — Business — Regulation.”

Loss of our ETC status would disqualify us for USF support.

The USF pays support to ETCs to support the provision of facilities-based wireline and wireless telephone service in high-cost areas. If we were to lose our ETC status in any of the study areas where we are currently an authorized ETC, we would be ineligible to receive USF support for providing service in that area. Loss of our ETC status could have an adverse effect on our business, financial position, results of operations or liquidity.

Revenues and accounts receivable from USF support may be reduced or lost.

We receive support from each of the various USF programs: high-cost, low income, rural health care, and schools and libraries. This support was 18%, 14%, and 10% of our revenue for the years ended December 31, 2010, 2009 and 2008, respectively. The programs are subject to change by regulatory actions taken by the FCC or legislative actions. The FCC has proposed phasing out support for voice services and targeting support to broadband services, as well as phasing out support for competitive ETCs. In addition, members of Congress have indicated that they may seek enactment of legislation addressing universal service reform, including legislation to limit growth of explicit universal service support funds. Changes to any of the USF programs that we participate in could result in a material decrease in revenue and accounts receivable, which could have an adverse effect on our business, financial position, results of operations or liquidity.

See "Description of Our Business by Reportable Segment — Regulation — Wireline Voice Services and Products — Universal Service" for more information.

We may not be able to satisfy the requirements of the loan/grant we obtained to build TERRA-SW and/or we may have to spend considerably more than expected to complete the project.

The TERRA-SW project requires us to construct network facilities in rural areas of Alaska where extensive network facilities have never been built. Our ability to complete the TERRA-SW project will require us to obtain permits from various government agencies as well as construct facilities in rural locations. We will be unable to meet the requirements of the grant if we are unable to obtain necessary construction permits and if we are unable to construct the necessary facilities in the rural locations. Additionally, we may be required to incur significant unplanned costs if we encounter unplanned construction challenges. These additional unplanned costs may require us to modify our other network expansion plans so that we may meet the requirements of the grant. Our inability to meet the requirements of the grant and/or significant cost overruns in the construction of TERRA-SW could have an adverse effect on our business, financial position, results of operations or liquidity.

Failure to complete development, testing and deployment of new technology that supports new services could affect our ability to compete in the industry. In addition, the technology we use may place us at a competitive disadvantage.

We develop, test and deploy various new technologies and support systems intended to enhance our competitiveness by both supporting new services and features and reducing the costs associated with providing those services or features. Successful development and implementation of technology upgrades depend, in part, on the willingness of third parties to develop new applications in a timely manner. We may not successfully complete the development and rollout of new technology and related features or services in a timely manner, and they may not be widely accepted by our customers or may not be profitable, in which case we could not recover our investment in the technology. Deployment of technology supporting new service offerings may also adversely affect the performance or reliability of our networks with respect to both the new and existing services. Any resulting customer dissatisfaction could affect our ability to retain customers and may have an adverse effect on our financial position, results of operations, or liquidity.

Unfavorable general economic conditions in the United States could have a material adverse effect on our financial position, results of operations and liquidity.

Unfavorable general economic conditions, including the current economic downturn in the United States, could negatively affect our business. While it is often difficult for us to predict the impact of general economic conditions on our business, these conditions could adversely affect the affordability of and demand for some of our products and services and could cause customers to shift to lower priced products and services or to delay or forgo purchases of our products and services. One or more of these circumstances could cause our revenue to decline. Also, our customers may not be able to obtain adequate access to credit, which could affect their ability to make timely payments to us. If that were to occur, we could be required to increase our allowance for doubtful accounts, and the number of days outstanding for our accounts receivable could increase. The government has taken various measures in an attempt to help improve the economy, however, we are unable to predict the success or outcome of such programs. For these reasons, among others, if the current economic conditions persist or decline, this could adversely affect our financial position, results of operations, or liquidity, as well as our ability to service debt, pay other obligations and enhance shareholder returns.

Our business is geographically concentrated in Alaska. Any deterioration in the economic conditions in Alaska could have a material adverse effect on our financial position, results of operations and liquidity.

We offer voice, data and wireless communication and video services to customers primarily in Alaska. Because of this geographic concentration, our growth and operations depend upon economic conditions in Alaska. The economy of Alaska is dependent upon natural resource industries, in particular oil production, as well as tourism, and government spending, including substantial amounts for the United States military. Any deterioration in these markets could have an adverse impact on the demand for communication and cable television services and on our results of operations and financial condition. In addition, the customer base in Alaska is limited. Alaska has a population of approximately 710,000 people, 54% of whom are located in the Anchorage and Matanuska-Susitna Borough region. We have already achieved significant market penetration with respect to our service offerings in Anchorage and in other locations in Alaska.

We may not be able to continue to increase our market share of the existing markets for our services, and no assurance can be given that the Alaskan economy will continue to grow and increase the size of the markets we serve or increase the demand for the services we offer. As a result, the best opportunities for expanding our business may arise in other geographic areas such as the lower 49 states. There can be no assurance that we will find attractive opportunities to grow our businesses outside of Alaska or that we will have the necessary expertise to take advantage of such opportunities. The markets in Alaska for voice, data and wireless communications and video services are unique and distinct within the United States due to Alaska's large geographical size, its sparse population located in a limited number of clusters, and its distance from the rest of the United States. The expertise we have developed in operating our businesses in Alaska may not provide us with the necessary expertise to successfully enter other geographic markets.

Prolonged service interruptions could affect our business.

We rely heavily on our network equipment, communications providers, data and software to support all of our functions. We rely on our networks and the networks of others for substantially all of our revenues. We are able to deliver services only to the extent that we can protect our network systems against damage from power or communication failures, computer viruses, natural disasters, unauthorized access and other disruptions. While we endeavor to provide for failures in the network by providing back-up systems and procedures, we cannot guarantee that these back-up systems and procedures will operate satisfactorily in an emergency. Should we experience a prolonged failure, it could seriously jeopardize our ability to continue operations. In particular, should a significant service interruption occur, our ongoing customers may choose a different provider, and our reputation may be damaged, reducing our attractiveness to new customers.

To the extent that any disruption or security breach results in a loss or damage to our customers' data or applications, or inappropriate disclosure of confidential information, we may incur liability and suffer from adverse publicity. In addition, we may incur additional costs to remedy the damage caused by these disruptions or security breaches.

If failures occur in our undersea fiber optic cable systems, our ability to immediately restore the entirety of our service may be limited and we could incur significant costs, which could lead to a material adverse effect on our business, financial position, results of operations or liquidity.

Our communications facilities include undersea fiber optic cable systems that carry a large portion of our traffic to and from the contiguous lower 48 states one of which provides an alternative geographically diverse backup communication facility to the other. If a failure of both sides of the ring of our undersea fiber optic facilities occurs and we are not able to secure alternative facilities, some of the communications services we offer to our customers could be interrupted which could have a material adverse effect on our business, financial position, results of operations or liquidity. Damage to an undersea fiber optic cable system can result in significant unplanned expense which could have a material adverse effect on our business, financial position, results of operations or liquidity.

If a failure occurs in our satellite communications systems, our ability to immediately restore the entirety of our service may be limited.

Our communications facilities include satellite transponders that we use to serve many rural and remote Alaska locations. Each of our C-band and Ku-band satellite transponders is backed up on the same

spacecraft with multiple backup transponders. If a failure of our satellite transponders occurs and we are not able to secure alternative facilities, some of the communications services we offer to our customers could be interrupted which could have a material adverse effect on our business, financial position, results of operations or liquidity.

We depend on a limited number of third-party vendors to supply communications equipment. If we do not obtain the necessary communications equipment, we will not be able to meet the needs of our customers.

We depend on a limited number of third-party vendors to supply cable, Internet, DLPS, wireless and other telephony-related equipment. If our providers of this equipment are unable to timely supply the equipment necessary to meet our needs or provide them at an acceptable cost, we may not be able to satisfy demand for our services and competitors may fulfill this demand. Due to the unique characteristics of the Alaska communications markets (i.e., remote locations, rural, satellite-served, low density populations, and our leading edge services and products), in many situations we deploy and utilize specialized, advanced technology and equipment that may not have a large market or demand. Our vendors may not succeed in developing sufficient market penetration to sustain continuing production and may fail. Vendor bankruptcy, or acquisition without continuing product support by the acquiring company, may require us to replace technology before its otherwise useful end of life due to lack of on-going vendor support and product development.

We do not have insurance to cover certain risks to which we are subject, which could lead to the incurrence of uninsured liabilities that adversely affect our financial position, results of operations or liquidity.

As is typical in the communications industry, we are self-insured for damage or loss to certain of our transmission facilities, including our buried, undersea and above-ground transmission lines. If we become subject to substantial uninsured liabilities due to damage or loss to such facilities, our financial position, results of operations or liquidity may be adversely affected.

Our significant debt could adversely affect our business and prevent us from fulfilling our obligations under our Senior Notes.

We have and will continue to have a significant amount of debt. On December 31, 2010, we had total debt of $786.7 million. Our debt balance is expected to increase by $44.2 million with the construction of TERRA-SW between 2011 and 2012. Our high level of debt could have important consequences, including the following:

- Use of a large portion of our cash flow to pay principal and interest on our Senior Notes and our other debt, which will reduce the availability of our cash flow to fund working capital, capital expenditures, research and development expenditures and other business activities;
- Increase our vulnerability to general adverse economic and industry conditions;
- Limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- Restrict us from making strategic acquisitions or exploiting business opportunities;
- Make it more difficult for us to satisfy our obligations with respect to the Senior Notes and our other debt;
- Place us at a competitive disadvantage compared to our competitors that have less debt; and
- Limit, along with the financial and other restrictive covenants in our debt, among other things, our ability to borrow additional funds, dispose of assets or pay cash dividends.

We will require a significant amount of cash to service our debt, complete our planned network expansion and to meet other obligations. Our ability to generate cash depends on many factors beyond our control. If we are unable to meet our future capital needs it may be necessary for us to curtail, delay or abandon our business growth plans. If we incur significant additional indebtedness to fund our plans, it could cause a decline in our credit rating and could increase our borrowing costs or limit our ability to raise additional capital.

We will continue to require a significant amount of cash to satisfy our debt service requirements and to meet other obligations. We expect to incur $44.2 million in additional debt for the construction of TERRA-SW in 2011-2012 and, to meet our capital needs, we may incur additional debt in the future. Our ability to make payments on and to refinance our debt and to fund planned capital expenditures and acquisitions will depend on our ability to generate cash and to arrange additional financing in the future. These abilities are subject to, among other factors, our credit rating, our financial performance, general economic conditions,

prevailing market conditions, the state of competition in our market, the outcome of certain legislative and regulatory issues and other factors that may be beyond our control. Our business may not generate sufficient cash flow from operations and future borrowings may not be available to us in an amount sufficient to enable us to pay our debt or to fund our other liquidity needs. We may need to refinance all or a portion of our debt on or before maturity. We may not be able to refinance any of our debt on commercially reasonable terms or at all.

The terms of our debt impose restrictions on us that may affect our ability to successfully operate our business and our ability to make payments on the Senior Notes.

The indentures governing our Senior Notes and/or the credit agreements governing our Senior Credit Facility and other loans contain various covenants that could materially and adversely affect our ability to finance our future operations or capital needs and to engage in other business activities that may be in our best interest.

All of these covenants may restrict our ability to expand or to pursue our business strategies. Our ability to comply with these covenants may be affected by events beyond our control, such as prevailing economic conditions and changes in regulations, and if such events occur, we cannot be sure that we will be able to comply. A breach of these covenants could result in a default under the indentures governing our Senior Notes and/or the Senior Credit Facility. If there were an event of default under the indentures for the Senior Notes and/or the Senior Credit Facility, holders of such defaulted debt could cause all amounts borrowed under these instruments to be due and payable immediately. Additionally, if we fail to repay the debt under the Senior Credit Facility when it becomes due, the lenders under the Senior Credit Facility could proceed against certain of our assets and capital stock of our subsidiaries that we have pledged to them as security. Our assets or cash flow may not be sufficient to repay borrowings under our outstanding debt instruments in the event of a default thereunder.

Concerns about health risks associated with wireless equipment may reduce the demand for our wireless services.

Portable communications devices have been alleged to pose health risks, including cancer, due to radio frequency emissions from these devices. Purported class actions and other lawsuits have been filed against numerous other wireless carriers seeking not only damages but also remedies that could increase the cost of doing business. We cannot be sure of the outcome of those cases or that the industry will not be adversely affected by litigation of this nature or public perception about health risks. The actual or perceived risk of mobile communications devices could adversely affect us through a reduction in subscribers. Further research and studies are ongoing, and we cannot be sure that additional studies will not demonstrate a link between radio frequency emissions and health concerns.

Additionally, new government regulations on the use of a wireless device while driving may affect us through a reduction in subscribers. Studies have indicated that using wireless devices while driving may impair a driver's attention. Many state and local legislative bodies have passed or proposed legislation to restrict the use of wireless telephones while driving vehicles. Concerns over safety and the effect of future legislation, if adopted and enforced in the areas we serve, could limit our ability to market and sell our wireless services. Litigation relating to accidents, deaths or serious bodily injuries allegedly incurred as a result of wireless telephone use while driving could result in adverse publicity and further governmental regulation. Any of these results could have a material adverse effect on our financial position, results of operations or liquidity.

A significant percentage of our voting securities are owned by a small number of shareholders and these shareholders can control shareholder decisions on very important matters.

As of December 31, 2010, our executive officers and directors and their affiliates owned 9% of our combined outstanding Class A and class B common stock, representing 20% of the combined voting power of that stock. These shareholders can significantly influence, if not control, our management policy and all fundamental corporate actions, including mergers, substantial acquisitions and dispositions, and election of directors to the Board.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties

Our properties do not lend themselves to description by location of principal units. The majority of our properties are located in Alaska. It is not practicable to allocate our properties to our reportable segments since many of our properties are employed by more than one segment to provide common services and products. Additionally our properties are managed at the consolidated company level rather than at the segment level.

We lease our executive, corporate and administrative facilities and business offices. Our operating, executive, corporate and administrative properties are in good condition. We consider our properties suitable and adequate for our present needs and they are being fully utilized.

Our properties consist primarily of undersea and terrestrial fiber optic cable networks, switching equipment, satellite transponders and earth stations, microwave radio, cable and wire facilities, cable head-end equipment, wireless towers and equipment, coaxial distribution networks, connecting lines (aerial, underground and buried cable), routers, servers, transportation equipment, computer equipment, general office equipment, land, land improvements, landing stations and other buildings. Substantially all of our properties are located on or in leased real property or facilities. Substantially all of our properties secure our Senior Credit Facility. See note 6 included in “Part II — Item 8 — Consolidated Financial Statements and Supplementary Data” for more information.

Item 3. Legal Proceedings

Except as set forth in this item, neither the Company, its property nor any of its subsidiaries or their property is a party to or subject to any material pending legal proceedings. We are parties to various claims and pending litigation as part of the normal course of business. We are also involved in several administrative proceedings and filings with the FCC and state regulatory authorities. In the opinion of management, the nature and disposition of these matters are considered routine and arising in the ordinary course of business. In addition we are involved in the following matters:

- In September 2008, the FCC’s Office of Inspector General ("OIG") initiated an investigation regarding Alaska DigiTel LLC’s (“Alaska DigiTel”) compliance with program rules and requirements under the Lifeline Program. The request covered the period beginning January 1, 2004 through August 31, 2008 and related to amounts received for Lifeline service. Alaska DigiTel was an Alaska based wireless communications company of which we acquired an 81.9% equity interest on January 2, 2007 and the remaining 18.1% equity interest on August 18, 2008 and was subsequently merged with one of our wholly owned subsidiaries in April 2009. Prior to August 18, 2008, our control over the operations of Alaska DigiTel was limited as required by the FCC upon its approval of our initial acquisition completed in January 2007. We responded to this request on behalf of Alaska DigiTel and the GCI companies as affiliates. On January 18, 2011, we reached an agreement with the FCC and the Department of Justice to settle the matter, which required us to contribute $1.6 million to the United States Treasury and grants us a broad release of claims including those under the False Claims Act. The $1.6 million contribution, of which $154,000, $661,000 and $741,000 was recognized in selling, general and administrative expense in the Statement of Operations in the years ending December 31, 2010, 2009 and 2008, respectively, was paid in January 2011; and
- In August 2010, a GCI-owned aircraft was involved in an accident resulting in five fatalities and injuries to the remaining four passengers on board. We had aircraft and liability insurance coverage in effect at the time of the accident. We cannot predict the likelihood or nature of any potential claims related to the accident.

Item 4. Submissions of Matters to a Vote of Security Holders

(Removed and Reserved)

Part II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information for Common Stock

Shares of GCI's Class A common stock are traded on the Nasdaq Global Select Market SM under the symbol GNCMA.

Shares of GCI's Class B common stock are traded through the Over-The-Counter Bulletin Board service offered by the National Association of Securities Dealers. Each share of Class B common stock is convertible, at the option of the holder, into one share of Class A common stock.

The following table sets forth the high and low sales price for our common stock for the periods indicated. Market price data for Class A shares was obtained from the Nasdaq Stock Market System quotation system. Market price data for Class B shares was obtained from reported Over-the-Counter Bulletin Board service market transactions. The prices represent prices between dealers, do not include retail markups, markdowns, or commissions, and do not necessarily represent actual transactions.

	Class A		Class B	
	High	Low	High	Low
2010				
First Quarter	$ 6.65	5.32	6.05	6.05
Second Quarter	$ 7.62	5.73	7.00	7.00
Third Quarter	$ 10.21	7.64	9.00	7.50
Fourth Quarter	$ 13.37	9.92	11.50	10.00
2009				
First Quarter	$ 8.61	3.78	6.00	6.00
Second Quarter	$ 8.06	6.32	6.75	2.00
Third Quarter	$ 7.21	6.41	7.00	6.40
Fourth Quarter	$ 6.82	5.87	5.00	5.00

Holders

As of December 31, 2010 there were 2,407 holders of record of our Class A common stock and 373 holders of record of our Class B common stock (amounts do not include the number of shareholders whose shares are held of record by brokers, but do include the brokerage house as one shareholder).

Dividends

We have never paid cash dividends on our common stock, and we have no present intention of doing so. Payment of cash dividends in the future, if any, will be determined by our Board of Directors in light of our earnings, financial condition and other relevant considerations. Our existing debt agreements contain provisions that limit payment of dividends on common stock, other than stock dividends (see note 6 included in "Part II — Item 8 — Consolidated Financial Statements and Supplementary Data" for more information).

Stock Transfer Agent and Registrar

BNY Mellon Shareowner Services is our stock transfer agent and registrar.

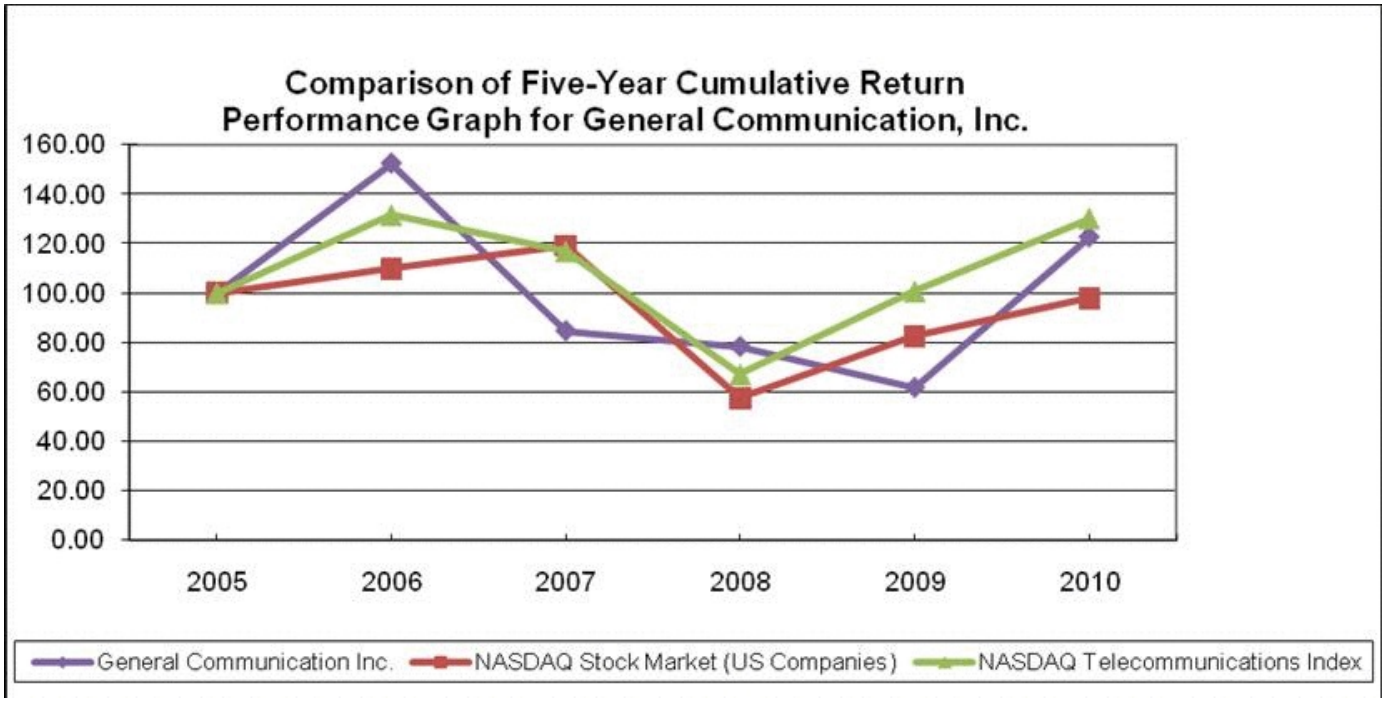
Performance Graph

The following graph includes a line graph comparing the yearly percentage change in our cumulative total shareholder return on our Class A common stock during the five-year period 2006 through 2010. This return is measured by dividing (1) the sum of (a) the cumulative amount of dividends for the measurement period (assuming dividend reinvestment, if any) and (b) the difference between our share price at the end and the beginning of the measurement period, by (2) the share price at the beginning of that measurement period. This line graph is compared in the following graph with two other line graphs during that five-year period, i.e., a market index and a peer index.

The market index is the Center for Research in Securities Price Index for the Nasdaq Stock Market for United States companies. It presents cumulative total returns for a broad based equity market assuming reinvestment of dividends and is based upon companies whose equity securities are traded on the Nasdaq Stock Market. The peer index is the Center for Research in Securities Price Index for Nasdaq Telecommunications Stock. It presents cumulative total returns for the equity market in the telecommunications industry segment assuming reinvestment of dividends and is based upon companies whose equity securities are traded on the Nasdaq Stock Market. The line graphs represent annual index levels derived from compounding daily returns.

In constructing each of the line graphs in the following graph, the closing price at the beginning point of the five-year measurement period has been converted into a fixed investment, stated in dollars, in our Class A common stock (or in the stock represented by a given index, in the cases of the two comparison indexes), with cumulative returns for each subsequent fiscal year measured as a change from that investment. Data for each succeeding fiscal year during the five-year measurement period are plotted with points showing the cumulative total return as of that point. The value of a shareholder's investment as of each point plotted on a given line graph is the number of shares held at that point multiplied by the then prevailing share price.

Our Class B common stock is traded through the Over-The-Counter Bulletin Board service on a more limited basis. Therefore, comparisons similar to those previously described for the Class A common stock are not directly available. However, the performance of Class B common stock may be analogized to that of the Class A common stock in that the Class B common stock is readily convertible into Class A common stock by request to us.



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COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURNS PERFORMANCE GRAPH FOR GENERAL COMMUNICATION, INC., NASDAQ STOCK MARKET INDEX FOR UNITED STATES COMPANIES, AND NASDAQ TELECOMMUNICATIONS STOCK1,2,3,4

Measurement Period (Fiscal Year Covered)	Company ($)	Nasdaq Stock Market Index for U.S. Companies ($)	Nasdaq Telecommunications Stock ($)
FYE 12/31/05	100.00	100.00	100.00
FYE 12/31/06	152.28	109.84	131.49
FYE 12/31/07	84.69	119.14	116.97
FYE 12/31/08	78.30	57.41	67.20
FYE 12/31/09	61.75	82.53	100.77
FYE 12/31/10	122.53	97.95	130.11

1 The lines represent annual index levels derived from compounded daily returns that include all dividends.
2 The indexes are reweighted daily, using the market capitalization on the previous trading day.
3 If the annual interval, based on the fiscal year-end, is not a trading day, the preceding trading day is used.
4 The index level for all series was set to $100.00 on December 31, 2005.

Issuers Purchases of Equity Securities

(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 December 31, 2010:

	(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]
October 1, 2010 to October 31, 2010	7,486,281	$10.16	7,486,281	$122,057,841
November 1, 2010 to November 30, 2010	105,946	$10.96	105,946	$123,219,019
December 1, 2010 to December 31, 2010	195,747	$11.72	195,747	$125,512,824
Total	7,787,974			

[1] Private purchases made under our publicly announced repurchase plan.

[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 $275.2 million through December 31, 2010 consisting of $135.0 million through September 30, 2010 and an additional $140.2 million during the three months ended December 31, 2010. We have made total repurchases under the program of $149.7 million through December 31, 2010. 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. Selected Financial Data

The following table presents selected historical information relating to financial condition and results of operations over the past five years.

	Years Ended December 31,				
	2010	2009	2008	2007	2006
(Amounts in thousands except per share amounts)					
Revenues	$ 651,250	595,811	575,442	520,311	477,482
Income (loss) before income tax expense and cumulative effect of a change in accounting principle	$ 18,443	7,452	(2,295)	25,859	34,253
Cumulative effect of a change in accounting principal, net of income tax expense of $44 in 2006	$ -	-	-	-	64
Net income (loss)	$ 8,955	3,516	(3,372)	13,697	18,520
Net loss attributable to the non-controlling interest	$ -	-	1,503	36	-
Net income (loss) attributable to GCI common stockholders	$ 8,955	3,516	(1,869)	13,733	18,520
Basic net income (loss) attributable to GCI per common share	$ 0.17	0.07	(0.04)	0.26	0.34
Diluted net income (loss) attributable to GCI per common share	$ 0.17	0.06	(0.04)	0.23	0.33
Total assets	$ 1,351,760	1,418,397	1,335,301	984,233	914,659
Long-term debt, including current portion and net of unamortized discount	$ 781,717	776,380	716,831	538,398	489,462
Obligations under capital leases, including current portion	$ 91,165	95,914	100,329	2,851	2,857
Redeemable preferred stock					
Series B	$ -	-	-	-	-
Series C	$ -	-	-	-	-
Total GCI stockholders' equity	$ 200,506	266,317	258,915	259,433	246,278
Dividends declared per common share	$ 0.00	0.00	0.00	0.00	0.00

The Selected Financial Data should be read in conjunction with "Part II — Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations."

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our consolidated financial statements, which have been prepared in accordance with 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 USF high-cost area program subsidy, share-based compensation, reserve for future customer credits, valuation allowances for deferred income tax assets, depreciable and amortizable lives of assets, the carrying value of long-lived assets including goodwill, cable certificates and wireless licenses, our effective tax rate, purchase price allocations, the accrual of cost of goods sold (exclusive of depreciation and amortization expense ("Cost of Goods Sold")), depreciation, and contingencies and litigation. We base our estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. See also our "Cautionary Statement Regarding Forward-Looking Statements."

The following discussion and analysis of financial condition and results of operations should be read in conjunction with our consolidated financial statements and supplementary data as presented in Item 8 of this Form 10-K.

General Overview

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

The weakness in the national economy has negatively impacted consumer confidence and spending. There are some indicators that consumer confidence might be improving; however, there is no clear indication that the economy is in a recovery. Continued stress in the economy could lead to reductions in consumer spending which could impact our revenue growth. We believe the Alaska economy continues to perform well compared to most other states at the current time. Mortgage foreclosure rates in Alaska are among the lowest in the nation and the commercial real estate market is steady. The State of Alaska has large cash reserves that should enable it to maintain its budget for at least the short-term. This is important for Alaska's economy as the State is the largest employer and second largest source of gross state product. The majority of our revenue is driven by the strength of the Alaska economy which appears to have weathered the recessionary pressures relatively well to date. Nonetheless we cannot predict the impact the nation's economic changes may have on us in the future.

Effective June 1, 2008, we purchased 100% of the outstanding stock of UUI and Unicom. The financial results of the long-distance, local access and Internet services sold to consumer and commercial customers of certain of these acquired companies are reported in the Regulated Operations segment. The financial results of the long-distance services sold to other common carrier customers and the managed broadband services components of certain of these acquired companies are included in the Network Access and Managed Broadband Services segments, respectively. Effective July 1, 2008, we closed on our purchase of 100% of the ownership interests of Alaska Wireless whose results are included in the Consumer segment.

Results of Operations

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

	Year Ended December 31,			Percentage Change[1] 2010 vs. 2009	Percentage Change[1] 2009 vs. 2008
	2010	2009	2008		
Statements of Operations Data:					
Revenues:					
Consumer segment	53%	49%	45%	16%	15%
Network Access segment	16%	21%	27%	(12%)	(20%)
Commercial segment	20%	18%	20%	17%	(4%)
Managed Broadband segment	8%	8%	6%	11%	21%
Regulated Operations segment	3%	4%	2%	(5%)	68%
Total revenues	100%	100%	100%	9%	4%
Selling, general and administrative expenses	35%	36%	37%	8%	1%

Depreciation and amortization expense	19%	21%	20%	2%	8%
Operating income	14%	11%	8%	34%	39%
Other expense, net	11%	10%	9%	19%	17%
Income before income tax expense	3%	1%	0%	147%	425%
Net income (loss)	1%	1%	(1%)	155%	204%
Net loss attributable to the non-controlling interest	0%	0%	0%	0%	100%
Net income attributable to GCI	1%	1%	0%	155%	288%

[1] Percentage change in underlying data

We evaluate performance and allocate resources based on earnings before depreciation and amortization expense, net interest expense, income taxes, share-based compensation expense, accretion expense and non-cash contribution adjustment ("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 EBITDA are used to estimate current or prospective enterprise value. See note 10 to the accompanying consolidated financial statements for a reconciliation of Adjusted EBITDA to Consolidated Income (Loss) Before Income Tax Expense.

Year Ended December 31, 2010 ("2010") Compared to Year Ended December 31, 2009 ("2009")

Overview of Revenues and Cost of Goods Sold

Total revenues increased 9% from $595.8 million in 2009 to $651.3 million in 2010. Revenue increases in our Consumer, Commercial and Managed Broadband segments were partially off-set by decreased revenue in our Network Access and Regulated Operations segments. See the discussion below for more information by segment.

Total Cost of Goods Sold increased 7% from $193.7 million in 2009 to $207.8 million in 2010. Cost of Goods Sold increases in our Consumer, Commercial and Managed Broadband segments were partially off-set by decreases in our Network Access and Regulated Operations segments. See the discussion below for more information by segment.

Consumer Segment Overview

Consumer segment revenue represented 53% of 2010 consolidated revenues. The components of Consumer segment revenue are as follows (amounts in thousands):

	2010	2009	Percentage Change
Voice	$ 57,317	52,654	9%
Video	118,475	110,986	7%
Data	61,364	50,327	22%
Wireless	105,742	80,958	31%
Total Consumer segment revenue	$ 342,898	294,925	16%

Consumer segment Cost of Goods Sold represented 50% of 2010 consolidated Cost of Goods Sold. The components of Consumer segment Cost of Goods Sold are as follows (amounts in thousands):

	2010	2009	Percentage Change
Voice	$ 12,042	14,952	(19%)
Video	51,246	45,350	13%
Data	3,781	4,367	(13%)
Wireless	37,412	32,225	16%
Total Consumer segment Cost of Goods Sold	$ 104,481	96,894	8%

Consumer segment Adjusted EBITDA, representing 52% of 2010 consolidated Adjusted EBITDA, is as follows (amounts in thousands):

	2010	2009	Percentage Change
Consumer segment Adjusted EBITDA	$ 114,716	86,587	32%

Selected key performance indicators for our Consumer segment follow:

	December 31, 2010	2009	Percentage Change
Voice:			
Long-distance subscribers[1]	88,200	90,500	(3%)
Long-distance minutes carried (in millions)	106.9	114.7	(7%)
Total local access lines in service[2]	84,800	84,200	1%
Local access lines in service on GCI facilities[2]	77,400	75,200	3%
Video:			
Basic subscribers[3]	130,000	130,500	0%
Digital programming tier subscribers[4]	81,800	79,600	3%
HD/DVR converter boxes[5]	88,100	81,500	8%
Homes passed	238,500	232,400	3%
Average monthly gross revenue per subscriber[6]	$ 75.83	$ 70.36	8%
Data:			
Cable modem subscribers[7]	105,700	100,200	6%
Wireless:			
Wireless lines in service[8]	124,900	115,100	9%
Average monthly gross revenue per subscriber[9]	$ 63.96	$ 58.23	21%

[1] A long-distance subscriber is defined as a customer account that is invoiced a monthly long-distance plan fee or has made a long-distance call during the month.
[2] A local access line in service is defined as a revenue generating circuit or channel connecting a customer to the public switched telephone network.
[3] A basic cable subscriber is defined as one basic tier of service delivered to an address or separate subunits thereof regardless of the number of outlets purchased.
[4] A digital programming tier subscriber is defined as one digital programming tier of service delivered to an address or separate subunits thereof regardless of the number of outlets or digital programming tiers purchased. Digital programming tier subscribers are a subset of basic subscribers.
[5] A 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.
[6] Year-to-date average monthly consumer video revenues divided by the average of consumer video basic subscribers at the beginning and end of each month in the period.
[7] A cable modem subscriber is defined by the purchase of cable modem service regardless of the level of service purchased. If one entity purchases multiple cable modem service access points, each access point is counted as a subscriber. Cable modem subscribers may also be video basic subscribers though basic cable service is not required to receive cable modem service.
[8] A wireless line in service is defined as a revenue generating wireless device.
[9] Year-to-date average monthly consumer wireless revenues divided by the average of consumer wireless subscribers at the beginning and end of each month in the period.

Consumer Segment Revenues
The increase in voice revenue is primarily due to a $4.4 million or 54% increase in USAC support. We accrue estimated high cost support revenue quarterly and adjust our revenue as we obtain new information that changes the variables used to calculate our estimate. The increase in USF high cost support is primarily due to changes in the variables used to calculate our estimate and an increase in the number of local subscribers. This increase was partially off-set by an absence of $674,000 in support in 2009 related to services provided during the year ended December 31, 2008. In March 2009, the FCC issued an order which provided uncapped support for all lines served by competitive ETCs for tribal lands in Alaska Native regions retroactive to August 2008. This revenue was for the additional support for the period August to December 2008.

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

- A 6% increase in programming services revenue to $93.9 million in 2010 primarily resulting from an increase in digital programming tier subscribers in 2010 and a rate increase on certain cable service offerings beginning in August 2009, and
- An 8% increase in equipment rental revenue to $23.4 million in 2010 primarily resulting from our customers' increased use of our HD/DVR converter boxes.

The increase in data revenue is primarily due to a 23% increase in cable modem revenue to $53.4 million due to increased subscribers, rate increases in May and August 2010, our subscribers' selection of plans that offer higher speeds, and an increase in charges for usage above plan limits.

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

- A $19.8 million increase in USAC support to $51.4 million. This increase includes a $16.3 million increase in USF high cost support and a $3.5 million increase in USF low income support. We accrue estimated USF high cost support revenue quarterly and adjust our revenue as we obtain new information that changes the variables used to calculate our estimate. The increase in USF high cost support is primarily due to changes in the variables used to calculate our estimate, an increase in the number of wireless subscribers and $1.0 million for amended line count filings for which the revenue recognition criteria was met in the third quarter of 2010. The increase in USF low income support is due to an increase in the number of wireless subscribers who qualify under this program; and
- A $7.3 million increase in plan fee revenue to $37.8 million due to an increase in the number of wireless subscribers.

These increases were partially off-set by the following:

- An absence of $1.7 million in support recorded in 2009 related to services provided during the year ended December 31, 2008. The support was for a new local access area for which we received ETC status in May 2009. Collectability was not reasonably assured until we were awarded ETC status, therefore we deferred revenue recognition until such status was confirmed, and
- An absence of $810,000 recorded in 2009 related to services provided during the year ended December 31, 2008. In March 2009, the FCC issued an order which provided uncapped support for all lines served by competitive ETCs for tribal lands in Alaska Native regions retroactive to August 2008. This revenue was for the additional support for the period August to December 2008.

Consumer Segment Cost of Goods Sold
The decrease in voice Cost of Goods Sold is primarily due to decreased voice minutes carried, cost savings resulting from the increased deployment of local access services lines on our own facilities during 2010, and a $392,000 favorable adjustment based upon refunds from several vendors. In the course of business we estimate unbilled long-distance services Cost of Goods Sold based upon minutes of use processed

through our network and established rates. Such estimates are revised when subsequent billings are received, payments are made, billing matters are researched and resolved, tariffed billing periods lapse, or when disputed charges are resolved.

The increase in video Cost of Goods Sold is primarily due to increased channels offered to our subscribers, increased rates paid to programmers, increased costs associated with delivery of digital services offered through our HD/DVR converter boxes due to the increased number of boxes in service, and an increase in digital programming tier subscribers. The increases were partially offset by the absence of a $594,000 charge in 2009 to settle a billing issue with a cable programmer.

The decrease in data Cost of Goods Sold is primarily due to the transition of traffic to our own facilities from leased facilities .

The increase in wireless Cost of Goods Sold is primarily due to increased costs for wireless handset equipment sales associated with the increased number of wireless subscribers and an increased number of premium wireless handsets which have higher costs. As part of an agreement signed in December 2007 with AT&T Mobility, AT&T Mobility has provided to us a large block of wireless network usage at no charge that we use for roaming. We expect this block of minutes to expire in the first half of 2012 at which time we expect a material increase to our wireless Cost of Goods Sold estimated at $8.0 million to $10.0 million annually.

Consumer Segment Adjusted EBITDA
The Adjusted EBITDA increase is primarily due to increased revenue as described above in "Consumer Segment Revenues." The increase was partially offset by increased Cost of Goods Sold as described above in "Consumer Segment Cost of Goods Sold" and an increase in the selling, general and administrative expense that was allocated to our Consumer segment. The increase in allocated selling, general and administrative expense is due primarily to an increase in the 2009 segment margin upon which the selling, general and administrative expense allocation is based and an increase in consolidated selling, general and administrative expense.

See note 10 in the "Notes to Consolidated Financial Statements" included in Part II of this annual report on Form 10-K for a reconciliation of consolidated Adjusted EBITDA, a non-GAAP financial measure, to consolidated income (loss) before income taxes.

Network Access Segment Overview
Network access segment revenue represented 16% of 2010 consolidated revenues. The components of Network Access segment revenue are as follows (amounts in thousands):

	2010	2009	Percentage Change
Voice	$ 29,032	49,837	(42%)
Data	61,494	63,862	(4%)
Wireless	16,701	8,373	99%
Total Network Access segment revenue	$ 107,227	122,072	(12%)

Network Access segment Cost of Goods Sold represented 12% of 2010 consolidated Cost of Goods Sold. The components of Network Access segment Cost of Goods Sold are as follows (amounts in thousands):

	2010	2009	Percentage Change
Voice	$ 15,383	16,522	(7%)
Data	8,234	9,444	(13%)
Wireless	1,413	1,287	10%
Total Network Access segment Cost of Goods Sold	$ 25,030	27,253	(8%)

Network Access segment Adjusted EBITDA, representing 23% of 2010 consolidated Adjusted EBITDA, is as follows (amounts in thousands):

	2010	2009	Percentage Change
Network Access segment Adjusted EBITDA	$ 50,259	57,563	(13%)

Selected key performance indicators for our Network Access segment follow:

	December 31, 2010	2009	Percentage Change
Voice:			
Long-distance minutes carried (in millions)	785.4	840.0	(7%)
Data:			
Total Internet service provider access lines in service[1]	1,700	1,700	0%

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

Network Access Segment Revenues
The decrease in voice revenue is due to decreases in our average rate per minute on billable minutes carried for our common carrier customers and the transition of voice traffic to dedicated networks. Voice revenue continues to decline as expected due to increased competition in the Network Access business. The increased competition will continue to compress the rates we may charge our customers and, therefore, we expect a continued decline in Network Access segment voice revenue. The decrease is partially offset by a $3.4 million increase from growth of services sold.

The decrease in data revenue is primarily due to decreased rates for capacity purchased by our common carrier customers.

The increase in wireless revenue is due to increased roaming revenue in 2010 primarily due to improved coverage and new roaming partners.

Network Access Segment Cost of Goods Sold
The decrease in voice Cost of Goods Sold is primarily due to decreased long-distance minutes carried, the movement of more traffic onto our network in lieu of carrying traffic on third party networks, and a $771,000 favorable adjustment based upon refunds from several vendors. In the course of business we estimate unbilled long-distance services Cost of Goods Sold based upon minutes of use processed through our network and established rates. Such estimates are revised when subsequent billings are received, payments are made, billing matters are researched and resolved, tariffed billing periods lapse, or when disputed charges are resolved. The decreases were partially offset by a $2.3 million increase from growth of services sold.

The decrease in data Cost of Goods Sold is primarily due to the transition of traffic to our own facilities from leased facilities and a $724,000 favorable adjustment based upon refunds from several vendors. In the course of business we estimate unbilled data services Cost of Goods Sold based upon minutes of use processed through our network and established rates. Such estimates are revised when subsequent billings are received, payments are made, billing matters are researched and resolved, tariffed billing periods lapse, or when disputed charges are resolved. The decreases were partially offset by the absence of a $585,000 favorable adjustment in 2009 resulting from a refund of fiber repair costs. The fiber repair costs were originally recognized in the first quarter of 2008. Due to the uncertainty surrounding the refund of the fiber repair costs, we deferred recognition until collection of the refund was reasonably assured.

Network Access Segment Adjusted EBITDA
The Adjusted EBITDA decrease is primarily due to decreased revenue as described in “Network Access Segment Revenues.” This decrease is partially off-set by decreased Cost of Goods Sold as described in “Network Access Segment Cost of Goods Sold” and a decrease in the selling, general and administrative expense that was allocated to our Network Access segment primarily due to a decrease in the 2009 segment margin upon which the selling, general and administrative expense allocation is based.

See note 10 in the "Notes to Consolidated Financial Statements" included in Part II of this annual report on Form 10-K for a reconciliation of consolidated Adjusted EBITDA, a non-GAAP financial measure, to consolidated income (loss) before income taxes.

Commercial Segment Overview

Commercial segment revenue represented 20% of 2010 consolidated revenues. Commercial segment data revenue is comprised of monthly recurring charges for data services and charges billed on a time and materials basis largely for personnel providing on-site customer support. This latter category can vary significantly based on project activity. The components of Commercial segment revenue are as follows (amounts in thousands):

	2010	2009	Percentage Change
Voice	$ 31,720	30,830	3%
Video	11,178	9,175	22%
Data	76,823	63,383	21%
Wireless	8,737	6,747	29%
Total Commercial segment revenue	$ 128,458	110,135	17%

Commercial segment Cost of Goods Sold represented 29% of 2010 consolidated Cost of Goods Sold. The components of Commercial segment Cost of Goods Sold are as follows (amounts in thousands):

	2010	2009	Percentage Change
Voice	$ 15,212	18,563	(18%)
Video	2,140	1,956	9%
Data	38,586	28,661	35%
Wireless	3,947	3,065	29%
Total Commercial segment Cost of Goods Sold	$ 59,885	52,245	15%

Commercial segment Adjusted EBITDA, representing 14% of 2010 consolidated Adjusted EBITDA, is as follows (amounts in thousands):

	2010	2009	Percentage Change
Commercial segment Adjusted EBITDA	$ 30,871	23,174	33%

Selected key performance indicators for our Commercial segment follow:

	December 31, 2010	2009	Percentage Change
Voice:			
Long-distance subscribers[1]	9,100	9,500	(4%)
Total local access lines in service[2]	48,300	47,700	1%
Local access lines in service on GCI facilities	21,200	19,600	8%
Long-distance minutes carried (in millions)	116.0	123.2	(6%)
Data:			
Cable modem subscribers[3]	10,700	10,500	2%
Wireless:			
Wireless lines in service[4]	13,800	10,300	34%

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

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

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

[4] A wireless line in service is defined as a revenue generating wireless device.

Commercial Segment Revenues
The increase in voice revenue is primarily due to the following:

- A $799,000 or 32% increase in USAC support. We accrue estimated USF high cost support revenue quarterly and adjust our revenue as we obtain new information that changes the variables used to calculate our estimate. The increase in USF high cost support is primarily due to changes in the variables used to calculate our estimate and an increase in the number of local subscribers, and
- A $493,000 or 3% increase in local plan fee revenue due to an increase in the number of lines in service.

These increases in voice revenue were partially offset by an $822,000 or 6% decrease in long-distance plan fee revenue due to a decrease in subscribers and minutes carried.

The increase in video revenue is primarily due to an increase in sales of cable advertising services due to state and federal political advertising and the return of seasonal tourism advertising which was negatively affected in 2009 by the general economic slowdown.

The increase in data revenue is primarily due to a $12.1 million or 42% increase in managed services project revenue due to special project work.

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

- A $995,000 or 90% increase in USAC support. We accrue estimated USF high cost support revenue quarterly and adjust our revenue as we obtain new information that changes the variables used to calculate our estimate. The increase in USF high cost support is primarily due to changes in the variables used to calculate our estimate and an increase in the number of wireless subscribers; and
- An $812,000 or 54% increase in plan fee revenue mainly due to an increase in the number of wireless subscribers.

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

- A $1.2 million cost saving from increased deployment of local access services lines on our own facilities during 2010,
- A $1.0 million favorable adjustment based upon refunds from several vendors. In the course of business we estimate unbilled long-distance services Cost of Goods Sold based upon minutes of use processed through our network and established rates. Such estimates are revised when subsequent billings are received, payments are made, billing matters are researched and resolved, tariffed billing periods lapse, or when disputed charges are resolved; and
- A $700,000 or 7% decrease in long-distance costs related to the decrease in minutes carried.

The increase in data Cost of Goods Sold is primarily due to an $11.1 million or 57% increase in managed services project Cost of Goods Sold related to the increased revenue described above in “Commercial Segment Revenues.”

The increase in wireless Cost of Goods Sold is primarily due to increased costs for wireless handset equipment sales associated with the increased number of wireless subscribers.

Commercial Segment Adjusted EBITDA
The Adjusted EBITDA increase was primarily due to increased revenue as described in “Commercial Segment Revenues.” This increase was partially off-set by increased Cost of Goods Sold as described in “Commercial Segment Cost of Goods Sold,” and an increase in the selling, general and administrative expense that was allocated to our Commercial segment primarily due to an increase in consolidated selling, general and administrative expense.

See note 10 in the "Notes to Consolidated Financial Statements" included in Part II of this annual report on Form 10-K for a reconciliation of consolidated Adjusted EBITDA, a non-GAAP financial measure, to consolidated income (loss) before income taxes.

Managed Broadband Segment Overview
Managed Broadband segment revenue, Cost of Goods sold and Adjusted EBITDA represented 8%, 7% and 8% of 2010 consolidated revenues, Cost of Goods Sold and Adjusted EBITDA, respectively.

Managed Broadband Segment Revenues
Managed Broadband segment revenue, which includes data products only, increased 11% to $50.0 million in 2010 as compared to 2009. The increase is primarily due to:

- A $3.8 million or 9% increase in monthly contract revenue due to increased data network capacity purchased by our ConnectMD ® and SchoolAccess® customers, and
- A $1.2 million or 143% increase in product sales to our customers.

These increases are partially off-set by the $1.7 million in denied funding from the USAC for one ConnectMD ® customer for the funding year July 2008 to June 2009. We received the funding commitment letter, which outlined the denied portion, in the second quarter of 2010. This denial is under appeal to the FCC.

Managed Broadband Segment Cost of Goods Sold
Managed Broadband segment Cost of Goods Sold increased from $11.1 million in 2009 to $14.0 million in 2010. The increase is primarily due to the increase in data network capacity described above in “Managed Broadband Segment Revenues .” In addition, the product sales described above in “Managed Broadband Segment Revenues” resulted in a $756,000 or 99% increase in product sales Cost of Goods Sold.

Managed Broadband Segment Adjusted EBITDA
Managed Broadband segment Adjusted EBITDA decreased 1% to $19.3 million in 2010 primarily due to an increase in the Cost of Goods Sold as described above in “Managed Broadband Segment Cost of Goods Sold,” and an increase in the selling, general and administrative expense that was allocated to our Managed Broadband segment primarily due to an increase in the consolidated selling, general and administrative expense. These increases were partially off-set by an increase in revenue as described above in "Managed Broadband Segment Revenues."

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

Regulated Operations Segment Overview
Regulated Operations segment revenue, Cost of Goods Sold and Adjusted EBITDA represented 3%, 2% and 3% of 2010 consolidated revenues, Cost of Goods Sold and Adjusted EBITDA, respectively.

A selected key performance indicator for our Regulated Operations segment follows:

	December 31, 2010	2009	Percentage Change
Voice:			
Total local access lines in service on GCI facilities[1]	10,000	11,100	(10%)

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

Regulated Operations Segment Revenues
Regulated Operations segment revenues decreased from $23.8 million in 2009 to $22.7 million in 2010 primarily due to projected lower levels of eligible cost recovery resulting from changes in lines in service, traffic sensitive activity levels and reserve adjustments.

Regulated Operations Segment Cost of Goods Sold
Regulated Operations segment Cost of Goods Sold decreased from $6.1 million in 2009 to $4.4 million in 2010 primarily due to a change in allocation of network maintenance costs which resulted in a decrease to our Regulated Operations segment and an increase to our Consumer, Network Access, Commercial and Managed Broadband segments.

Regulated Operations Segment Adjusted EBITDA
Regulated Operations segment Adjusted EBITDA increased 6% to $6.4 million in 2010.

See note 10 in the "Notes to Consolidated Financial Statements" included in Part I of this annual report on Form 10-K for a reconciliation of consolidated Adjusted EBITDA, a non-GAAP financial measure, to consolidated income before income tax expense.

Selling, General and Administrative Expenses
Selling, general and administrative expenses increased $16.3 million to $228.8 million in 2010 primarily due to the following:

- A $4.7 million increase in health benefit costs,
- A $4.5 million increase in labor costs,
- A $3.8 million increase in share-based compensation expense primarily due to the absence of a $2.4 million reversal of expense in 2009. The expense had been properly recognized in previous periods for certain performance-based stock options and restricted stock awards but in the third quarter of 2009 we determined they were not expected to vest,
- $2.0 million in costs, including workers compensation expense, related to an accident involving our company-owned aircraft in August 2010, and
- A $913,000 increase in our company-wide success sharing bonus accrual.

The increases were partially off-set by the following:

- A $2.4 million decrease in sales expense ,
- The absence of $1.2 million in costs for the conversion of our customers' wireless phones to our facilities in 2009, and
- The absence of a $640,000 contribution expense recognized upon the gift of an IRU to the University of Alaska that was recorded in 2009.

As a percentage of total revenues, selling, general and administrative expenses decreased to 35% in 2010 from 36% in 2009, primarily due to increasing revenues.

Depreciation and Amortization Expense
Depreciation and amortization expense increased $2.8 million to $126.1 million in 2010 primarily due to new assets placed in service in 2010 partially offset by assets which became fully depreciated during 2010.

Other Expense, Net
Other expense, net of other income, increased 19% to $70.1 million in 2010 primarily due to a $13.2 million increase in interest expense to $69.4 million in 2010. The interest expense increase is due to the issuance of the 2019 Notes in November 2009 , which have a higher interest rate than the interest rate paid on our amended Senior Credit Facility, and a higher average outstanding debt balance during 2010 than 2009. The proceeds from the issuance of the 2019 Notes were primarily used to repay and retire the outstanding amount due on our amended Senior Credit Facility.

Income Tax Expense
Income tax expense totaled $9.5 million and $3.9 million in 2010 and 2009, respectively. Our effective income tax rate decreased from 53% in 2009 to 51% in 2010.

At December 31, 2010, we have tax net operating loss carryforwards of $226.4 million that will begin expiring in 2011 if not utilized, and alternative minimum tax credit carryforwards of $1.9 million available to offset regular income taxes payable in future years.

We have recorded deferred tax assets of $89.0 million associated with income tax net operating losses that were generated from 1996 to 2010 and that expire from 2011 to 2030, and with charitable contributions that were converted to net operating losses in 2004 through 2010, and that expire in 2024 through 2030, 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 asset considered realizable, however, could be reduced if estimates of future taxable income during the carryforward period are reduced which would result in additional income tax expense. We estimate that our effective annual income tax rate for financial statement purposes will be 50% to 54% in the year ended December 31, 2011, primarily due to the large amount of permanent differences in 2011 as compared to our net income before income tax expense.

Year Ended December 31, 2009 ("2009") Compared to Year Ended December 31, 2008 ("2008")

Overview of Revenues and Cost of Goods Sold

Total revenues increased 4% from $575.4 million in 2008 to $595.8 million in 2009. Revenue increases in our Consumer, Managed Broadband and Regulated Operations segments were partially off-set by decreases in our Network Access and Commercial segments. See the discussion below for more information by segment.

Total Cost of Goods Sold decreased 5% from $203.1 million in 2008 to $193.7 million in 2009. Cost of Goods Sold increases in our Consumer, Managed Broadband and Regulated Operations segments were partially off-set by decreases in our Network Access and Commercial segments. See the discussion below for more information by segment.

Consumer Segment Overview

Consumer segment revenue represented 49% of 2009 consolidated revenues. The components of Consumer segment revenue are as follow (amounts in thousands):

	2009	2008	Percentage Change
Voice	$ 52,654	47,042	12%
Video	110,986	105,238	5%
Data	50,327	42,692	18%
Wireless	80,958	60,660	33%
Total Consumer segment revenue	$ 294,925	255,632	15%

Consumer segment Cost of Goods Sold represented 50% of 2009 consolidated Cost of Goods Sold. The components of Consumer segment Cost of Goods Sold are as follows (amounts in thousands):

	2009	2008	Percentage Change
Voice	$ 14,952	18,121	(17%)
Video	45,350	40,279	13%
Data	4,367	6,554	(33%)
Wireless	32,225	24,899	29%
Total Consumer segment Cost of Goods Sold	$ 96,894	89,853	8%

Consumer segment adjusted EBITDA, representing 45% of 2009 consolidated Adjusted EBITDA, is as follows (amounts in thousands):

	2009	2008	Percentage Change
Consumer segment Adjusted EBITDA	$ 86,587	58,949	47%

Selected key performance indicators for our Consumer segment follow:

	December 31, 2009	2008	Percentage Change
Voice:			
Long-distance subscribers[1]	90,500	88,600	2%
Long-distance minutes carried (in millions)	114.7	128.6	(11%)
Total local access lines in service[2]	84,200	80,700	4%
Local access lines in service on GCI facilities[2]	75,200	68,700	9%
Video:			
Basic subscribers[3]	130,500	132,500	(2%)
Digital programming tier subscribers[4]	79,600	71,900	11%
HD/DVR converter boxes[5]	81,500	67,800	20%
Homes passed	232,400	229,300	1%
Average monthly gross revenue per subscriber[6]	$ 70.36	$ 67.40	4%
Data:			
Cable modem subscribers[7]	100,200	94,400	6%
Wireless:			
Wireless lines in service[8]	115,100	88,700	30%
Average monthly gross revenue per subscriber[9]	$ 61.54	$ 57.77	7%

[1] A long-distance customer is defined as a customer account that is invoiced a monthly long-distance plan fee or has made a long-distance call during the month.
[2] A local access line in service is defined as a revenue generating circuit or channel connecting a customer to the public switched telephone network.
[3] A basic cable subscriber is defined as one basic tier of service delivered to an address or separate subunits thereof regardless of the number of outlets purchased. On January 1, 2009, our Consumer segment transferred 2,900 basic cable subscribers to our Commercial segment.
[4] A digital programming tier subscriber is defined as one digital programming tier of service delivered to an address or separate subunits thereof regardless of the number of outlets or digital programming tiers purchased. Digital programming tier subscribers are a subset of basic subscribers.
[5] A 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.
[6] Year-to-date average monthly consumer video revenues divided by the average of consumer video basic subscribers at the beginning and end of each month in the period.
[7] A cable modem subscriber is defined by the purchase of cable modem service regardless of the level of service purchased. If one entity purchases multiple cable modem service access points, each access point is counted as a subscriber. Cable modem subscribers may also be video basic subscribers though basic cable service is not required to receive cable modem service.
[8] A wireless line in service is defined as a revenue generating wireless device.
[9] Year-to-date average monthly consumer wireless revenues divided by the average of consumer wireless subscribers at the beginning and end of each month in the period.

Consumer Segment Revenues
The increase in voice revenue is primarily due to a $3.7 million or 82% increase in recognized support from the USAC and an increase in monthly recurring local service fee revenue. The increase in USAC support is primarily due to an FCC order issued in March 2009, the result of which provided uncapped support for all lines served by competitive ETCs for tribal lands or Alaska Native regions retroactive to August 2008. The

issuance of this order allowed us to recognize in 2009 $674,000 in additional USAC support for services provided from August 2008 to December 2008 that is included in the revenue increase discussed above, and the removal of the cap allowed us to increase the USAC support revenue that we recognized in 2009.

The increase in monthly recurring local service fee revenue is due to increased subscribers. The increase in voice revenue was partially offset by decreased long-distance billable minutes carried.

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

- A 4% increase in programming services revenue to $88.1 million in 2009 primarily resulting from an increase in digital programming tier subscribers in 2009 and a rate increase on certain cable service offerings beginning in August 2009, and
- A 12% increase in equipment rental revenue to $21.6 million in 2009 primarily resulting from our customers' increased use of our HD/DVR converter boxes.

The increase in data revenue is primarily due to a 19% increase in cable modem revenue to $43.4 million due to increased subscribers and their selection of more value-added features.

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

- An $11.9 million or 162% increase in recognized support from the USAC primarily due to the following:
  - Increased wireless subscribers in areas that receive USAC support,
  - Recognition of $3.1 million to be received from the USAC for interstate common line support for a new local access area for which we received ETC status in May 2009 of which $1.7 million was related to services provided during 2008. Collectability was not reasonably assured until we were awarded ETC status, therefore, we deferred revenue recognition until such status was confirmed,
  - Recognition of $1.1 million upon a change in our estimate of support to be received from the USAC for interstate common line support of which $77,000 was related to 2008. We accrue estimated program revenue quarterly and adjust our revenue as we obtain new information that changes the variables used to calculate our estimate, and
  - The FCC order issued in March 2009, the result of which provides uncapped support for all lines served by competitive ETCs for tribal lands or Alaska Native regions retroactive to August 2008. The issuance of this order allowed us to recognize $810,000 in additional USAC support from August 2008 to December 2008 in 2009 that is included in the revenue increase discussed above.
- An increase in the number of wireless subscribers.

The increase in wireless revenue was partially off-set by receipt of $2.8 million in July 2008 from the USAC for retroactive interstate common line support at Alaska DigiTel for which revenue was recognized in 2008.

Consumer Segment Cost of Goods Sold

The decrease in voice Cost of Goods Sold is primarily due to cost savings resulting from the increased deployment of local access services DLPS lines on our own facilities during 2009 and decreased voice minutes carried.

The video Cost of Goods Sold increase is primarily due to increased channels offered to our subscribers, increased rates paid to programmers, increased costs associated with delivery of digital services offered over our HD/DVR converter boxes due to the increased number of boxes in service, an increase in digital programming tier subscribers, and the recognition of a $594,000 charge in 2009 to settle a billing issue with a cable programmer.

The decrease in data Cost of Goods Sold is primarily due to the transition of traffic to our own facilities from leased facilities and the addition of more peering partners for Internet traffic, which was partially offset by an increase in costs due to an increased number of cable modem subscribers.

The increase in wireless Cost of Goods Sold is primarily due to increased costs for wireless handset equipment sales associated with the increased number of wireless subscribers and the inclusion in certain 2009

promotions of premium wireless handsets which have higher costs. The increase was partially offset by decreased costs due to the June 4, 2008 implementation of the new distribution agreement with AT&T Mobility.

AT&T Mobility acquired Dobson, including its Alaska properties, on November 15, 2007. In December 2007 we signed an agreement with AT&T Mobility that provided for an orderly transition of our wireless customers from the Dobson/AT&T network in Alaska to our wireless facilities that we began building in 2008 and substantially completed in 2010. The agreement required our customers to be on our wireless network by June 30, 2009, but allowed our customers to use the AT&T Mobility network for roaming during the transition period. We started transitioning our customers to our wireless facilities in November 2008. We successfully migrated all but 200 customers from the AT&T Mobility network to our network by the required transition date of June 30, 2009. The four-year transition period, which expires June 30, 2012, provides us adequate time to replace the Dobson/AT&T network in Alaska with our own wireless facilities. Under the agreement, AT&T Mobility's obligation to purchase network services from us terminated as of July 1, 2008. AT&T Mobility provided us with a large block of wireless network usage at no charge to facilitate the transition of our customers to our facilities. We will pay for usage in excess of that base transitional amount. Under the previous agreement with Dobson, our margin was fixed. Under the new agreement with AT&T Mobility, we will pay for usage in excess of the block of no charge minutes on a per minute basis. The block of wireless network usage at no charge has substantially reduced our wireless product Cost of Goods Sold beginning June 4, 2008 through December 31, 2009. We expect this block of minutes to expire in the first half of 2012 at which time we expect a material increase to our wireless Cost of Goods Sold estimated at $8.0 million to $10.0 million annually.

Consumer Segment Adjusted EBITDA
The increase in Adjusted EBITDA is primarily due to increased revenue as described above in "Consumer Segment Revenues," which was partially offset by increased Cost of Goods Sold as described above in "Consumer Segment Cost of Goods Sold" and an increase in the selling, general and administrative expense that was allocated to our Consumer segment primarily due to an increase in the 2008 segment margin upon which the allocation is based.

See note 10 in the "Notes to Consolidated Financial Statements" included in Part II of this annual report on Form 10-K for a reconciliation of consolidated Adjusted EBITDA, a non-GAAP financial measure, to consolidated income (loss) before income taxes.

Network Access Segment Overview

Network access segment revenue represented 21% of 2009 consolidated revenues. The components of Network Access segment revenue are as follows (amounts in thousands):

	2009	2008	Percentage Change
Voice	$ 49,837	79,744	(38%)
Data	63,862	71,414	(11%)
Wireless	8,373	2,663	214%
Total Network Access segment revenue	$ 122,072	153,821	(21%)

Network Access segment Cost of Goods Sold represented 14% of 2009 consolidated Cost of Goods Sold. The components of Network Access segment Cost of Goods Sold are as follows (amounts in thousands):

	2009	2008	Percentage Change
Voice	$ 16,522	27,149	(39%)
Data	9,444	11,539	(18%)
Wireless	1,287	1,638	(21%)
Total Network Access segment Cost of Goods Sold	$ 27,253	40,326	(32%)

Network Access segment Adjusted EBITDA, representing 30% of 2009 consolidated Adjusted EBITDA, is as follows (amounts in thousands):

	2009	2008	Percentage Change
Network Access segment Adjusted EBITDA	$ 57,563	73,647	(22%)

Selected key performance indicators for our Network Access segment follow:

	December 31, 2009	2008	Percentage Change
Voice:			
Long-distance minutes carried (in millions)	840	1,094	(23%)
Data:			
Total Internet service provider access lines in service[1]	1,700	1,800	(6%)

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

Network Access Segment Revenues
The decrease in voice revenue is due in part to the June 4, 2008 implementation of the new distribution agreement with AT&T Mobility as described in "Part II – Item VII – Management's Discussion and Analysis of Financial Condition and Results of Operations – Consumer Segment Cost of Goods Sold" for 2009 compared to 2008. The voice revenue decrease also resulted from a decrease in our average rate per minute on billable minutes carried for our common carrier customers and the transition of voice traffic to dedicated networks. The average rate per minute decrease is primarily due to a change in the composition of traffic and a 3.0% interstate rate decrease mandated by federal law.

The decrease in data revenue is primarily due to a change in the composition of traffic resulting in IRU operating leases and service agreements replacing data network service agreements.

The increase in wireless revenue is primarily due to increased roaming revenue in 2009 primarily due to the construction of our state-wide GSM network starting in 2008 and the 2008 expansion of our CDMA network.

Network Access Segment Cost of Goods Sold

The decrease in voice Cost of Goods Sold is primarily due to decreased long-distance minutes carried and the movement of more traffic onto our network in lieu of carrying traffic on third party networks.

The decrease in data Cost of Goods Sold is primarily due to a change in the composition of traffic resulting in IRU operating leases and service agreements replacing data network service agreements and a $585,000 favorable adjustment resulting from a refund of fiber repair costs. The fiber repair costs were originally recognized in the first quarter of 2008. Due to the uncertainty surrounding the recovery of the fiber repair costs, we deferred recognition until collection of the refund was reasonably assured.

Network Access Segment Adjusted EBITDA
The Adjusted EBITDA decrease is primarily due to decreased revenue as described above in "Network Access Segment Revenues," which is partially off-set by decreased Cost of Goods Sold as described above in "Network Access Segment Cost of Goods Sold" and a decrease in the selling, general and administrative expense that was allocated to our Network Access segment primarily due to a decrease in the 2008 segment margin upon which the allocation is based.

See note 10 in the "Notes to Consolidated Financial Statements" included in Part II of this annual report on Form 10-K for a reconciliation of consolidated Adjusted EBITDA, a non-GAAP financial measure, to consolidated income (loss) before income taxes.

Commercial Segment Overview

Commercial segment revenue represented 18% of 2009 consolidated revenues. Commercial segment data revenue is comprised of monthly recurring charges for data services and charges billed on a time and materials basis largely for personnel providing on-site customer support. This latter category can vary significantly based on project activity. The components of Commercial segment revenue are as follows (amounts in thousands):

	2009	2008	Percentage Change
Voice	$ 30,830	29,398	5%
Video	9,175	9,604	(4%)
Data	63,383	70,068	(10%)
Wireless	6,747	5,590	21%
Total Commercial segment revenue	$ 110,135	114,660	(4%)

Commercial segment Cost of Goods Sold represented 27% of 2009 consolidated Cost of Goods Sold. The components of Commercial segment Cost of Goods Sold are as follows (amounts in thousands):

	2009	2008	Percentage Change
Voice	$ 18,563	19,581	(5%)
Video	1,956	1,551	26%
Data	28,661	34,391	(17%)
Wireless	3,065	3,957	(23%)
Total Commercial segment Cost of Goods Sold	$ 52,245	59,480	(12%)

Commercial segment Adjusted EBITDA, representing 12% of 2009 consolidated Adjusted EBITDA, is as follows (amounts in thousands):

	2009	2008	Percentage Change
Commercial segment Adjusted EBITDA	$ 23,174	20,710	12%

Selected key performance indicators for our Commercial segment follow:

	December 31, 2009	2008	Percentage Change
Voice:			
Long-distance subscribers[1]	9,500	9,700	(2%)
Total local access lines in service[2]	47,700	46,200	3%
Local access lines in service on GCI facilities	19,600	18,700	5%
Long-distance minutes carried (in millions)	123.2	129.5	(5%)
Data:			
Cable modem subscribers[3]	10,500	8,900	18%
Wireless:			
Wireless lines in service[4]	10,300	7,600	36%

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

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

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

[4] A wireless line in service is defined as a revenue generating wireless device.

Commercial Segment Revenues
The increase in voice revenue is primarily due to increased local access lines in service and a $1.3 million or 109% increase in recognized support from the USAC primarily due to increased local subscribers and the FCC order issued in March 2009, the result of which provides uncapped support for all lines served by competitive ETCs for tribal lands or Alaska Native regions retroactive to August 2008. The issuance of this order allowed us to recognize $386,000 in additional USAC support from August 2008 to December 2008 in 2009 that is included in the revenue increase discussed above. The increase in voice revenue was partially off-set by decreased long-distance subscribers and decreased voice minutes carried.

The decrease in data revenue is primarily due to a $7.2 million or 19% decrease in managed services project revenue partially off-set by a $1.0 million or 6% increase in Internet revenue primarily due to an increase in cable modem subscribers.

The increase in wireless revenue is primarily due to an increase in the number of wireless subscribers.

Commercial Segment Cost of Goods Sold

The decrease in voice Cost of Goods Sold is primarily due to cost savings resulting from an increase in local access lines in service on our own facilities during 2009 and decreased long-distance billable minutes carried.

The decrease in data Cost of Goods Sold is primarily due to a $5.7 million or 22% decrease in managed services project Cost of Goods Sold.

Commercial Segment Adjusted EBITDA
The Adjusted EBITDA increase was primarily due to decreased Cost of Goods Sold as described above in “Commercial Segment Cost of Goods Sold” that was partially offset by a decrease in revenue as described above in "Commercial Segment Revenues."

See note 10 in the "Notes to Consolidated Financial Statements" included in Part II of this annual report on Form 10-K for a reconciliation of consolidated Adjusted EBITDA, a non-GAAP financial measure, to consolidated income (loss) before income taxes.

Managed Broadband Segment Overview
Managed Broadband segment revenue, Cost of Goods Sold and adjusted EBITDA represented 8%, 6% and 10% of 2009 consolidated revenues, Cost of Goods Sold and adjusted EBITDA, respectively.

Managed Broadband Segment Revenues

Managed Broadband segment revenue, which includes data products only, increased 21% to $44.9 million in 2009 as compared to 2008. The increase is primarily due to increased circuits purchased by our ConnectMD ® customers and a $5.3 million increase from our acquisition of Unicom effective June 1, 2008. The increase is partially off-set by a decrease in revenue associated with product sales.

Managed Broadband Segment Cost of Goods Sold

Managed Broadband segment Cost of Goods Sold increased from $10.3 million in 2008 to $11.1 million in 2009 primarily due to an increase in costs associated with the increased revenue partially off-set by a decrease in costs associated with product sales.

Managed Broadband Segment Adjusted EBITDA
Managed Broadband segment Adjusted EBITDA increased 37% to $19.6 million in 2009 primarily due to an increase in revenue as described above in "Managed Broadband Segment Revenues."

See note 10 in the "Notes to Consolidated Financial Statements" included in Part II of this annual report on Form 10-K for a reconciliation of consolidated Adjusted EBITDA, a non-GAAP financial measure, to consolidated income (loss) before income taxes.

Regulated Operations Segment Overview

Regulated Operations segment revenue, Cost of Goods Sold and Adjusted EBITDA represented 4%, 3% and 3% of 2009 consolidated revenues, Cost of Goods Sold and Adjusted EBITDA, respectively.

A selected key performance indicator for our Regulated Operations segment follows:

	December 31, 2009	2008	Percentage Change
Voice:			
Total local access lines in service[1]	11,100	12,100	(8%)

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

Regulated Operations Segment Revenues
Regulated Operations segment revenues increased from $14.3 million in 2008 to $23.8 million in 2009 primarily due to our acquisition of UUI effective June 1, 2008.

Regulated Operations Segment Cost of Goods Sold

Regulated Operations segment Cost of Goods Sold increased from $3.1 million in 2008 to $6.1 million in 2009 primarily due to our acquisition of UUI effective June 1, 2008.

Regulated Operations Segment Adjusted EBITDA
Regulated Operations segment Adjusted EBITDA was $6.0 million in 2009 and $3.6 million in 2008 primarily due to our acquisition of UUI effective June 1, 2008.

See note 10 in the "Notes to Consolidated Financial Statements" included in Part II of this annual report on Form 10-K for a reconciliation of consolidated Adjusted EBITDA, a non-GAAP financial measure, to consolidated income (loss) before income taxes.

Selling, General and Administrative Expenses
Selling, general and administrative expenses increased from $210.3 million in 2008 to $212.7 million in 2009 primarily due to the following:

- A $4.5 million increase in labor costs,
- $4.1 million in additional expense resulting from our June 1, 2008, acquisition of UUI and Unicom,
- A $1.4 million increase in our company-wide success sharing bonus accrual in 2009,
- $1.1 million in additional expense incurred in 2009 for the conversion of our customers' wireless phones to our facilities, and
- A $1.1 million increase in lease related expense.

The increases were partially off-set by the following:

- A $4.9 million decrease in contract labor costs,
- A $4.5 million decrease in share-based compensation expense primarily due to the reversal of expense properly recognized in previous periods for certain performance-based stock options and restricted stock awards that were ultimately not expected to vest, and
- The absence of $1.8 million to terminate a management agreement that was paid in 2008 upon the acquisition of our non-controlling interest in Alaska DigiTel.

As a percentage of total revenues, selling, general and administrative expenses decreased to 36% in 2009 from 37% in 2008, primarily due to increasing revenue.

Depreciation and Amortization Expense
Depreciation and amortization expense increased 8% to $123.4 million in 2009. The increase is primarily due to our $322.3 million investment in equipment and facilities placed into service during 2008 for which a full year of depreciation was recorded in 2009, and the $182.4 million investment in equipment and facilities placed into service during the year ended December 31, 2009 for which a partial year of depreciation was recorded in 2009. The increase is partially off-set by a $12.0 million depreciation charge in 2008 to reflect a reduction of the estimated useful life of certain assets that were decommissioned at the end of 2008.

Other Expense, Net
Other expense, net of other income, increased 17% to $58.7 million in 2009 primarily due to the following:

- A $3.7 million decrease in capitalized interest in 2009 compared to 2008,
- $2.7 million in additional interest expense resulting from the Galaxy 18 capital lease commencing in May 2008, and
- A $1.9 million increase in interest expense resulting from the 2009 write-off of the original issue discount on our Senior Credit Facility.

The interest expense increase is partially off-set by the absence of a $921,000 loss that was recorded in 2008 relating to the fair value change on a derivative instrument.

Income Tax Expense
Income tax expense totaled $3.9 million and $1.1 million in 2009 and 2008, respectively. Our effective income tax rate increased from 47% in 2008 to 53% in 2009 primarily due to the increase in the amount of permanent differences in 2009 as compared to our pretax net income before income tax expense.

Multiple System Operator ("MSO") Operating Statistics

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

The standardized definition of a customer relationship is the number of customers that receive at least one level of service utilizing our cable service facilities, encompassing voice, video, and data services, without regard to which services customers purchase. At December 31, 2010, 2009 and 2008 we had 134,400, 133,900 and 133,400 customer relationships, respectively.

The standardized definition of a revenue generating unit is the sum of all primary analog video, digital video, high-speed data, and telephony customers, not counting additional outlets. At December 31, 2010, 2009 and 2008 we had 350,100, 343,200 and 327,200 revenue generating units, respectively.

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

In January 2010 the U.S. Department of Agriculture's RUS approved our wholly-owned subsidiary, UUI's application for an $88.2 million loan/grant combination to extend terrestrial broadband service for the first time to Bristol Bay and the Yukon-Kuskokwim Delta, an area in Alaska roughly the size of the state of North Dakota. Upon completion, TERRA-SW will be able to serve over 9,000 households and over 700 businesses in the 65 covered communities. The project will also be able to serve numerous public/nonprofit/private community anchor institutions and entities, such as regional health care providers, school districts, and other regional and Alaska Native organizations. The RUS award, consisting of a $44.2 million loan and a $44.0 million grant, will be made under the RUS Broadband Initiatives Program established pursuant to the American Recovery and Reinvestment Act. The award will fund backbone network facilities that we would not otherwise be able to construct within our return-on-investment requirements. UUI began construction on TERRA-SW in 2010 and expects to complete the project in 2012 or earlier if possible.

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, the state of

the global financial markets may negatively impact our ability to further access the capital markets in a timely manner and on attractive terms, which may have a negative impact on our ability to grow our business.

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

Our net cash flows provided by and (used for) operating, investing and financing activities, as reflected in the Consolidated Statements of Cash Flows for 2010 and 2009, are summarized as follows (amounts in thousands):

	2010	2009
Operating activities	$ 171,259	100,919
Investing activities	(104,722)	(125,877)
Financing activities	(82,243)	43,830
Net increase (decrease) in cash and cash equivalents	$ (15,706)	18,872

Operating Activities
The increase in cash flows provided by operating activities is due primarily to an increase in operating income in 2010 as compared to 2009, a $12.3 million decrease in accounts receivable that is due to timing of receipt of payments and a $15.0 million contractually required payment made in 2009.

Investing Activities
Net cash used in investing activities consists primarily of cash paid for capital expenditures. Our most significant recurring investing activity has been capital expenditures and we expect that this will continue in the future. A significant portion of our capital expenditures is based on the level of customer growth and the technology being deployed. The decrease in cash flows used for investing activities is due primarily to a decrease in spending for property and equipment, including construction in progress in 2010 partially off-set by the final contingent payment of $5.2 million for the Alaska Wireless acquisition.

Our cash expenditures for property and equipment, including construction in progress, totaled $96.2 million and $121.0 million during the years ended December 31, 2010 and 2009, respectively. Our capital expenditures decreased in 2010 primarily due to the decreased pace of our wireless network expansion. We expect our 2011 expenditures for property and equipment for our core operations, including construction in progress, to total $145.0 million to $155.0 million, depending on available opportunities and the amount of cash flow we generate during 2011, and excluding grant funded capital expenditures related to our TERRA-SW project.

Financing Activities
Net cash used in financing activities consists primarily of our proceeds from borrowings off-set by our debt repayments, payment of debt issuance costs and repurchases of our common stock. 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. The decrease in cash flows provided by financing activities is due to a decrease in long-term debt borrowings in 2010 compared to 2009 and an increase in repurchases of our common stock in 2010 compared to 2009.

Available Borrowings Under Senior Credit Facility
On January 29, 2010, we replaced our then existing Senior Credit Facility with a new amended Senior Credit Facility that provides a $75.0 million revolving credit facility and that extends the maturity through January 29, 2015. We have a $75.0 million revolving Senior Credit Facility with a $25.0 million sublimit for letters of credit. We have $20.0 million in long-term debt and $2.7 million of letters of credit outstanding, which leaves $52.3 million available for borrowing under the revolving credit facility as of December 31, 2010.

On January 18, 2011, we repaid $5.0 million of our outstanding long-term debt. On February 15 , 2011, and February 25, 2011, we borrowed $8.0 million and $5.0 million, respectively, under our amended Senior Credit Facility. After consideration of these transactions, we have $44.3 million available for borrowing under our revolving credit facility.

Debt Covenants

We are subject to covenants and restrictions set forth in the indentures governing our 2014 and 2019 Notes, amended Senior Credit Facility, RUS loans, and CoBank loans. We are in compliance with the covenants, and we believe that neither the covenants nor the restrictions in our indentures or loan documents will limit our ability to operate our business.

Share Repurchases

GCI's Board of Directors has authorized a common stock buyback program for the repurchase of GCI Class A and Class B common stock in order to reduce the outstanding shares of Class A and Class B common stock. Under this program, we are currently authorized to make up to $125.5 million of repurchases as of December 31, 2010. We are authorized to increase our repurchase limit $5.0 million per quarter indefinitely and to use stock option exercise proceeds to repurchase additional shares. If stock repurchases are less than the total approved quarterly amount the difference may be carried forward and applied against future stock repurchases. During the year ended December 31, 2010 we repurchased 8.0 million shares of GCI common stock at a cost of $80.8 million. All of the shares were retired in 2010. The common stock buyback program is expected to continue for an indefinite period dependent on leverage, liquidity, company performance, market conditions and subject to continued oversight by GCI's Board of Directors. The repurchases have and will continue to comply with the restrictions of SEC Rule 10b-18.

Schedule of Certain Known Contractual Obligations

The following table details future projected payments associated with certain known contractual obligations as of December 31, 2010:

	Payments Due by Period				
	Total	Less than 1 Year	1 to 3 Years	4 to 5 Years	More Than 5 Years
	(Amounts in thousands)				
Long-term debt	$ 786,676	2,516	5,073	344,247	434,840
Interest on long-term debt	432,399	62,860	125,123	90,040	154,376
Capital lease obligations, including interest	137,130	11,672	23,474	23,513	78,471
Operating lease commitments	151,401	21,495	33,924	28,467	67,515
Purchase obligations	30,939	18,554	9,143	3,242	-
Total contractual obligations	$ 1,538,545	117,097	196,737	489,509	735,202

Long-term debt listed in the table above includes principal payments on our amended Senior Credit Facility, 2014 and 2019 Notes, Rural Utilities Services debt and CoBank Mortgage note payable. Interest on the amount outstanding under our amended Senior Credit Facility is based on variable rates. We used the current rate paid on the amended Senior Credit Facility to estimate our future interest payments. Our 2014 Notes require semi-annual interest payments of $11.6 million through February 2014 and our 2019 Notes require semi-annual interest payments of $18.3 million through November 2019. Our Rural Utilities Services debt and CoBank Mortgage note payable have fixed interest rates ranging from 2.0% to 6.8%. For a discussion of our 2014 and 2019 Notes, amended Senior Credit Facility, Rural Utilities Services debt and CoBank Mortgage note payable see note 6 in the accompanying "Notes to Consolidated Financial Statements."
Capital lease obligations include our obligation to lease transponder capacity on Galaxy 18. For a discussion of our capital and operating leases, see note 12 in the accompanying "Notes to Consolidated Financial Statements."

Purchase obligations include the following:

- A non-cancelable commitment to purchase hardware and software capable of providing wireless service to small markets in rural Alaska of $4.8 million, and
- Cancelable open purchase orders for goods and services for capital projects and normal operations totaling $15.0 million which are not included in our Consolidated Balance Sheets at December 31, 2010, because the goods had not been received or the services had not been performed at December 31, 2010.

Off-Balance Sheet Arrangements

We have not created, and are not party to, any special-purpose or off-balance sheet entities for the purpose of raising capital, incurring debt or operating parts of our business that are not consolidated into our financial statements. We do not have any arrangements or relationships with entities that are not consolidated into our financial statements that are reasonably likely to materially affect our liquidity or the availability of our capital resources.

New Accounting Standards

Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2009-13 addresses the accounting for multiple deliverable arrangements to enable vendors to account for products or services ("deliverables") separately rather than as a combined unit. Specifically, this guidance amends the criteria in Subtopic 605-25, "Revenue Recognition - Multiple-Element Arrangements", for separating consideration in multiple-deliverable arrangements. This guidance establishes a selling price hierarchy for determining the selling price of a deliverable, which is based on: (a) vendor-specific objective evidence; (b) third-party evidence; or (c) estimates. This guidance also eliminates the residual method of allocation and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method. In addition, this guidance significantly expands required disclosures related to a vendor's multiple-deliverable revenue arrangements. ASU 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The adoption of ASU 2009-13 is not expected to have a material impact on our statement of operations, financial position or cash flows.

In December 2010, the FASB issued ASU 2010-28 "Intangibles—Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts". Under ASU 2010-28, if the carrying amount of a reporting unit is zero or negative, an entity must assess whether it is more likely than not that goodwill impairment exists. To make that determination, an entity should consider whether there are adverse qualitative factors that could impact the amount of goodwill, including those listed in ASC 350-20-35-30. As a result of the new guidance, an entity can no longer assert that a reporting unit is not required to perform the second step of the goodwill impairment test because the carrying amount of the reporting unit is zero or negative, despite the existence of qualitative factors that indicate goodwill is more likely than not impaired. ASU 2010-28 is effective for public entities for fiscal years, and for interim periods within those years, beginning after December 15, 2010, with early adoption prohibited. The adoption of ASU 2009-28 is not expected to have a material impact on our statement of operations, financial position or cash flows.

In December 2010, the FASB issued the ASU 2010-29 "Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations". ASU 2010-29 specifies that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments in this Update also expand the supplemental pro forma disclosures under Topic 805 to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amended guidance is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. Early adoption is permitted. The adoption of ASU 2009-29 is not expected to have a material impact on our statement of operations, financial position or cash flows.

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 and estimates are those policies and estimates 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 and

estimates are not considered by management to be critical. Several factors are considered in determining whether or not a policy or estimate 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 and estimates, 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 and estimates with our Audit Committee.

Those policies and estimates considered to be critical for the years ended December 31, 2010 are described below.

Revenue Recognition

The accounting estimates related to revenues from the high cost, rural health and schools and libraries USF programs are dependent on various inputs including current line counts, the most current rates paid to us, and our assessment of the impact of new FCC regulations, the potential outcome of FCC proceedings and the potential outcome of USAC contract reviews. Some of the inputs are subjective and based on our judgment regarding the outcome of certain variables and are subject to upward or downward adjustment in subsequent periods. Significant changes to our estimates could result in material changes to the revenues we have recorded and could have a material effect on our financial condition and results of operations.

Allowance for Doubtful Receivables

We maintain allowances for doubtful receivables for estimated losses resulting from the inability of our customers to make required payments. We also maintain an allowance for doubtful receivables based on notification that a customer may not have satisfactorily complied with rules necessary to obtain supplemental funding from the USAC for services provided by us under our packaged communications offerings to rural hospitals, health clinics and school districts. We base our estimates on the aging of our accounts receivable balances, financial health of specific customers, regional economic data, changes in our collections process, regulatory requirements, and our customers' compliance with USAC rules. If the financial condition of our customers were to deteriorate or if they are unable to emerge from reorganization proceedings, resulting in an impairment of their ability to make payments, additional allowances may be required. If their financial condition improves or they emerge successfully from reorganization proceedings, allowances may be reduced. Such allowance changes could have a material effect on our financial condition and results of operations.

Impairment and Useful Lives of Intangible Assets

We had $291.5 million of indefinite-lived intangible assets at December 31, 2010 consisting of cable certificates of $191.6 million, goodwill of $73.9 million and wireless licenses of $26.0 million. Our indefinite-lived intangible assets are tested annually for impairment during the fourth quarter and at any time upon the occurrence of certain events or substantive changes in circumstances.

We are required to determine goodwill impairment using a two-step process. The first step of the goodwill impairment test is used to identify potential impairment by comparing the fair value of a reporting unit with its carrying amount. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill that would be recognized in a business combination.

The impairment test for identifiable indefinite-lived intangible assets consists of a comparison of the estimated fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

Our cable certificates are our largest indefinite-lived intangible asset and represent agreements with government entities to construct and operate a cable business. The value of our cable certificates is derived from the economic benefits we receive from the right to solicit new customers and to market new services. The amount we have recorded for cable certificates is primarily from cable system acquisitions. The cable certificates are valued under a direct discounted cash flow method whereby the cash flow associated with existing customers is isolated after appropriate contributory asset charges and then projected based on an analysis of customer churn and attrition characteristics.

Our wireless licenses are from the FCC and give us the right to provide wireless service within a certain geographical area. The amount we have recorded is from acquisitions of wireless companies and auctions of wireless spectrum. We use comparable market transactions from recent FCC auctions, as appropriate, and a hypothetical build-up method to value our wireless licenses.

Goodwill represents the excess of cost over fair value of net assets acquired in connection with a business acquisition. We use an income approach to determine the fair value of our reporting units for purposes of our goodwill impairment test. In addition, a market-based approach is used where possible to corroborate the fair values determined by the income approach.

The direct discounted cash flow, hypothetical build-up, and income approach valuation methods require us to make estimates and assumptions including projected cash flows, discount rate, customer churn, and customer behaviors and attrition. These estimates and assumptions could have a significant impact on whether an impairment charge is recognized and the magnitude of any such impairment charge. Fair value estimates are made at a specific point in time, based on relevant information. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. Events and factors that may be out of our control that could affect the estimates include such things as competitive forces, customer behaviors, change in revenue growth trends, cost structures and technology, and changes in discount rates, performance compared to peers, material and ongoing negative economic trends, and specific industry or market sector conditions. Our company is operated and managed with two balance sheets, however, our impairment tests must be performed at the reporting unit level, which requires us to allocate our balance sheet. These allocations are subjective and require a significant amount of judgment. Changes to the assumptions and allocation methodologies could significantly change our estimates. We may also record impairments in the future if there are changes in long-term market conditions, expected future operating results, or laws and regulations that may prevent us from recovering the carrying value of our goodwill, cable certificates, and wireless licenses.

We have allocated all of the goodwill to our reporting units and based on our annual impairment test as of October 31, 2010, the fair value of each reporting unit exceeded the book value by a range between 60% and 853%. The reporting unit that exceeded the book value by 60% passed the goodwill impairment test by $21.4 million, which we believe is a large margin. We believe none of our reporting units were close to failing step one of the goodwill impairment test.

Based on our annual impairment test as of October 31, 2010, the fair value of our wireless licenses exceeded the book value by 204%. The fair value of our cable certificates exceeded the book value by 22% and $42.4 million as of October 31, 2010, which we believe is a large margin. We believe that none of our indefinite lived intangible assets were close to failing the impairment test.

Accruals for Unbilled Costs

We estimate unbilled long-distance and wireless services Cost of Goods Sold based upon minutes of use carried through our network and established rates. We estimate unbilled costs for new circuits and services, and network changes that result in traffic routing changes or a change in carriers. Carriers that provide service to us regularly make network changes that can lead to new, revised or corrected billings. Such estimates are revised or removed when subsequent billings are received, payments are made, billing matters are researched and resolved, tariffed billing periods lapse, or when disputed charges are resolved. Revisions to previous estimates could either increase or decrease costs in the year in which the estimate is revised which could have a material effect on our financial condition and results of operations.

Valuation Allowance for Net Operating Loss Deferred Tax Assets

Our income tax policy provides for deferred income taxes to show the effect of temporary differences between the recognition of revenue and expenses for financial and income tax reporting purposes and between the tax basis of assets and liabilities and their reported amounts in the financial statements. We have recorded deferred tax assets of $89.0 million associated with income tax net operating losses that were generated from 1996 to 2010, and that primarily expire from 2011 to 2030, and with charitable contributions that were converted to net operating losses in 2004 to 2010, and that expire in 2024 to 2030, respectively. Pre-acquisition income tax net operating losses associated with acquired companies are subject to additional deductibility limits. We have recorded deferred tax assets of $1.9 million associated

with alternative minimum tax credits that do not expire. Significant management judgment is required in developing our provision for income taxes, including the determination of deferred tax assets and liabilities and any valuation allowances that may be required against the deferred tax assets. We have not recorded a valuation allowance on the deferred tax assets as of December 31, 2010 based on management's belief that future reversals of existing taxable temporary differences and estimated future taxable income exclusive of reversing temporary differences and carryforwards will, more likely than not, be sufficient to realize the benefit of these assets over time. In the event that actual results differ from these estimates or if our historical trends change, we may be required to record a valuation allowance on deferred tax assets, which could have a material adverse effect on our consolidated financial position or results of operations.

Other significant accounting policies, not involving the same level of measurement uncertainties as those discussed above, are nevertheless important to an understanding of the financial statements. A complete discussion of our significant accounting policies can be found in note 1 in the accompanying "Notes to Consolidated Financial Statements."

Regulatory Developments

See "Part I — Item 1 — Business — Regulation" for more information about regulatory developments affecting us.

Inflation

We do not believe that inflation has a significant effect on our operations.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to various types of market risk in the normal course of business, including the impact of interest rate changes. We do not hold derivatives for trading purposes. Our amended Senior Credit Facility carries interest rate risk. Amounts borrowed under this Agreement bear interest at LIBOR plus 4.00% or less depending upon our Total Leverage Ratio (as defined). Should the LIBOR rate change, our interest expense will increase or decrease accordingly. As of December 31, 2010, we have borrowed $20.0 million subject to interest rate risk. On this amount, each 1% increase in the LIBOR interest rate would result in $200,000 of additional gross interest cost on an annualized basis.

Item 8. Consolidated Financial Statements and Supplementary Data

Our consolidated financial statements are filed under this Item, beginning on page 100. Our supplementary data is filed under Item 7, beginning on page 37.

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. 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 Annual Report on Form 10-K, 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 and as described below under "Management's Report on Internal Control Over Financial Reporting", our management, including our Chief Executive Officer and our Chief Financial Officer, concluded that our disclosure controls and procedures were not effective as of December 31, 2010.

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

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the

framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations (COSO).

Based on our evaluation of the effectiveness of our internal control over financial reporting, our management concluded that as of December 31, 2010, 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 USF high cost program support revenue accrual. Our revenue and accounts receivable were corrected prior to the issuance of our consolidated financial statements included in Part I, Item I of our June 30, 2010 quarterly report. The impact of this error was deemed to be immaterial in the prior periods.

Grant Thornton LLP, our independent registered public accounting firm, has issued an audit report on our internal control over financial reporting as of December 31, 2010, which is included in Item 8 of this Form 10-K.

Management's Plan for Remediation of Material Weakness

In the third quarter of 2010, we began remediation of our inadequately designed internal controls in our financial reporting process related to the USF high cost program support revenue accrual by strengthening the design and operation of our controls over the preparation and review of the accrual. Specifically, we have replaced and reorganized the staff responsible for the USF high cost support revenue to ensure more focus on our USF high cost support revenue. We have reviewed and, as appropriate, changed the accrual preparation and review process for USF high cost support revenue. Additionally, the updated process has been documented to ensure consistent application. Our remediation efforts continued in the fourth quarter of 2010 and will continue in 2011.

Changes in Internal Control Over Financial Reporting

As described above in the second quarter of 2010 we identified a material weakness associated with inadequately designed internal controls in our financial reporting process related to the USF high cost program support revenue accrual. We began remediation in the third quarter of 2010 by strengthening the design and operation of our controls over the preparation and review of the USF high cost program support revenue accrual. Our remediation efforts continued in the fourth quarter of 2010 and will continue in 2011.

On November 4, 2010 we implemented a new cable video billing system. The implementation of the new system has resulted in certain changes to our processes and procedures affecting internal control over financial reporting during the fourth quarter of 2010. We have documented processes and tested internal controls over the new billing system. Due to the complexities of implementing a new billing system we expect to continue to monitor and evaluate the new system for several months. We believe we have the processes and appropriate management in place to effectively perform the monitoring and evaluation duties.

Except as described above there were no changes in our internal control over financial reporting (as defined in Rules 13a-13(f) and 15d-15(f) of the Exchange Act) identified in connection with the evaluation of our controls performed during the quarter ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

Internal control over financial reporting has inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material

misstatements will not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

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

Item 9B. Other Information

None.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

Identification

As of December 31, 2010, our board consisted of eight director positions, divided into three classes of directors serving staggered three-year terms.

A director on our board is elected at an annual meeting of shareholders and serves until the earlier of his or her resignation or removal, or his or her successor is elected and qualified. Our executive officers generally are appointed at our board's first meeting after each annual meeting of shareholders and serve at the discretion of the board.

The following table sets forth certain information about our directors and executive officers as of December 31, 2010:

Name	Age	Position
Stephen M. Brett[1]	70	Chairman, Director
Ronald A. Duncan[1]	58	President, Chief Executive Officer and Director
John M. Lowber	61	Senior Vice President, Chief Financial Officer, Secretary, and Treasurer
G. Wilson Hughes	65	Executive Vice President and General Manager
William C. Behnke	53	Senior Vice President
Martin E. Cary	46	Vice President – General Manager, Managed Broadband Services
Gregory F. Chapados	53	Senior Vice President
Richard P. Dowling	67	Senior Vice President
Paul E. Landes	52	Senior Vice President and General Manager, Consumer Services
Gregory W. Pearce	47	Vice President and General Manager, Business Services
Tina M. Pidgeon	42	Senior Vice President
Jerry A. Edgerton[1]	68	Director
Scott M. Fisher[1]	44	Director
William P. Glasgow[1]	52	Director
Mark W. Kroloff[1]	53	Director
Stephen R. Mooney[1]	51	Director
James M. Schneider[1]	58	Director

[1] The present classification of our board is as follows: (1) Class I – Messrs. Edgerton and Kroloff, whose present terms expire at the time of our 2011 annual meeting; (2) Class II – Messrs. Brett, Duncan and Mooney whose present terms expire at the time of our 2012 annual meeting; and (3) Class III – Messrs. Fisher, Glasgow, and Schneider, whose present terms expire at the time of our 2013 annual meeting.

The board, when considering whether directors have the experience, qualifications, attributes or skills, taken as a whole, to enable the board to satisfy its oversight responsibilities effectively in light of the Company's business and structure, focused primarily on each person's background and experience. We believe that the Company's directors have backgrounds that, when combined, provide us with a board equipped to direct us through an ever challenging course in the segments of the telecommunication business in which we are involved. Attributes of members of our board include experience in entrepreneurial, cable service, telecommunication, technological and financial aspects of companies similar to, as well as much larger than, us.

In particular, our board considered important the following regarding its members. With regard to Mr. Brett, our board considered his telecommunications and cable experience, as well as his over 40 year experience as a corporate lawyer. With regards to Messrs. Fisher and Glasgow, our board considered the broad backgrounds of these individuals in finance and their operational experience with cable companies. With regards to Messrs. Edgerton and Mooney, our board considered the extensive experience and expertise of these individuals in business development in the telecommunications industry. Our board also considered the broad perspective brought by Mr. Kroloff's experience in operating diverse businesses throughout Alaska as well as his experience as a lawyer. With regard to Mr. Schneider, our board considered his significant financial and accounting experience including his time spent as Chief Financial Officer of a large public company.

Our board also considered the many years of experience with the Company represented by Mr. Duncan, our President and Chief Executive Officer. He has been with the Company since he co-founded it.

Many of our directors, including Messrs. Edgerton, Glasgow, Kroloff, Mooney and Schneider, were initially proposed for nomination by (or, in the case of Mr. Kroloff, through a request from Mr. Duncan to) holders of significant amounts of Company shares. Our board has retained each of these directors, even after the shareholders have exited the Company or no longer have retained a right to nominate a director, due to the valued expertise our board feels they provide as members.

***Stephen M. Brett*.** Mr. Brett has served as Chairman of our board since June 2005 and as a director on our board since January 2001. He has been of counsel to Sherman and Howard, a law firm, since January 2001. He was Senior Executive Vice President for AT&T Broadband from March 1999 to April 2000. His present term as a director on our board expires at the time of our 2012 annual meeting.

***Ronald A. Duncan*.** Mr. Duncan is a co-founder of the Company and has served as a director on our board since 1979. Mr. Duncan has served as our President and Chief Executive Officer since January 1989. His present term as director on the board expires at the time of our 2012 annual meeting.

***John M. Lowber*.** Mr. Lowber has served as our Chief Financial Officer since January 1987, as our Secretary and Treasurer since July 1988 and as one of our Senior Vice Presidents since December 1989.

***G. Wilson Hughes*.** Mr. Hughes has served as our Executive Vice President and General Manager since June 1991.

***William C. Behnke*.** Mr. Behnke has served as one of our Senior Vice Presidents since January 2001. Prior to that, he served as our Senior Vice President – Marketing and Sales from January 1994.

***Martin E. Cary*.** Mr. Cary has served as our Vice President – General Manager, Managed Broadband Services since September 2004. Prior to that, he served as our Vice President – Broadband Services from June 1999 to September 2004.

Gregory F. Chapados. Mr. Chapados has served as one of our Senior Vice Presidents since June 2006. Prior to that, he was the Managing Director of Integrated Strategies Initiatives LLC from August 2004 to May 2006. Integrated Strategies was at the time a boutique investment bank serving middle-market companies in defense and other areas of federal contracting. Prior to that, Mr. Chapados was a Managing Director at the investment bank, Hoak Breedlove Wesneski & Co. from February 1995 to July 2004.

Richard P. Dowling. Mr. Dowling has served as one of our Senior Vice Presidents since December 1990.

Paul E. Landes. Mr. Landes has served as one of our Senior Vice Presidents and as General Manager, Consumer Services since December 2010. Prior to that, he served as our Vice President and General Manager Consumer Services from September 2005 to December 2010. Prior to that, Mr. Landes served as our Vice President – Marketing and Sales, and Chief Marketing Officer beginning in 2002. Prior to that, he was our Vice President – Marketing from 1999 to 2002.

Gregory W. Pearce. Mr. Pearce has served as our Vice President and General Manager, Business Services since June 2010. Prior to that, he served as our Vice President and General Manager, Commercial Services beginning in September 2005. Prior to that, he served as our Vice President /Director of Long Distance Products beginning in January 1998.

Tina M. Pidgeon. Ms. Pidgeon has served as one of our Senior Vice Presidents since September 2010. Prior to that, she served as our Vice President, Federal Regulatory Affairs from January 2003 to September 2010.

Jerry A. Edgerton. Mr. Edgerton has served as a director on our board since June 2004. Since July 2009, he has been President of Government Markets for Core 180, a network integrator for large governmental and commercial customers. From November 2007 to May 2009, he was Chief Executive Officer for Command Information, Inc., a next generation Internet service company. From April 2007 to October 2007, Mr. Edgerton was an advisor on matters affecting the telecommunications industry as well as the U.S. government. Prior to that and from January 2006 to April 2007, he was Group President of Verizon Federal. Prior to that and from November 1996, he was Senior Vice President – Government Markets for MCI Communications Corporation, an affiliate of MCI, which was later acquired by Verizon Communications, Inc. His present term as a director on our board expires at the time of our 2011 annual meeting.

Scott M. Fisher. Mr. Fisher was appointed to our board in December 2005. From 1998 to the present, he has been a partner of Fisher Capital Partners, Ltd., a private equity and real estate investment company located in Denver, Colorado. During that time, Fisher Capital owned and operated Peak Cablevision, a multiple system cable television operator with approximately 120,000 subscribers. At Peak Cablevision, Mr. Fisher was responsible for television programming and corporate development. From June 1990 to April 1998, he was Vice President at The Bank of New York and BNY Capital Resources Corporation, an affiliate of The Bank of New York, where he worked in the corporate lending and commercial leasing departments. Mr. Fisher serves on the advisory boards of several private companies. His present term as director on our board expires at the time of our 2013 annual meeting.

William P. Glasgow. Mr. Glasgow has served as a director on our board since 1996. From 2005 to the present, Mr. Glasgow has been Chief Executive Officer of AmericanWay Education. From 1999 to December 2004, he was President/CEO of Security Broadband Corp. From 2000 to the present Mr. Glasgow has been President of Diamond Ventures, L.L.C., a Texas limited liability company and sole general partner of Prime II Management, L.P., and Prime II Investments, L.P., both of which are Delaware limited partnerships. Since 1996, he has been President of Prime II Management, Inc., a Delaware corporation, which was formerly the sole general partner of Prime II Management, L.P. His present term as a director on our board expires at the time of our 2013 annual meeting.

Mark W. Kroloff. Mr. Kroloff has served as a director on our board since February 2009. Since January 2010, he has been a principal at First Alaskan Capital Partners, LLC, an investment firm. From May 2005 to December 2009, he was Senior Executive Vice President and Chief Operating Officer of Arctic Slope Regional Corporation ("ASRC"), an Alaska Native regional corporation formed pursuant to the Alaska Native Claims Settlement Act. From 2001 to April 2005, Mr. Kroloff was Chief Operating Officer of Cook Inlet Region, Inc., also an Alaska Native regional corporation. Prior to that, from 1989 to 2001 he was Vice President and General Counsel of Cook Inlet Region, Inc. Mr. Kroloff's present term as a director on our board expires at the time of our 2011 annual meeting.

Stephen R. Mooney. Mr. Mooney has served as a director on our board since January 1999. He has been a Managing Director with the McClean Group, LLC, a national financial advisory services firm based in Washington, D.C. since April 2010. From February 2008 to November 2009, Mr. Mooney was Vice President, Business Development for Affiliated Computer Services, Inc., a global information technology and business process outsourcing company. From January 2006 to September 2007, he was Executive Director, Business Development of VerizonBusiness, a unit of Verizon. Prior to that, he was Vice President,

Corporate Development and Treasury Services at MCI beginning in 2002. From 1999 to 2002, he was Vice President of WorldCom Ventures Fund, Inc. His present term as a director on our board expires at the time of our 2012 annual meeting.

***James M. Schneider*.** Mr. Schneider has served as a director on our board since July 1994. He has been Chairman of Frontier Bancshares, Inc. since February 2007. Prior to that, Mr. Schneider had been Senior Vice President and Chief Financial Officer for Dell, Inc. from March 2000 to February 2007. Prior to that, he was Senior Vice President – Finance for Dell Computer Corporation from September 1998 to March 2000. He served on the board of directors of GAP, Inc. from September 2003 to October 2010. Mr. Schneider also served on the board of directors of Lockheed Martin Corporation from December 2005 to August 2010. His present term as a director on our board expires at the time of our 2013 annual meeting.

Section 16(a) Beneficial Ownership Reporting Compliance

During 2010, four of our executive officers (Messrs. Duncan (also a director), Lowber, Behnke and Chapados) inadvertently failed to file with the SEC, in each case, a Form 4 (Change in Beneficial Ownership Report) on a timely basis as required under Section 16(a) of the Exchange Act. That is, they failed to file respective Forms 4 on the due date of February 8, 2010, but all of the filings were made by February 16, 2010.

Also during 2010, one or our executive officers (Ms. Tarbath) inadvertently failed to file with the SEC a Form 4 on a timely basis. That is, she failed to file the form on February 19, 2010, but the filing was made by March 8, 2010. Furthermore, during 2010, three of the executive officers at the time (Messrs. Hughes and Chapados, and Ms. Dana Tindall (who is now deceased)) failed to file with the SEC in each case a Form 4 on a timely basis. That is, in each case the individual failed to file the form on April 1, 2010, but all of the filings were later made by May 6, 2010. Another two of our executive officers (Messrs. Cary and Pearce) and one of our directors (Mr. Schneider) each inadvertently failed to file with the SEC a Form 4 on a timely basis. That is, Mr. Cary failed to file the form on December 10, 2010 (but the filing was later made by December 22, 2010), Mr. Pearce failed to file the form on March 31, 2009 (but the filing was later made by January 27, 2010), and Mr. Schneider failed to file the form on December 30, 2010 (but the filing was later made by January 4, 2011).

Code of Business Conduct and Ethics

Our Code of Business Conduct and Ethics ("Ethics Code"), was adopted by our board in 2003. It applies to all of our officers, directors and employees. The Ethics Code takes as its basis a set of business principles adopted by our board several years ago. It also builds upon the basic requirements for a code of ethics as required by federal securities law and rules adopted by the SEC.

Through our Ethics Code, we reaffirm our course of business conduct and ethics as based upon key values and characteristics and through adherence to a clear code of ethical conduct. Our Ethics Code promotes honest and ethical conduct, including ethical handling of actual or apparent conflicts of interest between personal and professional relationships of our employees. It also promotes full, fair, accurate, timely and understandable disclosure in our reports and documents filed with, or submitted to, the SEC and other public communications made by us. Our Ethics Code further promotes compliance with applicable governmental laws, rules and regulations, internal reporting of violations of the code to appropriate persons as identified in the code and accountability for adherence to the code.

A copy of our Ethics Code is displayed on our Internet website at www.gci.com (click on "About GCI," then click on "For Investors," and then click on "Code of Business Conduct and Ethics").

No Change in Nominating Procedure

There were no changes made during 2010 to the procedure by which our shareholders may recommend nominees to our board.

Litigation and Regulatory Matters

We were, as of December 31, 2010, involved in several administrative and civil action matters primarily related to our telecommunications markets in Alaska and the remaining 49 states and other regulatory matters. These actions are discussed in more detail elsewhere in this report. See "Part I – Item 3 – Legal Proceedings." However, as of that date, our board was unaware of any legal proceedings in which one or

more of our directors, officers, affiliates or owners of record or beneficially of more than 5% of any class of our voting securities, or any associates of the previously listed persons were parties adverse to us or any of our subsidiaries.

In December 2010, Mr. Schneider settled charges brought against him by the SEC for actions that allegedly took place when he was the chief financial officer at Dell, Inc. Mr. Schneider is no longer employed by Dell, Inc.. He settled the charges and consented to the issuance of an SEC administrative order without admitting or denying the SEC's findings, with limited exceptions. The limited exceptions are acknowledgment of the SEC's jurisdiction over Mr. Schneider and the subject matter of the SEC proceedings brought against him, and the SEC findings with respect to litigation involving that company and certain of its senior executive officers including Mr. Schneider. The court in that litigation entered an order permanently enjoining Mr. Schneider, by consent, from future violations of specified provisions of federal securities law. Mr. Schneider agreed to pay, as specified in the court's order, $3 million as a civil money penalty and $83,096 in disgorgement of ill-gotten gains, as well as $38,640 in prejudgment interest. In the settlement with the SEC, Mr. Schneider has further consented to his suspension from appearing or practicing before the SEC as an accountant for at least five years, after which time he may request reinstatement by application to the SEC. As of December 31, 2010, Mr. Schneider was making payments in accordance with the terms of the court order. Our board has concluded that the SEC charges and SEC administrative order, and Mr. Schneider's settlement of those charges and consent to that order do not limit his ability to serve on our board.

Audit Committee, Audit Committee Financial Expert

We have a board audit committee ("Audit Committee") comprised of several members of our board, i.e., Messrs. Schneider (Chair), Mooney, and Glasgow.

Our Audit Committee is governed by, and carries out its responsibilities under, an Audit Committee Charter, as adopted and amended from time to time by our board ("Audit Committee Charter"). The charter sets forth the purpose of the Audit Committee and its membership prerequisites and operating principles. It also requires our Audit Committee to select our independent, registered, public accounting firm to provide for us accounting and audit services ("External Accountant") and sets forth other primary responsibilities. A copy of our Audit Committee Charter is available to our shareholders on our Internet website: www.gci.com (click on "About GCI," then click on "For Investors," and then click on "Audit Committee Charter").

The Nasdaq corporate governance listing standards require that at least one member of our Audit Committee must have past employment experience in finance or accounting, requisite professional certification in accounting, or comparable experience or background which results in the individual's "financial sophistication." This financial sophistication may derive from the person being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

Our board believes that Messrs. Glasgow, Mooney and Schneider, are audit committee financial experts ("Audit Committee Financial Experts") and also meet the Nasdaq requirements for financial sophistication. Our board further believes these individuals are each an independent director as the term is defined in the Nasdaq Stock Market corporate listing standards (to which the Company is subject), i.e., an individual other than one of our executive officers or employees or any other individual having a relationship which in the opinion of our board would interfere in carrying out the responsibilities of a director ("Independent Director").

Under the SEC's rules, an Audit Committee Financial Expert is defined as a person who has all of the following attributes:

- Understanding of GAAP and financial statements.
- Ability to assess the general application of GAAP in connection with accounting for estimates, accruals and reserves.
- Experience in preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by our financial statements, or experience actively supervising one or more persons engaged in such activities.
- Understanding of internal control over financial reporting.

- Understanding of audit committee functions.

The Audit Committee Charter specifies how one may determine whether a person has acquired the attributes of an Audit Committee Financial Expert. They are one or more of the following:

- Education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involved the performance of similar functions.
- Experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions.
- Experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements.
- Other relevant experience.

Our Audit Committee acts on behalf of our board and generally carries out specific duties including the following, all of which are described in detail in our Audit Committee Charter:

- ***Principal Accountant Selection, Qualification –*** Is directly responsible for appointment, compensation, retention, oversight, qualifications and independence of our External Accountant.
- ***Financial Statements –*** Assists in our board's oversight of integrity of the Company financial statements.
- ***Financial Reports, Internal Control –*** Is directly responsible for oversight of the audit by our External Accountant of our financial reports and reports on internal control.
- ***Annual Reports –*** Prepares reports required to be included in our annual proxy statement.
- ***Complaints –*** Receives and responds to certain complaints relating to internal accounting controls, and auditing matters, confidential, anonymous submissions by our employees regarding questionable accounting or auditing matters, and certain alleged illegal acts or behavior-related conduct in violation of our Ethics Code. See "Part III – Item 10 – Code of Business Conduct and Ethics."
- ***Principal Accountant Disagreements –*** Resolves disagreements, if any, between our External Accountant and us regarding financial reporting.
- ***Non-Audit Services –*** Reviews and pre-approves any non-audit services (audit-related, tax and other non-audit related services) offered to us by our External Accountant ("Non-Audit Services").
- ***Attorney Reports –*** Addresses certain attorney reports, if any, relating to violation of securities law or fiduciary duty by one of our officers, directors, employees or agents.
- ***Related Party Transactions –*** Reviews certain related party transactions as described elsewhere in this report. See "Part III – Item 13 – Certain Transactions."
- ***Other –*** Carries out other assignments as designated by our board.

ITEM 11. Executive Compensation

Compensation Discussion and Analysis

Overview –

Compensation of our executive officers and directors during 2010 was subject to processes and procedures carried out through our Compensation Committee ("Compensation Program"). This compensation discussion and analysis ("Compensation Discussion and Analysis") addresses the material elements of our Compensation Program as applied to our chief executive officer, our chief financial officer, and to each of

our three other most highly compensated executive officers other than the chief executive officer and chief financial officer who were serving as executive officers as of December 31, 2010. All five of these officers are identified in the Summary Compensation Table ("Named Executive Officers"). See "Part III – Item 11 – Executive Compensation: Summary Compensation Table."

Both the Compensation Committee and the Company believe that the compensation paid to the Named Executive Officers under our Compensation Program is fair, reasonable, competitive and consistent with our Compensation Principles.

Our Compensation Committee is composed of Messrs. Brett (Chair), Edgerton, Fisher, Glasgow, Kroloff, Mooney, and Schneider. All of the members of the committee are considered by our board to be Independent Directors.

Our board had not as of December 31, 2010 adopted a charter for the Compensation Committee. However, consideration and determination of compensation of our executive officers and directors during 2010 was subject to our Compensation Program, the aspects of which are described elsewhere in this report. See "Part III – Item 11 – Compensation Discussion and Analysis: Process."

Our Compensation Program sets forth the scope of authority of our Compensation Committee and requires the committee to carry out the following:

- Review, on an annual basis, plans and targets for executive officer and board member compensation, if any –
    - Review is specifically to address expected performance and compensation of, and the criteria on which compensation is based for, the chief executive officer and such other of our executive officers as our board may designate for this purpose.
- Monitor the effect of ongoing events on, and the effectiveness of, existing compensation policies, goals, and plans –
    - Events specifically include but are not limited to the status of the premise that all pay systems correlate with our compensation goals and policies.
    - Report from time to time, its findings to our board.
- Administer our Amended and Restated 1986 Stock Option Plan ("Stock Option Plan") and approve grants of options and awards pursuant to the plan.
- Monitor compensation-related publicity and public and private sector developments on executive compensation.
- Familiarize itself with, and monitor the tax, accounting, corporate, and securities law ramifications of, our compensation policies, including but not limited to –
    - Comprehending a senior executive officer's total compensation package.
    - Comprehending the package's total cost to us and its total value to the recipient.
    - Paying close attention to salary, bonuses, individual insurance and health benefits, perquisites, special benefits to specific executive officers, and other retirement benefits.
- Establish the overall cap on executive compensation and the measure of performance for executive officers, either by predetermined measurement or by a subjective evaluation.
- Strive to make our compensation plans simple, fair, and structured so as to maximize shareholder value.

In carrying out its duties, our Compensation Committee may accept for review and inclusion in its annual review with our board, recommendations from our chief executive officer as to expected performance and compensation of, and the criteria on which compensation is based for, executive officers. However, our Compensation Committee, in being established as a committee of the board under our Bylaws, was not specifically authorized to delegate any of its duties to another person. Our Compensation Committee has in the past retained and made use of compensation consultants in determining or recommending the amount or form of executive compensation as further discussed elsewhere in this report. See "Part III – Item 11 – Compensation Discussion and Analysis: Process."

Principles of the Compensation Program –

Our Compensation Program is based upon the following principles ("Compensation Principles"):

- Compensation is related to performance and must cause alignment of interests of executive officers with the long term interests of our shareholders.
- Compensation targets must take into consideration competitive market conditions and provide incentives for superior performance by the Company.
- Actual compensation must take into consideration the Company's and the executive officer's performance over the prior year and the long term, and the Company's resources.
- Compensation is based upon both qualitative and quantitative factors.
- Compensation must enable the Company to attract and retain management necessary to cause the Company to succeed.

Process –

Overview. Our Compensation Committee reviews annually and recommends to our board for approval the base salary, incentive and other compensation of our chief executive officer and senior executive officers, including the Named Executive Officers. These reviews are performed and recommendations are made in executive session that excludes all members of management. The analyses and recommendations of the Chief Executive Officer on these matters may be considered by our Compensation Committee in its deliberations and recommendations to our board. Board action on the recommendations is done by vote of our Independent Directors.

Other elements of executive compensation and benefits as described in this section are also reviewed by our Compensation Committee on a regular basis.

Compensation Committee and Compensation Consultant Interaction . Our Compensation Committee evaluates and analyzes the Compensation Program, its principles and objectives, and the specific compensation element recommendations presented by our Chief Executive Officer on an annual basis. In October 2005, our Compensation Committee selected, retained and commenced a process of working with an outside compensation consultant (Towers Perrin, which subsequently merged with another entity and became Towers Watson, hereafter "Compensation Consultant") to assist the Compensation Committee with its compensation reviews on an annual basis. The Compensation Consultant reported directly to our Compensation Committee and assisted the Compensation Committee in evaluating and analyzing the compensation levels and targets for the senior executive officers during 2010, including the Named Executive Officers.

Implementation. Discussions on executive compensation and benefits made by the Compensation Committee have been guided by our Compensation Principles. The elements of compensation as described later in this section are believed by the Compensation Committee to be integral and necessary parts of the Compensation Program.

Our Compensation Committee has concluded that each individual segment of each element of executive compensation continues generally to be consistent with one or more of our Compensation Principles. Our Compensation Committee has further concluded the amount of compensation provided by the segment is reasonable, primarily based upon a comparison of the compensation amounts and segments we provide when compared to those offered by other similar companies in our industry and in our market.

Our process for determining executive compensation and benefits does not involve a precise and identifiable formula or link between each element and our Compensation Principles. However, it takes into consideration market practice and information provided by our Compensation Consultant and management. Furthermore, it is based upon the relationship of compensation as shall be paid and financial performance of the Company. It is also the result of discussion among our Compensation Committee members and management. Ultimately it is based upon the judgment of our Compensation Committee.

Each year our Compensation Committee reviews elements of compensation for each of our senior executive officers including, for 2010, the Named Executive Officers.

In 2010, base salary and incentive stock targets were compared to survey data and amounts offered by a group of similar companies. The Company's relative financial performance was reviewed in order to determine what a reasonable amount of compensation might be in relation to its peer group. The compensation peer group is principally made up of the following:

- Companies in industries similar to our Company.
- Companies with which our Company competes for executive talent.
- Our Company's direct business competitors.
- Companies that compete with our Company for investment dollars.

The compensation peer group list used in determining the reasonableness of our Compensation Program consisted of 16 companies as follows:

Alaska Communications Systems Group, Inc.
C Beyond, Inc.
Cincinnati Bell, Inc.
Consolidated Communications Holdings, Inc.
Crown Media Holdings, Inc.
Equinix, Inc.
Grande Communications
Iowa Telecommunications Services, Inc.
Knology, Inc.
Mediacom Communications Corp.
Premiere Global Services, Inc.
RCN Corp
SureWest Communications
Time Warner Telecom, Inc.
Wave Broadband
XO Holdings, Inc.

Individual levels of base compensation were generally targeted to be set within a range of between the 50th and 75th percentile, based upon the executive's individual performance in the prior year relative to his or her peers, the executive's future potential, and the scope of the executive's responsibilities and experience. Input from the individual executives in terms of their expectation and requirements were considered as well.

We believe this method of setting compensation enables the Company to attract and retain individuals who are necessary to lead and manage the Company while enabling the Company to differentiate between executives and performance levels and responsibility. The comparison to other companies also allowed the Compensation Committee to determine the reasonableness of the balance between long-term incentive and annual compensation.

Based upon the information received from its Compensation Consultant, the Compensation Committee determined that, in general, base compensation levels for the Company's senior officers were reasonable and within the 50 th and 75th percentile when compared to officers of companies in our peer group having comparable financial performance. As a result, with one exception, the Compensation Committee made no adjustments to base compensation for senior executive officers in 2010 as further described below. See "Part III – Item 11– Compensation Discussion and Analysis: Performance Rewarded."

In establishing 2010 base salary and incentive compensation targets, the Compensation Committee, although it did review the information and, except for grants that vested over multiple years, concluded it was not

appropriate to take into account payments or compensation earned by executive officers as a result of options or awards granted in prior years.

Other compensation elements as discussed in this section were periodically reviewed to ensure that they continued to remain both competitive and reasonable based upon market survey data obtained from various sources at the time of review. While such data were typically not customized to the Company, they were used by our Compensation Committee as a guide for overall reasonableness and competitiveness of the benefits.

Elements of Compensation –

Overview. For 2010, the elements of compensation in our Compensation Program were as follows:

- Base Salary.
- Incentive Compensation Bonus Plan ("Incentive Compensation Plan").
- Stock Option Plan.
- Perquisites.
- Retirement and Welfare Benefits.

As of December 31, 2010, there were no compensatory plans or arrangements providing for payments to any of the Named Executive Officers in conjunction with any termination of employment or other working relationship of such an officer with us (including without limitation, resignation, severance, retirement or constructive termination of employment of the officer). Furthermore, as of that date, there were no such plans or arrangements providing for payments to any of the Named Executive Officers in conjunction with a change of control of us or a change in such an officer's responsibilities to us. However, in the event of a change in control, all options and restricted stock of our Named Executive Officers will vest. See "Part III – Item 11 – Executive Compensation: Potential Payments upon Termination or Change-in-Control."

The Company has no requirements with respect to security ownership by its officers or directors, and it has no policies regarding hedging the economic risk of ownership of Company equity. Executive officers are invited to provide their input with respect to their compensation to the Compensation Committee primarily through our Chief Executive Officer.

A Named Executive Officer participating in the Compensation Program could, under terms of the corresponding Incentive Compensation Plan agreement with us and pursuant to our Deferred Compensation Plan, elect to defer a significant portion of that compensation. In this instance, the Named Executive Officer becomes our unsecured creditor. See "Part III – Item 11 – Nonqualified Deferred Compensation."

Base Salary. Effective January 1, 2010, based upon the process previously described in this section, the base salaries reported in the Summary Compensation Table (see "Part III – Item 11 – Executive Compensation: Summary Compensation Table") were approved by the Compensation Committee.

Mr. Duncan's base salary reflects cash compensation of $600,000 per year until adjusted by our Compensation Committee. Mr. Duncan's duties remained unchanged during 2010.

Mr. Hughes' base salary reflects cash compensation of $362,500 per year and $125,000 credited to his Deferred Compensation Arrangement account with us. His duties remained unchanged during 2010.

Mr. Lowber's base salary reflects cash compensation of $260,000, $65,000 credited to his Deferred Compensation Arrangement account with us and in 2010 Mr. Lowber’s salary included $403,709 that reflects the vesting of a multi-year retention agreement. His duties remained unchanged during 2010.

Mr. Chapados' base salary reflects cash compensation of $270,000 representing his annual salary of $240,000 through June 30, 2010 and his annual salary of $300,000 beginning July 1, 2010. His duties remained unchanged during 2010.

Mr. Landes' base salary reflects cash compensation of $150,000. His duties remained unchanged during 2010.

Incentive Compensation Plan. ***Overview –*** A portion of the Company's compensation to each Named Executive Officer relates to, and is contingent upon, the officer's performance and our financial performance and resources. Annual cash bonuses are intended to reward short-term performance and to make our senior executive compensation packages competitive with comparable executive positions in other companies.

Messrs. Duncan, Hughes, Lowber and Chapados – **Overview.** In October 2010, our board approved changes to our Incentive Compensation Plan for four of our Named Executive Officers (Messrs. Duncan, Hughes, Lowber and Chapados, collectively "Four Named Executive Officers"). The changes resulted from ongoing discussions during 2009 and 2010 and form a plan that is expected to be in place for those Four Named Executive Officers from 2010 through 2013. These revisions to the Incentive Compensation Plan do not apply to the fifth Named Executive Officer, Mr. Landes.

In the context of the Four Named Executive Officers, the Compensation Committee first determined the targeted annual incentive compensation for each of them. After setting these targets, the Compensation Committee then split that amount between short-term and long-term incentive compensation. Both short-term and long-term incentive compensation is paid out in the form of 50% cash and 50% restricted stock grants that vest in three years. Therefore, even the short-term incentive compensation is designed to encourage the focus of these executives on long-term performance.

The following table shows the short-term, long-term and total annual target incentive plan compensation for the Four Named Executive Officers under this plan for each of the four plan years:

Name	Short-Term Incentive Compensation – Target ($)	Long-Term Incentive Compensation – Target ($)	Total Annual Target –Incentive Compensation Plan ($)
Ronald A. Duncan	1,450,000	350,000	1,800,000
G. Wilson Hughes	466,667	333,333	800,000
John M. Lowber	350,000	200,000	550,000
Gregory F. Chapados	350,000	200,000	550,000

Short-Term Incentive Compensation. The components of the short-term portion of the Incentive Compensation Plan are expected to remain the same for the duration of the plan. However, the allocation between the components will likely change on an annual basis at the discretion of the Compensation Committee. The following table provides a summary of the 2010 short-term incentive compensation targets for the Four Named Executive Officers:

Name	Free Cash Flow Goal ($)	Capex Spending ($)	Discretionary ($)	2010 Short-Term Incentive Compensation Plan Target ($)
Ronald A. Duncan	500,000	200,000	750,000	1,450,000
G. Wilson Hughes	200,000	100,000	166,667	466,667
John M. Lowber	150,000	50,000	150,000	350,000
Gregory F. Chapados	100,000	25,000	225,000	350,000

The following is a description of what each of these short-term incentive compensation targets are and how they are measured.

Free Cash Flow Goal. The Free Cash Flow Goal is intended to focus the Four Named Executive Officers on increasing the Free Cash Flow of the Company by increasing Adjusted EBITDA, managing capital expenditures and reducing working capital requirements. The target is based upon achieving the sum of planned year over year increases in the following three metrics:

(1) Cash Adjusted EBITDA – Adjusted EBITDA, plus IRU sales, less non-cash items and adjusted for new businesses. The target for year over year growth in this metric was $14.6 million in 2010.

(2) Free Cash Flow – Cash Adjusted EBITDA, less capital expenditure spending ("Capex Spending"), less interest expense and less cash taxes. The target for year over year growth in this metric was $25.1 million in 2010.

(3) Increase in Cash Balance - Targeted Free Cash Flow, plus acquisition payments, plus net principal payments, plus stock repurchases and dividends, if any. The target for this component was $18.5 million in 2010.

The Free Cash Flow Goal is the sum of the three metrics above. The combined metric was $58.2 million in 2010. If the actual performance generated twice the performance ($116.4 million), the payout would be twice the targeted amount. Conversely, the payout would be half of the targeted amount if the metric was half of the targeted amount ($29.1 million). This target is to be reviewed and reset annually by the Compensation Committee.

Capex Spending. The Capex Spending target is based on Capex Spending not exceeding the goal set forth by our board. The goal was $100 million in 2010, but that amount is to be reviewed and may be reset annually for future years. In 2010 the targeted incentive for Capex Spending will be paid out at 100% if the total cash adjusted Capex Spending for the year is $102 million or less. If cash adjusted Capex Spending exceeds $102 million, the payout would reduce in a linear fashion to zero at $106 million. For 2010, the cash adjusted Capex Spending was $97.6 million.

Discretionary. The board will take various factors into account when deciding on the payout of the discretionary portion of the plan applying to the Four Named Executive Officers. These factors include, but are not limited to, leadership, crisis management, succession planning, strategic planning, risk management, special projects, financial reporting, and compliance with our debt covenants. The discretionary achievement for 2010 was based upon subjective levels of achievement by the individual officer, including the factors stated above, and was heavily influenced by our financial performance against our business plan.

The following table summarizes the 2010 short-term incentive compensation, a portion of which were paid in 2010 with the remainder paid in 2011, of which 50% will be in cash and 50% in the form of restricted stock grants, achieved by the Four Named Executive Officers, each of whom participated in this plan:

Goals	Ronald A. Duncan	G. Wilson Hughes	John M. Lowber	Gregory F. Chapados
Free Cash Flow Goal – Target Incentive Compensation	$ 500,000	$ 200,000	$ 150,000	$ 100,000
Targeted Free Cash Flow Goal	58,221,000	58,221,000	58,221,000	58,221,000
Actual Free Cash Flow	153,854,000	153,854,000	153,854,000	153,854,000
Free Cash Flow Goal Achievement	264%	264%	264%	264%
2010 Free Cash Flow Incentive Compensation Earned	$ 1,321,293	$ 528,517	$ 396,388	$ 264,259
Capex Spending – Target Incentive Compensation	200,000	100,000	50,000	25,000
Capex Spending Achievement	100%	100%	100%	100%
2010 Capex Spending Incentive Compensation Earned	$ 200,000	$ 100,000	$ 50,000	$ 25,000
Discretionary – Target Incentive Compensation	750,000	166,667	150,000	225,000
Discretionary Achievement	112%	126%	92%	112%
2010 Discretionary Incentive Compensation Earned	$ 837,500	$ 209,584	$ 137,500	$ 251,250
2010 Short-Term Incentive Compensation Earned	$ 2,358,793	$ 838,101	$ 583,888	$ 540,509

2011 Short-Term Incentive Compensation Targets. The following table summarizes the short-term incentive compensation targets established by our Compensation Committee for our Four Named Executive Officers for 2011:

Name	Free Cash Flow Goal ($)	Capex Spending ($)	Discretionary ($)	2011 Short-Term Incentive Compensation Plan Target ($)
Ronald A. Duncan	350,000	200,000	900,000	1,450,000
G. Wilson Hughes	200,000	100,000	166,667	466,667
John M. Lowber	125,000	50,000	175,000	350,000
Gregory F. Chapados	100,000	25,000	225,000	350,000

For 2011, the Compensation Committee will evaluate the metric upon which the Free Cash Flow Goal will be based. The Capex Spending goal for that year will be based upon $150 million in cash adjusted Capex Spending.

Long-Term Incentive Compensation. ***$290 million Adjusted EBITDA Plan.*** The goal of this portion of the Incentive Compensation Plan for the Four Named Executive Officers is to drive long-term Adjusted EBITDA growth. To achieve the target level of payments under the plan, it would be necessary to have $225 million in Adjusted EBITDA in 2011 and $250 million in Adjusted EBITDA in 2013. The maximum payout would require Adjusted EBITDA to be in excess of $250 million in 2011, $250 million in 2012 and $290 million in 2013.

The following table outlines the minimum, target and maximum payouts under the $290 million Adjusted EBITDA plan. The target payments are for a four-year plan. Hence, the target amount is four times the amount shown above for Messrs. Duncan and Lowber in the summary table of short-term and long-term compensation targets. For example, Mr. Duncan will receive a targeted incentive of $350,000 per year for the $290 million plan which over a four year period amounts to the $1,400,000 which is shown below. The target payments are only three times the amount for Mr. Hughes as he is eligible to receive the payment regardless of whether he is employed by the Company in year four of the incentive plan, 2013.

Name	Minimum Payments ($)	Target Payments ($)	Maximum Payments ($)
Ronald A. Duncan	0	1,400,000	2,800,000
G. Wilson Hughes	0	1,000,000	2,000,000
John M. Lowber	0	800,000	1,600,000
Gregory F. Chapados	0	800,000	1,600,000

There was no incentive compensation earned during 2010 pursuant to the long-term Incentive compensation portion of the plan. The following table shows the potential payments pursuant to this plan in 2011:

Name	If 2011 Adjusted EBITDA is below $225 million ($)	If 2011 Adjusted EBITDA is above $225 million but below $250 million ($)	If 2011 Adjusted EBITDA is above $250 million ($)
Ronald A. Duncan	0	700,000	1,050,000
G. Wilson Hughes	0	500,000	750,000
John M. Lowber	0	400,000	600,000
Gregory F. Chapados	0	400,000	600,000

Despite establishment of these performance goals and targeted incentive compensation amounts, the Compensation Committee retains complete discretionary authority to adjust the amount of incentive compensation paid.

Mr. Landes – Mr. Landes' incentive compensation was paid in accordance with the targeted incentive compensation of 1.67% of the growth of Adjusted EBITDA in the Company's consumer line of business compared to the prior year. The Compensation Committee believed that such a payment was appropriate given the strong 2010 performance of the Company's consumer segment. The incentive plan for Mr. Landes for 2011 will be the same as his 2010 incentive plan.

Stock Option Plan. Options and awards, if granted to the Named Executive Officers, were granted pursuant to terms of our Stock Option Plan. In particular, the exercise price for options in each instance was the closing price for our Class A common stock on the Nasdaq Global Select Market on the day of the grant of the option. Options or awards, if granted, were granted contemporaneously with the approval of the Compensation Committee, typically early in the year in question or late in the previous year as described above. See "Part III – Item 11 – Compensation Discussion and Analysis: Elements of Compensation – Incentive Compensation Plan."

We adopted our stock option plan in 1986. It has been subsequently amended from time to time and presently is our Stock Option Plan, i.e., our Amended and Restated 1986 Stock Option Plan. Under our Stock Option Plan, we are authorized to grant awards and options to purchase shares of Class A common stock to selected officers, directors and other employees of, and consultants or advisors to, the Company and its subsidiaries. The options are more specifically referred to as nonstatutory stock options or incentive stock options within Section 422 of the Internal Revenue Code of 1986, as amended ("Internal Revenue Code"). In addition, under the Stock Option Plan restricted stock awards may be granted as further described below. The selection of grantees for options and awards under the plan is made by our Compensation Committee.

The number of shares of Class A common stock allocated to the Stock Option Plan is 15.7 million shares. The number of shares for which options or awards may be granted is subject to adjustment upon the occurrence of stock dividends, stock splits, mergers, consolidations and certain other changes in corporate structure or capitalization. As of December 31, 2010, there were 1,249,050 shares subject to outstanding options under the Stock Option Plan, 2,309,947 shares granted subject to vesting, 8,441,745 shares issued upon the exercise of options or vesting of awards under the plan, 480,968 share options repurchased by the plan and 4,180,226 shares remained available for additional grants under the plan.

Restricted stock awards granted under the Stock Option Plan may be subject to vesting conditions based upon service or performance criteria as the Compensation Committee may specify. These specifications may include attainment of one or more performance targets. Shares acquired pursuant to such an award may not be transferred by the participant until vested. Unless otherwise provided by the Compensation Committee, a participant will forfeit any shares of restricted stock where the restrictions have not lapsed prior to the participant's termination of service with us. Participants holding restricted stock will have the right to vote the shares and to receive dividends paid, if any. However, those dividends or other distributions paid in shares will be subject to the same restrictions as the original award.

Our Compensation Committee selects each grantee and the time of grant of an option or award and determines the terms of each grant, including the number of shares covered by each grant and the exercise price. In selecting a participant, as well as in determining these other terms and conditions of each grant, our Compensation Committee takes into consideration such factors as it deems, in its sole discretion, relevant in connection with accomplishing the purpose of the plan.

Under the Stock Option Plan, an option becomes vested and exercisable at such time or upon such event and subject to such terms, conditions, performance criteria or restrictions as specified by the Compensation Committee. The maximum term of any option granted under the plan is 10 years, provided that an incentive stock option granted to a person who at the time of grant owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any subsidiary corporation of the Company ("Ten Percent Shareholder") must have a term not exceeding five years. Unless otherwise permitted by the Compensation Committee, an option generally remains exercisable for 30 days following the participant's termination of service, with limited exception. The exception arises if service terminates as a result of the participant's death or disability, in which case the option generally remains exercisable for 12 months. In any event, the option must be exercised no later than its expiration date.

In particular, under the present Stock Option Plan, the Compensation Committee may set an option exercise price not less than the fair market value of the stock on the effective date of grant of the option. However, in the case of an incentive stock option granted to a Ten Percent Shareholder, the exercise price must equal at least 110% of the fair market value of the stock on the date of grant.

Our Compensation Committee may, subject to certain limitations on the exercise of its discretion required by Section 162(m) of the Internal Revenue Code, amend, cancel or renew any option granted under the Stock Option Plan, waive any restrictions or conditions applicable to any option under the plan, and accelerate, continue, extend or defer the vesting of any option under the plan. The Stock Option Plan provides, subject to certain limitations, for indemnification by the Company of any director, officer, or employee against all reasonable expenses incurred in connection with any legal action arising from that person's action or failure to act in administering the plan. All grants of options under the Stock Option Plan are to be evidenced by a written agreement between the Company and the optionee specifying the terms and conditions of the grant.

Options granted that have not become exercisable terminate upon the termination of the employment or directorship of the optionholder. Exercisable options terminate from one month to one year after such termination, depending upon the cause of such termination. If an option expires or terminates, the shares subject to such option become available for subsequent grants under the Stock Option Plan.

Incentive stock options are nontransferable by the participant other than by will or by the laws of descent and distribution, and are exercisable during the participant's lifetime only by the participant. However, a nonstatutory stock option may be assigned or transferred to members of the optionholder's immediate family, to the extent permitted by the Compensation Committee in its sole discretion.

Our Stock Option Plan provides that payment upon exercise of an option may be in the form of money or shares of our Class A common stock. If the optionee chooses the latter form of payment, the shares must have a fair market value not less than the exercise price. The plan further provides, notwithstanding other restrictions on transferability of options, that an optionee, with approval of our Compensation Committee, may transfer an option for no consideration to, or for the benefit of, the optionee's immediate family. There is no restriction in the Stock Option Plan that an option granted under the plan must be held by the optionee for a minimum period of time.

Under our Stock Option Plan, our authority to modify or amend the plan is subject to prior approval of our shareholders only in cases of increasing the number of shares of our stock allocated to, and available and

reserved for, issuance under the plan, changing the class of persons eligible to receive incentive stock options or where shareholder approval is required under applicable law, regulation or rule. One such law requiring shareholder approval before the Company may rely on it is Section 162(m) of the Internal Revenue Code.

Subject to these limitations, the Company may terminate or amend the Stock Option Plan at any time. However, no termination or amendment may affect any outstanding option or award unless expressly provided by the Compensation Committee. In any event, no termination or amendment of the plan may adversely affect an outstanding option or award without the consent of the participant unless necessary to comply with applicable law, regulation or rule.

With limited exception, no maximum or minimum exists with regard to the amount, either in dollars or in numbers, of options that may be exercised in any year, either by a single optionee or by all optionees under our Stock Option Plan. At the 2002 annual meeting, our shareholders approved an amendment to the plan placing a limitation on accumulated grants of options of not more than 500,000 shares of Class A common stock per optionee per year.

With these exceptions, there are no fixed limitations on the number or amount of securities being offered, other than the practical limitations imposed by the number of employees eligible to participate in the plan and the total number of shares of stock authorized and available for granting under the plan. Shares covered by options which have terminated or expired for any reason prior to their exercise are available for grant of new options pursuant to the plan.

In the past, the Company has used the Stock Option Plan to motivate our employees with compensation that is tied to the Company's stock performance. However, many employees do not recognize the tangible benefits of holding stock options. The Black-Scholes Merton Model, although elegant and deterministic, is at its core very complex. A much simpler calculation that is often used by employees is to multiply the number of options by the amount that the options are in the money to calculate the current "value" of those options. Unfortunately, this simpler calculation effectively ignores the remaining term of the option and drastically reduces its value in motivating and retaining option holders.

With limited exceptions (one involving Mr. Duncan, a Named Executive Officer), since mid-2009 we have used restricted stock in place of options. That is, on February 8, 2010, we granted an option for 150,000 shares of Class A common stock to Mr. Duncan. That option vests on February 8, 2012.

Perquisites. The Company provides certain perquisites to its Named Executive Officers. The Compensation Committee believes these perquisites are reasonable and appropriate and consistent with our awareness of perquisites offered by similar publicly traded companies. The perquisites assist in attracting and retaining the Named Executive Officers and, in the case of certain perquisites, promote health, safety and efficiency of our Named Executive Officers. These perquisites are as follows:

- ***Use of Company Leased Aircraft –*** The Company permits employees, including the Named Executive Officers, to use Company aircraft for personal travel for themselves and their guests. Such travel generally is limited to a space available basis on flights that are otherwise business-related. Where a Named Executive Officer, or a guest of that officer, flies on a space available basis, the additional variable cost to the Company (such as fuel, catering, and landing fees) is de minimus. As a result, no amount is reflected in the Summary Compensation Table for that flight. Where the additional variable cost to the Company occurs on such a flight for solely personal purposes of that Named Executive Officer or guest, that cost is included in the Summary Compensation Table entry for that officer. Because it is rare for a flight to be purely personal in nature, fixed costs (such as hangar expenses, crew salaries and monthly leases) are not included in the Summary Compensation Table. In any case, in the event such a cost is non-deductible by the Company under the Internal Revenue Code, the value of that lost deduction is included in the Summary Compensation Table entry for that Named Executive Officer. When employees, including the Named Executive Officers, use Company aircraft for such travel they are attributed with taxable income in accordance with regulations pursuant to the Internal Revenue Code. The Company does not "gross up" or reimburse an employee for taxes he or she owes on such attributed income. Messrs. Duncan, Hughes and Landes have made use of the aircraft for personal travel, the variable cost, if any, of which is included in their respective entries in the Summary Compensation Table. See "Part III – Item 11 – Executive Compensation: Summary Compensation Table."

- ***Enhanced Long Term Disability Benefit –*** The Company provides the Named Executive Officers and other senior executive officers of the Company with an enhanced long term disability benefit. This benefit provides a supplemental replacement income benefit of 60% of average monthly compensation capped at $10,000 per month. The normal replacement income benefit applying to other of our employees is capped at $5,000 per month.

- ***Enhanced Short Term Disability Benefit –*** The Company provides the Named Executive Officers and other senior executive officers of the Company with an enhanced short term disability benefit. This benefit provides a supplemental replacement income benefit of 66 2/3% of average monthly compensation, capped at $2,300 per week. The normal replacement income benefit applying to other of our employees is capped at $1,150 per week.

- ***Miscellaneous –*** Aside from benefits offered to its employees generally, the Company provided miscellaneous other benefits to its Named Executive Officers including the following (see "Part III – Item 11 – Executive Compensation: Summary Compensation Table – Components of 'All Other Compensation'"):

    - Success Sharing – An incentive program offered to all of our employees that shares 15% of the excess earnings before interest, taxes, depreciation, amortization and share based compensation expense over the highest previous year ("Success Sharing").

    - Tax Reimbursement – Provided to all of our employees, including the Named Executive Officers, from time to time, on $100 longevity stock awards.

    - Board Fees – Provided to Mr. Duncan as one of our directors. The Compensation Committee believes that it is appropriate to provide such board fees to Mr. Duncan given the additional oversight responsibilities and the accompanying liability incumbent upon members of our board. In determining the appropriate amount of overall compensation payable to Mr. Duncan in his capacity as Chief Executive Officer, the Compensation Committee does take into account any such board fees that are payable to Mr. Duncan. This monitoring of Mr. Duncan's overall compensation package for services rendered as Chief Executive Officer and as a director is done to ensure that Mr. Duncan is not being doubly compensated for the same services rendered to the Company.

Retirement and Welfare Benefits – ***GCI 401(k) Plan.*** Named Executive Officers may, along with our employees generally, participate in our GCI 401(k) Plan in which we may provide matching contributions in accordance with the terms of the plan.

We initially adopted our qualified employee stock purchase plan effective in January 1987. It has been subsequently amended from time to time and presently is our GCI 401(k) Plan. The plan is qualified under Section 401 of the Internal Revenue Code. All of our employees (excluding employees subject to a collective bargaining agreement) who have completed at least one year of service are eligible to participate in the plan. An eligible highly compensated employee (earning more than $110,000 within the prior year) may elect to contribute up to 12% of such compensation to the employee's account in the plan. Otherwise, an eligible employee may elect to contribute up to 50% of such compensation. In both cases, these contributions are up to a maximum per employee of $16,500 for 2011. Participants over the age of 50 may make additional elective deferral contributions to their accounts in the plan of up to $5,500 for 2011.

Subject to certain limitations, we may make matching contributions to our GCI 401(k) Plan for the benefit of employees. Matching contributions will vest in accordance with a six-year schedule if the employee completes at least 1,000 hours of service in each year. Such a contribution will vest in increments over the first six years of employment. Thereafter, they are fully vested when made.

Except for additional elective contributions made by participants over age 50, the combination of pre-tax elective contributions, Roth 401(k) contributions and our matching contributions for any employee cannot exceed $33,000 for 2011.

Under the terms of our GCI 401(k) Plan, participating eligible employees may direct their contributions to be invested in common stock of the Company and shares of various identified mutual funds.

Our GCI 401(k) Plan is administered through a plan administrator (currently Mr. Lowber, our Senior Vice President and Chief Financial Officer) and our Plan Committee. The plan administrator and members of the Plan Committee all are our employees. The Plan Committee has broad administrative discretion under the terms of the plan.

As of December 31, 2010, there remained 2,209,849 shares of Class A and 463,989 shares of Class B common stock allocated to our GCI 401(k) Plan and available for issuance by us or otherwise acquisition by the plan for the benefit of participants in the plan.

– Deferred Compensation Plan and Arrangements. The Company provides to certain of our employees, including our executive officers and Named Executive Officers, opportunities to defer certain compensation under our nonqualified, unfunded, deferred compensation plan ("Deferred Compensation Plan"). In addition, we offer to our executive officers and to certain of our Named Executive Officers nonqualified, deferred compensation arrangements more specifically fashioned to the needs of the officer and us ("Deferred Compensation Arrangements"). During 2010, none of our officers participated in the Deferred Compensation Plan. However, during 2010, two of our officers, both Named Executive Officers, participated in Deferred Compensation Arrangements specifically fashioned to their respective needs. These Deferred Compensation Arrangements enable these individuals to defer compensation in excess of limits that apply to qualified plans, like our GCI 401(k) Plan, and to pursue other income tax goals which they set for themselves.

Based upon its review of the Deferred Compensation Arrangements, our Compensation Committee concluded that the benefits provided under them are in each case both reasonable and an important tool in retaining the executive officers involved with those arrangements.

– Welfare Benefits. With the exception of the enhanced long term and short term disability benefits described previously, the Company provided to the Named Executive Officers the same health and welfare benefits provided generally to all other employees of the Company at the same general premium rates as charged to those employees. The cost of the health and welfare programs is subsidized by the Company for all eligible employees including the Named Executive Officers.

Performance Rewarded –

Our Compensation Program is, in large part, designed to reward individual performance. What constitutes performance varies from officer to officer, depending upon the nature of the officer's responsibilities. Consistent with the Compensation Program, the Company identified key business metrics and established defined targets related to those metrics for each Named Executive Officer. In the case of each Named Executive Officer, the targets were regularly reviewed by management, from time to time, and provided an immediate and clear picture of performance and enabled management to respond quickly to both potential problems as well as potential opportunities. The Compensation Program also was used to establish and track corresponding applicable targets for individual management employees.

In 2010, the Compensation Program was used in development of each Named Executive Officer's individual performance goals and established incentive compensation targets. The Compensation Committee evaluated the performance of each of the executive officers and the financial performance of the Company and awarded incentive compensation as described above. See "Part III – Item 11 – Compensation Discussion and Analysis: Elements of Compensation – Incentive Compensation Plan."

Our Compensation Committee separately determined to increase the cash component of Mr. Chapados' base salary from $240,000 to $300,000 effective July 1, 2010. The increase to the cash component of Mr. Chapados' base salary was the first such increase received by Mr. Chapados since 2006. The Compensation Committee made such increase in recognition of Mr. Chapados' excellent performance and the relatively low position of his salary in the marketplace, as well as the growth in the responsibilities of his position within the Company that have occurred since he joined the Company in 2006. Mr. Chapados has been instrumental in the acquisition and integration of United Utilities, Inc. United-KUC, Inc. and Unicom, Inc. (collectively, "United Companies") with the Company. Additionally, Mr. Chapados was a key member of the team that obtained the federal grant to build Terra Southwest, an $88 million project to bring broadband services to rural Alaska.

As described elsewhere in this report, the incentive compensation portion of this Compensation Program for the Four Named Executive Officers was significantly revised late in 2010. However, no adjustments were made to Mr. Landes' Incentive Compensation Plan during 2010. See "Part III – Item 11 – Elements of Compensation – Incentive Compensation Plan."

Timing of Equity Awards –

Overview. Timing of equity awards under our Director Compensation Plan and equity awards under out Compensation Program varies with the plan or portion of that program. However, the Company does not, and has not in the past, timed its release of material nonpublic information for purposes of affecting the value of equity compensation. Timing issues and our grant policy are described further below.

Director Compensation Plan. As a part of the Director Compensation Plan, we grant awards of our common stock to board members, including those persons who may be also serving as one or more of our executive officers. Mr. Duncan, a board member and Named Executive Officer, has been granted such awards in the past. These awards are made annually in June of each year in accordance with the terms of the Director Compensation Plan. The awards are made through our Stock Option Plan. See "Part III – Item 11 – Compensation Discussion and Analysis: Elements of Compensation – Stock Option Plan."

Incentive Compensation Plan. As a part of our Compensation Program, from time to time, we grant stock options and awards in our Class A common stock to our executive officers, including the Named Executive Officers. In particular, stock options and awards are granted in conjunction with the agreements that we enter into with Named Executive Officers pursuant to our Incentive Compensation Plan. The grants of such options and awards are typically made early in the year at the time our board finalizes the prior year incentive compensation plan payouts for each of the Named Executive Officers. All such options and awards are granted through the Stock Option Plan. See "Part III – Item 11 – Compensation Discussion and Analysis: Elements of Compensation – Incentive Compensation Plan" and "– Elements of Compensation – Stock Option Plan."

Stock Option Plan. As a part of our Compensation Program, from time to time, we grant stock options or awards in our Class A common stock to our executive officers, including the Named Executive Officers, and to certain of our advisors. In the case of an executive officer, these options or awards may be granted regardless of whether there is in place an agreement entered into with the officer under our Incentive Compensation Plan. In the case of a new hire and where we choose to grant options or awards, the grant may be done at the time of hire. Under the Stock Option Plan, the Compensation Committee may set the exercise price for our Class A common stock at not less than its fair market value. That value is presently determined on Nasdaq. In all cases, regardless of the identity of the grantee, the timing, amount and other terms of the grant of options or awards under our Stock Option Plan are determined in the sole discretion of our Compensation Committee. See "Part III – Item 11 – Compensation Discussion and Analysis: Elements of Compensation – Stock Option Plan."

In the event an executive level employee is hired or promoted during a year, that employee may be eligible to receive an equity option under the plans previously described in this section. Grants of options in this context may be made at the recommendation of management and only with action of the Compensation Committee.

Grant Policy. Under our grant policy, all approved grants are granted effective the date they were approved by the committee and are priced at the market value at the close of trading on that date. The terms of the award are then communicated immediately to the recipient.

Tax and Accounting Treatment of Executive Compensation –

In determining the amount and form of compensation granted to executive officers, including the Named Executive Officers, the Company takes into consideration both tax treatment and accounting treatment of the compensation. Tax and accounting treatment for various forms of compensation is subject to changes in, and changing interpretations of, applicable laws, regulations, rulings and other factors not within the Company's control. As a result, tax and accounting treatment is only one of several factors that the Company takes into account in designing the previously described elements of compensation.

Compensation Policies and Practices in Relation to Our Risk Management –

At the direction of our board, Company management has reviewed our compensation policies, plans and practices to determine whether they create incentives or encourage behavior that is reasonably likely to have

a materially adverse effect on the Company. This effort included a review of our various employee compensation plans and practices as described elsewhere in this report. See "Part III – Item 11 – Compensation Discussion and Analysis: Process."

The purpose of the review was to evaluate risks and the internal controls we have implemented to manage those risks. The controls include multiple performance metrics, corporate-wide financial measures, statutory clawbacks on equity awards, and board and board committee oversight and approvals.

In completing this review, our board and management believe risks created by our compensation policies, plans and practices that create incentives likely to have a material adverse effect on us are remote.

Shareholder Advisory Votes on Executive Compensation

The agenda for the 2011 annual meeting will include for the first time an opportunity for our shareholders to adopt two proposals pertaining to executive compensation of our Named Executive Officers and frequency of shareholder advisory votes on executive compensation for our named executive officers as identified in our management proxy statements, i.e., an option of every one, two or three years. Both votes are advisory only. That is, they are not binding on the Company or its board.

Our board views decisions as to compensation of Company named executive officers, including but not limited to those for 2010, as its responsibility. Our board takes this responsibility seriously and has gone to considerable effort to establish and implement a process for determining executive compensation as described elsewhere in this report. See "Part III – Item 11 – Compensation Discussion and Analysis."

Our board carefully considers all proposals from our shareholders. However, in light of its responsibilities to the Company, our board may or may not follow the advice of those shareholder votes.

At present, our board contemplates next placing before our shareholders a proposal of frequency of shareholder advisory votes on executive compensation of our named executive officers at our 2017 annual shareholder meeting.

Executive Compensation

Summary Compensation Table –

As of December 31, 2010, the Company did not have employment agreements with any of the Named Executive Officers. The following table summarizes total compensation paid or earned by each Named Executive Officer for fiscal years 2010, 2009 and 2008. The process followed by the Compensation Committee in establishing total compensation for each Named Executive Officer as set forth in the table is described elsewhere in this report. See "Part III – Item 11 – Compensation Discussion and Analysis."

Summary Compensation Table

Name and Principal Position	Year	Salary[1] ($)	Bonus ($)	Nonequity Incentive Plan Compen-sation ($)	Stock Awards[2] ($)	Option Awards[2] ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings[3] ($)	All Other Compensation ($)[4]	Total ($)
Ronald A. Duncan[5]	2010	600,000	454,397[6]	725,000	33,744	433,635	---	64,249	2,311,025
President and Chief	2009	600,000	400,000	350,000	36,500	---	---	84,489	1,470,989
Executive Officer	2008	600,000	400,000	350,000	24,509	---	---	69,229	1,443,738
G. Wilson Hughes	2010	487,500	185,717[6]	233,333	---	---	6,153	18,238	930,941
Executive Vice	2009	486,459[7]	102,000	150,000	32,453	---	10,899	25,281	807,092
President and General Manager	2008	462,500[7]	103,000	100,000	---	438,680	7,556	24,268	1,136,004
John M. Lowber	2010	728,709	116,944[6]	175,000	323,251	---	---	18,238	1,362,142
Senior Vice President,	2009	325,000	25,000	100,000	55,428	---	---	25,281	530,709
Chief Financial Officer and Secretary/ Treasurer	2008	325,000	103,000	100,000	---	---	646	24,268	552,914
Gregory F. Chapados	2010	270,000	95,254[6]	175,000	844,750	---	---	16,456	1,401,460
Senior Vice President	2009	240,000	53,000	100,000	172,471	---	---	24,594	590,065
	2008	240,000	104,000	100,000	---	438,680	---	43,771	926,451
Paul E. Landes	2010	150,000	---	726,366	---	---	---	20,131	896,497
Vice President and	2009	150,000	---	664,671	12,842	---	---	26,933	854,446
General Manager – Consumer Services	2008	150,000	---	343,700	---	216,730	---	24,585	735,015

1 For 2008 and 2009, salary includes deferred compensation of $225,000 and $65,000 for Messrs. Hughes and Lowber, respectively. For 2010, salary includes deferred compensation of $125,000 for Mr. Hughes and $468,709 for Mr. Lowber of which $403,709 for Mr. Lowber reflects the vesting of a multi-year retention agreement.

2 This column reflects the grant date fair values of awards of Class A common stock, restricted stock awards or stock options granted in the fiscal year indicated which were computed in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 718, Compensation – Stock Options ("ASC Topic 718"). Assumptions used in the calculation of these amounts are set forth in Footnote 9 of "Part II – Item 8 – Consolidated Financial Statements and Supplementary Data."

3 The amount shown represents the above-market earnings on nonqualified deferred compensation plan balances. Above market-earnings is defined as earnings in excess of 120% of the long-term monthly applicable federal rate (AFR).

4 See, "Components of 'All Other Compensation'" table displayed below for more detail.

5 In 2008, Mr. Duncan received $64,509 in compensation relating to his service on our board including $40,000 in board fees and stock awards valued at $24,509. In 2009, Mr. Duncan received $76,500 in compensation for service on our board in the form of director fees of $40,000 and stock awards valued at $36,500. In 2010, Mr. Duncan received $73,744 in compensation relative to his service on our board including $40,000 in board fees and stock awards valued at $33,744.

6 The Bonus Compensation represents compensation paid pursuant to the Incentive Compensation Plan in excess of the maximum payment under the plan.

7 For 2008 and 2009, includes $37,500 for Mr. Hughes representing the amount vested during each of 2008 and 2009 pursuant to prepaid retention agreements.

The amounts reported under the "All Other Compensation" column are comprised of the following:

Components of "All Other Compensation"

Name and Principal Position	Year	Stock Purchase Plan[1] ($)	Board Fees ($)	Success Sharing[2] ($)	Use of Company Leased Aircraft[3] ($)	Miscellaneous[4] ($)	Total ($)
Ronald A. Duncan	2010	13,490	40,000	---	10,759	---	64,249
	2009	23,334	40,000	---	21,155	---	84,489
	2008	23,000	40,000	---	6,229	---	69,229
G. Wilson Hughes	2010	15,334	---	2,904	---	---	18,238
	2009	23,334	---	1,947	---	---	25,281
	2008	23,000	---	1,268	---	---	24,268
John M. Lowber	2010	15,334	---	2,904	---	---	18,238
	2009	23,334	---	1,947	---	---	25,281
	2008	23,000	---	1,268	---	---	24,268
Gregory F. Chapados	2010	13,552	---	2,904	---	---	16,456
	2009	22,647	---	1,947	---	---	24,594
	2008	21,670	---	1,268	---	20,000[4]	43,771
Paul E. Landes	2010	16,500	---	3,631	---	---	20,131
	2009	24,500	---	2,433	---	---	26,933
	2008	23,000	---	1,585	---	---	24,585

1 Amounts are contributions by us matching each employee's contribution. Matching contributions by us under our GCI 401(k) Plan are available to each of our full time employees with over one year of service. During 2010, the match was based upon the lesser of $16,500 ($24,500 for 2009 and $23,000 for 2008), 10% of the employee's salary and the total of the employee's pre-tax and post-tax contributions to the plan. See "Part III – Item 11 – Compensation Discussion and Analysis: Elements of Compensation – Retirement and Welfare Benefits – GCI 401(k) Plan." The match for 2010 is reduced by an estimated amount that will be returned to us following completion of the annual discrimination tests.

2 The value for 2010 is based upon an estimate that is to be finalized subsequent to the filing of this report. See "Part III – Item 11 – Compensation Discussion and Analysis: Elements of Compensation – Perquisites."

3 The value of use of Company leased aircraft are shown at variable cost to the Company.

4 Includes for Mr. Chapados vesting of a $20,000 portion of a $100,000 signing bonus received in 2006.

Grants of Plan-Based Awards Table –

The following table displays specific information on grants of options, awards and non-equity incentive plan awards under our Compensation Program and, in addition, in the case of Mr. Duncan, our Director Compensation Plan, made to Named Executive Officers during 2010.

Grants of Plan-Based Awards

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards[1] ($)
		Threshold ($)	Target ($)[2]	Maximum ($)[3]	Threshold (#)	Target (#)	Maximum (#)				
Ronald A. Duncan	02/08/10	---	---	---	---	---	---	---	150,000	5.32	433,635
	06/01/10	---	---	---	---	---	---	5,700[4]	---	---	33,744
	10/07/10[5]	---	3,600,000	4,300,000	---	---	---	---	---	---	---
G. Wilson Hughes	10/07/10	---	1,200,000	1,700,000	---	---	---	---	---	---	---
John M. Lowber	02/08/10	---	---	---	---	---	---	14,098	---	---	75,001
	10/07/10[5]	---	1,100,000	1,500,000	---	---	---	25,000	---	---	248,250
Gregory F. Chapados	02/08/10	---	---	---	---	---	---	18,797	---	---	100,000
	10/07/10[5]	---	1,100,000	1,500,000	---	---	---	75,000			744,250
Paul E. Landes	10/07/10[5]	---	---	---	---	---	---	---	---	---	---

1 Computed in accordance with FASB ASC Topic 718.

2 Represents target cash payout under our Incentive Compensation Plan for 2010 through 2013 (except for Mr. Landes, who was not provided with a target payout). Actual amounts paid with respect to 2010 are included in the "Non-Equity Plan Compensation" and "Bonus" columns of the Summary Compensation Table above. Although a target payout is provided and certain performance goals are established, the Compensation Committee retains complete discretionary authority to adjust the compensation paid at the end of the year. The business measurements and performance goals evaluated by the Compensation Committee for determining the payout amounts are described above under "Compensation Discussion and Analysis – Elements of Compensation – Incentive Compensation Plan."

3 Represents maximum cash payout under our Incentive Compensation Plan for 2010 through 2013. Although a maximum payout is provided, the Compensation Committee retains complete discretionary authority to change the maximum payout.

4 Mr. Duncan's stock award was granted pursuant to the terms of our Director Compensation Plan. See "Part III – Item 11 – Director Compensation."

5 The Incentive Compensation Plan will be paid to the Named Executive Officer in the form of cash and restricted stock grants. The restricted grants are not reflected as there is no grant date per FASB ASC Topic 718. The restricted stock grant will be disclosed in future years when the shares are granted.

Outstanding Equity Awards at Fiscal Year-End Table –

The following table displays specific information on unexercised options, stock that has not vested and equity incentive plan awards for each of the Named Executive Officers and outstanding as of December 31, 2010. Vesting of these options and awards varies for the Named Executive Officers as described in the footnotes to the table.

Outstanding Equity Awards at Fiscal Year-End

	Option Awards[1]				Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock that Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Ronald A. Duncan	150,000	---	7.25	02/08/12	---	---	---	---
	250,000	---	8.40	06/24/14	---	---	---	---
	---	150,000	5.32	02/08/20	---	---	---	---
	---	---	---	---	75,000[2]	949,500[2]	---	---
G. Wilson Hughes	---	---	---	---	218,299[3]	2,763,665[3]	---	---
John M. Lowber	---	---	---	---	226,078[3]	2,862,148[3]	---	---
	---	---	---	---	14,098[4]	178,481[4]	---	---
	---	---	---	---	25,000[5]	316,500[5]	---	---
Gregory F. Chapados	30,000	---	6.00	02/10/13	---	---	---	---
	50,000	50,000	7.95	01/09/18	---	---	---	---
	---	---	---	---	18,797[4]	237,970[4]	---	---
	---	---	---	---	25,000[6]	316,500[6]	---	---
	---	---	---	---	50,000[7]	633,000[7]	---	---
	---	---	---	---	136,719[3]	1,730,863[3]	---	---
Paul E. Landes	---	---	---	---	56,193[3]	711,403[3]	---	---

[1] Stock option awards generally vest over five years and expire ten years from grant date, except as noted in the footnotes below.

[2] Stock Award vests on February 19, 2011.

[3] Restricted stock vests 50% on December 20, 2011 and 50% on February 28, 2012.

[4] Restricted stock vests on February 8, 2013.

[5] Restricted stock vests on December 31, 2013.

[6] Restricted stock vests 5,000 shares on October 7 of 2011, 2012, 2013, 2014 and 2015.

[7] Restricted stock vests on October 7, 2015.

Option Exercises and Stock Vested Table –

The following table displays specific information on each exercise of stock options, stock appreciation rights, and similar instruments, and each vesting of stock, including restricted stock, restricted stock units and similar instruments on an aggregate basis, for each of the Named Executive Officers during 2010:

Option Exercises and Stock Vested

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Ronald A. Duncan	--- ---	--- ---	5,700[1] 75,000	33,744 428,250
G. Wilson Hughes	---	---	---	---
John M. Lowber	---	---	---	---
Gregory F. Chapados	---	---	---	---
Paul E. Landes	---	---	---	---

1 This stock award relates to Mr. Duncan's service as one of our directors.

Potential Payments upon Termination or Change-in-Control –

As of December 31, 2010, there were no compensatory plans or arrangements providing for payments to any of the Named Executive Officers in conjunction with any termination of employment or other working relationship of such an officer with us (including without limitation, resignation, severance, retirement or constructive termination of employment of the officer). Furthermore, as of December 31, 2010, there were no such plans or arrangements providing for payments to any of the Named Executive Officers in conjunction with a change of control of us or a change in such an officer's responsibilities to us. However, all outstanding options and awards for each of our Named Executive Officers would vest upon his or her disability, retirement or death, or a change-in-control of the Company.

Nonqualified Deferred Compensation

Deferred Compensation Plan –

We established our Deferred Compensation Plan in 1995 to provide a means by which certain of our employees may elect to defer receipt of designated percentages or amounts of their compensation and to provide a means for certain other deferrals of compensation. Employees eligible to participate in our Deferred Compensation Plan are determined by our board. We may, at our discretion, contribute matching deferrals in amounts as we select.

Participants immediately vest in all elective deferrals and all income and gain attributable to that participation. Matching contributions and all income and gain attributable to them vest on a case-by-case basis as determined by us. Participants may elect to be paid in either a single lump-sum payment or annual installments over a period not to exceed ten years. Vested balances are payable upon termination of employment, unforeseen emergencies, death or total disability of the participant or change of control of us or our insolvency. Participants become our general unsecured creditors with respect to deferred compensation benefits of our Deferred Compensation Plan.

None of our Named Executive Officers participated in our Deferred Compensation Plan during 2010.

Deferred Compensation Arrangements –

We have, from time to time, entered into Deferred Compensation Arrangements with certain of our executive officers, including two of the Named Executive Officers. These arrangements are negotiated with individual officers on a case-by-case basis. The status of our Deferred Compensation Arrangements with our Named Executive Officers during 2010 is summarized for each of our Named Executive Officers in the following table, and further descriptions of them are provided following the table.

Nonqualified Deferred Compensation

Name	Executive Contributions in Last FY ($)	Registrant Contribution in Last FY ($)	Aggregate Earnings (Loss) in Last FY ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FY ($)
Ronald A. Duncan	---	---	---	---	---
G. Wilson Hughes[1]	125,000	---	1,446,364	---	3,869,939
John M. Lowber	65,000	403,709	56,312	200,000	1,150,707
Gregory F. Chapados	---	---	---	---	---
Paul E. Landes	---	---	---	---	---

1 Includes earnings of $6,153 for Mr. Hughes that is reported in the Summary Compensation Table.

Mr. Hughes' Deferred Compensation Arrangement with us consists of three components. The first component consisted of deferred compensation invested in 217,300 shares of Company Class A common stock. The second component is $568,921 accrued at year end of which $125,000 in salary were deferred and $51,720 of interest were accrued during 2010. This arrangement with us earns interest at the rate of 10% per year based upon the balance at the beginning of the year plus new salary deferrals during the year. The third component is $550,000 accrued at year end of which $30,000 were accrued for 2010 interest. This arrangement earns interest at 7.5% per year based upon the original $400,000 that was given to Mr. Hughes in consideration for his continued employment at the Company from January 1, 2006 through December 31, 2009.

Mr. Hughes' Deferred Compensation Arrangement provides that at his discretion or at termination of employment, he is entitled to receive the full amount owed in a lump sum, in monthly installments paid over a ten-year period, or in installments negotiated with the Company in accordance with statutory requirements.

Mr. Lowber's Deferred Compensation Arrangement with us consists of deferred salary which earns interest on the amounts deferred at 9% per year. As of December 31, 2010 and under this plan, there were accrued $746,998, of which $121,312 had accrued ($65,000 in principal plus $56,312 in interest) and $200,000 had been paid out during 2010. Additionally, effective January 1, 2007, the Company agreed to enter into a retention agreement with Mr. Lowber. In exchange for his commitment to remain in the employ of the Company through the end of 2010, the Company agreed to establish a deferred compensation account in the amount of $350,000 that vested on December 31, 2010. The account is to accrue interest at the rate of 7.25% per annum, compounding annually. The balance in that account was $403,709 as of December 31, 2010.

Messrs. Duncan, Chapados and Landes did not participate in a Deferred Compensation Arrangement with us during 2010.

Other than the Deferred Compensation Arrangements described above, no Named Executive Officer was, as of December 31, 2010, entitled to defer any additional consideration. Any additional Deferred Compensation Arrangements would have to be separately negotiated with, and agreed to by, the Compensation Committee.

Compensation Committee Interlocks and Insider Participation

Our Compensation Committee is composed of seven members of our board as identified elsewhere in this report. All of these members served on the committee during all of 2010. See "Part III – Item 11 – Compensation Discussion and Analysis: Overview." The relationships of them to us are described elsewhere in this report. See "Part III – Item 10 – Identification," "Part III – Item 12 – Principal Shareholders" and "Part III – Item 13 – Certain Transactions."

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis. Based upon that review and discussion, the Compensation Committee recommended to our board that the Compensation Discussion and Analysis be included in our 2010 annual report.

Compensation Committee
Stephen M. Brett, Chair
Jerry A. Edgerton
Scott M. Fisher
William P. Glasgow
Mark W. Kroloff
Stephen R. Mooney
James M. Schneider

Director Compensation

The following table sets forth certain information concerning the cash and non-cash compensation earned by our directors ("Director Compensation Plan"), each for services as a director during the year ended December 31, 2010:

2010 Director Compensation[1]

Name	Fees Earned or Paid in Cash ($)	Stock Awards[2,3] ($)	Option Awards[3] ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Stephen M. Brett	40,000	33,744	---	---	---	---	73,744
Jerry A. Edgerton	40,000	33,744	---	---	---	---	73,744
Scott M. Fisher	40,000	33,744	---	---	---	---	73,744
William P. Glasgow	50,000	33,744	---	---	---	---	83,744
Mark W. Kroloff	40,000	33,744	---	---	---	---	73,744
Stephen R. Mooney	50,000	33,744	---	---	---	---	83,744
James M. Schneider	50,000	42,624	---	---	---	---	92,624

1 Compensation to Mr. Duncan as a director is described elsewhere in this report. See "Part III – Item 11 – Executive Compensation" and "Compensation Discussion and Analysis."

2 Each director received a grant of awards of 5,700 shares of Company Class A common stock on June 1, 2010, with the exception of our Audit Committee chair (Mr. Schneider) who received 7,200 shares. The value of the shares on the date of grant was $5.92 per share, i.e., the closing price of the stock on Nasdaq on that date and as required in accordance with GAAP.

3 This column reflects the grant date fair values of awards of Class A common stock, restricted stock awards or stock options granted in the fiscal year indicated which were computed in accordance with FASB ASC Topic 718. Assumptions used in the calculation of these amounts are set forth in Footnote 9 of "Part II – Item 8 – Consolidated Financial Statements and Supplementary Data."

Our initial Director Compensation Plan was adopted in 2004 by our board to acknowledge and compensate, from time to time, directors on the board for ongoing dedicated service. During 2010, the plan provided for $40,000 per year (prorated for days served and paid quarterly) plus $10,000 per year for each director serving on our Audit Committee.

During 2010, the stock compensation portion of our Director Compensation Plan consisted of a grant of 5,700 shares to a director for a year of service, or a portion of a year of service. Grants are made and vest annually under the plan on June 1 of each year. For 2010, grants of awards were made under our Director Compensation Plan as of June 1, 2010. As of December 31, 2010, our board anticipated that grants of awards of 5,400 shares of Class A common stock to each director would be made under the plan as of June 1, 2011. Also as of that date, our board anticipated an additional award of 1,500 shares of Class A common stock to our Audit Committee chair. Because the shares vest upon award, they are subject to taxation based upon the then fair market value of the vested shares.

Under our Director Compensation Plan, compensation is to be paid only to those directors who are to receive the benefit individually, whether or not they are our employees.

Except for our Director Compensation Plan, during 2010 the directors on our board received no other direct compensation for serving on the board and its committees. However, they were reimbursed for travel and out-of-pocket expenses incurred in connection with attendance at meetings of our board and its committees. The director fee structure as described in this section continued otherwise unchanged through December 31, 2010.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth, as of the end of 2010, information on equity compensation plans approved by our shareholders and separately such plans not approved by our shareholders. The information is focused on outstanding options, warrants and rights, and so the only such plan is our Stock Option Plan as approved by our shareholders.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights ($)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the second column)
Equity compensation plans approved by security holders	1,249,050	7.08	4,180,226
Equity compensation plans not approved by security holders	---	---	---
Total:	1,249,050	7.08	4,180,226

Ownership of Company

Principal Shareholders –

The following table sets forth, as of December 31, 2010 (unless otherwise noted), certain information regarding the beneficial ownership of our Class A common stock and Class B common stock by each of the following:

- Each person known by us to own beneficially 5% or more of the outstanding shares of Class A common stock or Class B common stock.
- Each of our directors.
- Each of the Named Executive Officers.
- All of our executive officers and directors as a group.

All information with respect to beneficial ownership has been furnished to us by the respective shareholders.

Name of Beneficial Owner[1]	Title of Class[2]	Amount and Nature of Beneficial Ownership (#)	% of Class	% of Total Shares Outstanding (Class A & B)[2]	% Combined Voting Power (Class A & B)[2]
Stephen M. Brett	Class A Class B	52,350[3] ---	* ---	*	*
Ronald A. Duncan	Class A Class B	1,298,014[3,4] 661,809[4]	2.9 20.8	4.1	10.4
Jerry A. Edgerton	Class A Class B	27,350[3] ---	* ---	*	*
Scott M. Fisher	Class A Class B	114,962[3,5] 437,688[5]	* 13.8	1.1	5.9
William P. Glasgow	Class A Class B	77,294[3,6] ---	* ---	*	*
Mark W. Kroloff	Class A Class B	20,700[3,7] ---	* ---	*	*
Stephen R. Mooney	Class A Class B	38,000[3] ---	* ---	*	*
James M. Schneider	Class A Class B	38,250[3] ---	* ---	*	*
G. Wilson Hughes	Class A Class B	618,001[8] 2,695	1.4 *	1.3	*
John M. Lowber	Class A Class B	372,343[9] 6,203[9]	* *	*	*
Gregory F. Chapados	Class A Class B	326,436[10] ---	* *	*	*
Paul E. Landes	Class A Class B	92,529[11] ---	* ---	*	*
Black Rock, Inc. 55 East 52nd Street New York, New York 10055	Class A Class B	4,345,918 ---	9.8 ---	9.2	5.7
GCI 401(k) Plan 2550 Denali St., Ste. 1000 Anchorage, AK 99503	Class A Class B	4,947,356 62,739	11.2 2.0	10.6	7.4
Gary Magness c/o Raymond L. Sutton, Jr. 303 East 17th Ave., Ste 1100 Denver, CO 80203-1264	Class A Class B	1,347,961 433,924	3.0 13.7	3.8	7.5
Private Management Group, Inc. 20 Corporate Park, Suite 400 Irvine, CA 92606	Class A Class B	2,456,852 ---	5.6 ---	5.2	3.2

John W. Stanton and Theresa E. Gillespie 155 108th Avenue., N.E., Suite 450 Bellevue, WA 98004	Class A Class B	2,342,627 1,436,469	5.3 45.2	8.0	22.1
All Directors and Executive Officers As a Group (18 Persons)	Class A Class B	3,626,815[12] 1,183,156[12]	8.2 37.2	10.0	20.3

* Represents beneficial ownership of less than 1% of the corresponding class or series of stock.

1 Beneficial ownership is determined in accordance with Rule 13d-3 of the Exchange Act. Shares of our stock that a person has the right to acquire within 60 days of December 31, 2010 are deemed to be beneficially owned by such person and are included in the computation of the ownership and voting percentages only of such person. Each person has sole voting and investment power with respect to the shares indicated, except as otherwise stated in the footnotes to the table. Addresses are provided only for persons other than management who own beneficially more than 5% of the outstanding shares of Class A or B common stock.

2 "Title of Class" includes our Class A common stock and Class B common stock. "Amount and Nature of Beneficial Ownership" and "% of Class" are given for each class of stock. "% of Total Shares Outstanding" and "% Combined Voting Power" are given for the combination of outstanding Class A common stock and Class B common stock, and the voting power for Class B common stock (10 votes per share) is factored into the calculation of that combined voting power.

3 Includes 5,700 shares of our Class A common stock granted to each of those persons pursuant to the Director Compensation Plan for services performed during 2010 except for Mr. Schneider, who received 7,200 shares of our Class A common stock.

4 Includes 153,459 shares of Class A common stock and 6,165 shares of Class B common stock allocated to Mr. Duncan under the GCI 401(k) Plan as of December 31, 2010. Includes 131 shares of Class A common stock held by Missy, LLC which is 25% owned by Mr. Duncan. Includes 400,000 shares of Class A common stock subject to stock options granted under the Stock Option Plan to Mr. Duncan which he has the right to acquire within 60 days of December 31, 2010 by exercise of the stock options. Does not include 35,560 shares of Class A common stock or 8,242 shares of Class B common stock held by the Amanda Miller Trust, with respect to which Mr. Duncan has no voting or investment power. Ms. Miller is Mr. Duncan's daughter, and Mr. Duncan disclaims beneficial ownership of the shares. Does not include 30,660 shares of Class A common stock or 27,020 shares of Class B common stock held by Dani Bowman, Mr. Duncan's wife, of which Mr. Duncan disclaims beneficial ownership. Includes 512,499 shares of Class A common stock and 493,644 shares of Class B common stock pledged as security.

5 Includes 87,512 shares of Class A and 437,688 shares of Class B common stock owned by Fisher Capital Partners, Ltd. of which Mr. Fisher is a partner.

6 Does not include 158 shares owned by a daughter of Mr. Glasgow. Mr. Glasgow disclaims any beneficial ownership of the shares held by his daughter.

7 Includes 10,000 shares of Class A common stock owned jointly by Mr. Kroloff and his wife.

8 Includes 5,188 shares of Class A common stock allocated to Mr. Hughes under the GCI 401(k) Plan, as of December 31, 2010. Includes 325,890 shares of Class A common stock pledged as security. Excludes 217,300 shares held by the Company pursuant to Mr. Hughes' Deferred Compensation Agreement.

9 Includes 27,834 shares of Class A common stock and 5,933 shares of Class B common stock allocated to Mr. Lowber under the GCI 401(k) Plan, as of December 31, 2010.

10 Includes 15,920 shares of Class A common stock allocated to Mr. Chapados under the GCI 401(k) Plan, as of December 31, 2010. Includes 80,000 shares of Class A common stock subject to stock options granted under the Stock Option Plan to Mr. Chapados which he has the right to acquire within 60 days of December 31, 2010 by exercise of those options.

11 Includes 36,299 shares of Class A common stock allocated to Mr. Landes under the GCI 401(k) Plan, as of December 31, 2010.

12 Includes 480,000 shares of Class A common stock which such persons have the right to acquire within 60 days of December 31, 2010 through the exercise of vested stock options. Includes 358,020 shares of Class A common stock and 12,831 shares of Class B common stock allocated to such persons under the GCI 401(k) Plan.

Changes in Control –

Pledged Assets and Securities. Our obligations under our credit facilities are secured by substantially all of our assets. Should there be a default by us under such agreements, our lenders could gain control of our assets. We have been at all times during 2010 in compliance with all material terms of these credit facilities.

Senior Notes. In 2004, GCI, Inc., our wholly-owned subsidiary, sold $320 million in aggregate principal amount of senior debt securities due in 2014.

The senior notes are subject to the terms of an indenture entered into by GCI, Inc. Upon the occurrence of a change of control, as defined in the Indenture, GCI, Inc. is required to offer to purchase those senior notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest. The indenture provides that those senior notes are redeemable at the option of GCI, Inc. at specified redemption prices commencing in 2009. The terms of the senior notes contain limitations on the ability of GCI, Inc. and its restricted subsidiaries to incur additional indebtedness, limitations on investments, payment of dividends and other restricted payments and limitations on liens, asset sales, mergers, transactions with affiliates and operation of unrestricted subsidiaries. The indenture also limits the ability of GCI, Inc. and its restricted subsidiaries to enter into, or allow to exist, specified restrictions on the ability of GCI, Inc. to receive distributions from restricted subsidiaries.

For purposes of the indenture and the senior notes, the restricted subsidiaries consist of all of our direct or indirect subsidiaries, with the exception of certain unrestricted subsidiaries. Under the terms of the indenture, an unrestricted subsidiary is a subsidiary of GCI, Inc. so designated from time to time in accordance with procedures as set forth in the indenture. As of December 31, 2010, these unrestricted subsidiaries consisted of the United Companies.

In November 2009, GCI, Inc. issued an additional $425 million of senior notes at 8.625% interest due in November 2019. The new senior notes have substantially similar terms as the 2004 senior notes. They were used to pay off senior bank debt and for general corporate purposes.

We and GCI, Inc. have since the issuance of the senior notes and up through December 31, 2010, been in compliance with all material terms of the Indenture including making timely payments on the obligations of GCI, Inc.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Certain Transactions

Transactions with Related Persons –

Stanton Shareholdings, Registration Rights Agreement. As of December 31, 2010, John W. Stanton and Theresa E. Gillespie, husband and wife (collectively, "Stantons"), continued to be significant shareholders of our Class B common stock. As of that date, neither the Stantons nor the Stantons' affiliates were our directors, officers, nominees for election as directors, or members of the immediate family of

such directors, officers, or nominees.

We are a party to a registration rights agreement ("Stanton Registration Rights Agreement") with the Stantons regarding all unregistered shares the Stantons hold in our Class B common stock and any shares of our Class A common stock resulting from conversion of that Class B common stock to Class A common stock. The basic terms of the Stanton Registration Rights Agreement are as follows. If we propose to register any of our securities under the Securities Act of 1933, as amended ("Securities Act") for our own account or for the account of one or more of our shareholders, we must notify the Stantons of that intent. In addition, we must allow the Stantons an opportunity to include the holder's shares ("Stanton Registerable Shares") in that registration.

Under the Stanton Registration Rights Agreement, the Stantons also have the right, under certain circumstances, to require us to register all or any portion of the Stanton Registerable Shares under the Securities Act. The agreement is subject to certain limitations and restrictions, including our right to limit the number of Stanton Registerable Shares included in the registration. Generally, we are required to pay all registration expenses in connection with each registration of Stanton Registerable Shares pursuant to this agreement.

The Stanton Registration Rights Agreement specifically states we are not required to effect any registration on behalf of the Stantons regarding Stanton Registerable Shares if the request for registration covers an aggregate number of Stanton Registerable Shares having a market value of less than $1.5 million. The agreement further states we are not required to effect such a registration for the Stantons where we have at that point previously filed two registration statements with the SEC, or where the registration would require us to undergo an interim audit or prepare and file with the SEC sooner than otherwise required financial statements relating to the proposed transaction. Finally, the agreement states we are not required to effect such a registration when in the opinion of our legal counsel a registration is not required in order to permit resale under Rule 144 as adopted by the SEC pursuant to the Exchange Act.

The Stanton Registration Rights Agreement provides that the first demand for registration by the Stantons must be for no less than 15% of the total number of Stanton Registerable Shares. However, the Stantons may take the opportunity to require us to include the Stanton Registerable Shares as incidental to a registered offering proposed by us.

Duncan Leases. In 1991, we entered into a long-term capital lease agreement with a partnership in which Mr. Duncan held a 50% ownership interest. Mr. Duncan later sold that interest to an individual who later became his spouse. However, Mr. Duncan remains a guarantor on the note which was used to finance the acquisition of the property subject to the lease. The leased asset was capitalized in 1991 at the owner's cost of $900,000 and the related obligation was recorded in the accompanying financial statements. The lease agreement was amended in 2008, and we have increased our existing capital lease asset and liability by $1.3 million to record the extension of the capital lease. The amended lease terminates on September 30, 2026. The property consists of a building presently occupied by us. As of December 31, 2010, the payments on the lease were $21,532 per month. They continue at that rate through September 2011. In October 2011, the payments on the lease will increase to $22,332 per month.

In January 2001, we entered into an aircraft operating lease agreement with a company owned by Mr. Duncan. The lease agreement is presently month-to-month and may be terminated at any time upon 120 days' prior written notice. The lease rate is $75,000 per month. Upon signing the lease, the lessor was granted an option purchase 250,000 shares of Company Class A common stock at $6.50 per share, none of which shares of the option remained or were exercisable at December 31, 2010. We paid a deposit of $1.5 million in connection with the lease. The deposit will be repaid to us upon the earlier of six months after the agreement terminates, or nine months after the date of a termination notice. In December 2010, we paid $350,000 to the lessor for the right to return the aircraft to the lessor in the same condition it was in on December 27, 2010.

ASRC Stock Purchase. In October 2010, we repurchased 7,486,240 shares of our Class A common stock for $10.16 per share, representing a total purchase price of approximately $76 million

Robert Walp Stock Purchase. In November and December 2010, we repurchased 201,893 shares of our Class A common stock for $11.10 per share, representing a total purchase price of approximately $2.2 million.

Review Procedure for Transactions with Related Persons –

The following describes our policies and procedures for the review, approval or ratification of transactions in which we are to be a participant and where the amount involved in each instance exceeds $120,000 and in which any related person had or is to have a direct or indirect material interest ("Related Transactions"). Here, we use the term "related person" to mean any person who is one of our directors, a nominee for director, an immediate family member of one of our directors or executive officers, any person who is a holder of five percent or more of a class of our common stock, or any immediate family member of such a holder.

A related person who is one of our officers, directors or employees ("Employee") is subject to our Ethics Code. The Ethics Code requires the Employee to act in the best interest of the Company and to avoid situations which may conflict with this obligation. The code specifically provides that a conflict of interest occurs when an Employee's private interest interferes in any way with our interest. In the event an Employee suspects such a conflict, or even an appearance of conflict, he or she is urged by the Ethics Code to report the matter to an appropriate authority. The Ethics Code, Nominating and Corporate Governance Committee Charter and the Audit Committee Charter define that authority as being our Chief Financial Officer, the Nominating and Corporate Governance Committee, the Audit Committee (in the context of suspected illegal or unethical behavior-related violations pertaining to accounting, or internal controls on accounting or audit matters), or the Employee's supervisor within the Company, as the case may be.

The Ethics Code further provides that an Employee is prohibited from taking a personal interest in a business opportunity discovered through use of corporate position, information or property that properly belongs to us. The Ethics Code also provides that an Employee must not compete with, and in particular, must not use corporate position, information, or property for personal gain or to compete with, us.

The Ethics Code provides that any waiver of its provisions for our executive officers and directors may be made only by our board and must be promptly disclosed to our shareholders. This disclosure must include an identification of the person who received the waiver, the date of the grant of the waiver by our board, and a brief description of the circumstances and reasons under which it was given.

The Ethics Code is silent as to the treatment of immediate family members of our Employees, holders of five percent or more of a class of our stock, or the immediate family members of them. We consider such Related Transactions with such persons on a case-by-case basis, if at all, by analogy to existing procedures as above described pertaining to our Employees.

During 2010, there were no Related Transactions. The leases described previously were entered into prior to the establishment of the Ethics Code.

Director Independence

The term Independent Director as used by us is an individual, other than one of our executive officers or employees, and other than any other individual having a relationship which in the opinion of our board would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. See "Part III – Item 10 – Audit Committee, Audit Committee Financial Expert."

Mr. Brett, our Chairman of the Board, while in that capacity an officer under our Bylaws and responsible for the conduct of our board meetings and shareholder meetings when present, is considered by our board to have no greater influence on our affairs or authority to act on behalf of us than any of the non-executive directors on our board.

Our board believes each of its members satisfies the definition of an Independent Director, with the exception of Mr. Duncan who is an officer and employee of the Company. That is, in the case of all other board members, our board believes each of them is an individual having a relationship which does not interfere with the exercise of independent judgment in carrying out the member's director responsibilities to us.

Item 14. Principal Accountant Fees and Services

Overview

On February 7, 2011 our Audit Committee approved the appointment of Grant Thornton as the Company's External Accountant for 2011. Also on that date, our board ratified that appointment by the Audit Committee.

During the Company's two most recent fiscal years and prior to its initial appointment as the Company's External Accountant on August 11, 2009, neither the Company nor anyone on its behalf consulted Grant Thornton regarding the application of accounting principles to a specific transaction regarding the Company or the type of audit opinion that might be rendered on the Company's financial statements. Furthermore during that period, neither the Company nor anyone on its behalf consulted Grant Thornton on any matter regarding the Company that was either the subject of a disagreement or a reportable event under then current SEC rules.

On August 11, 2009, KPMG LLP ("KPMG") was dismissed as the Company's External Accountant based upon the recommendation of our Audit Committee. The audit reports of KPMG on the consolidated financial statements of the Company as of, and for, the year ended December 31, 2008 and on the effectiveness of internal control over financial reporting as of December 31, 2008 did not contain any adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles, except for two matters.

These two matters are as follows. First, KPMG's report on the Company's consolidated financial statements as of, and for, the year ended December 31, 2008 contained a separate paragraph stating the following: "As discussed in Note 1(ai) to the financial statements, the Company has elected to change its method of accounting for recording depreciation on their [sic] property and equipment placed in service in 2008."

Second, KPMG's report on the effectiveness of internal control over financial reporting as of December 31, 2008 indicated that the Company did not maintain effective internal control over financial reporting as of December 31, 2008 because of the effect of material weaknesses on the achievement of objectives of the control criteria and contained an explanatory paragraph that stated the entity-level control related to the selection and application of accounting policies in accordance with GAAP was not designed to include policies and procedures to review periodically our accounting policies to ensure ongoing compliance with those accounting principles. That paragraph further stated that the internal control over financial reporting at Alaska DigiTel (a wholly-owned subsidiary) did not include activities adequate to identify timely changes in financial reporting risks, monitor the continued effectiveness of controls and did not include staff with adequate technical expertise to ensure that policies and procedures necessary for reliable interim and annual financial statements were selected and applied.

During 2008 and through August 11, 2009, there were no disagreements with KPMG on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of KPMG, would have caused it to make reference in connection with its opinion to the subject matter of the disagreement. Furthermore during that period, there were no reportable events under then current SEC rules, except that KPMG advised the Company that it did not maintain effective internal control over financial reporting because of the effect of material weaknesses on the achievement of the objectives of the control criteria as previously described.

Pre-Approval Policies and Procedures

We have established as policy, through the adoption of the Audit Committee Charter that, before our External Accountant is engaged by us to render audit services, the engagement must be approved by the Audit Committee.

Our Audit Committee Charter provides that our Audit Committee is directly responsible for appointment, compensation, retention, oversight, qualifications and independence of our External Accountant. Also under

our Audit Committee Charter, all audit services provided by our External Accountant must be pre-approved by the Audit Committee.

Our pre-approval policies and procedures with respect to Non-Audit Services include as a part of the Audit Committee Charter that the Audit Committee may choose any of the following options for approving such services:

- ***Full Audit Committee –*** The full Audit Committee can consider each Non-Audit Service.
- ***Designee –*** The Audit Committee can designate one of its members to approve a Non-Audit Service, with that member reporting approvals to the full committee.
- ***Pre-Approval of Categories –*** The Audit Committee can pre-approve categories of Non-Audit Services. Should this option be chosen, the categories must be specific enough to ensure both of the following –
  - The Audit Committee knows exactly what it is approving and can determine the effect of such approval on auditor independence.
  - Management will not find it necessary to decide whether a specific service falls within a category of pre-approved Non-Audit Service.

The Audit Committee's pre-approval of Non-Audit Services may be waived under specific provisions of the Audit Committee Charter. The prerequisites for waiver are as follows: (1) the aggregate amount of all Non-Audit Services constitutes not more than 5% of the total amount of revenue paid by us to our External Accountant during the fiscal year in which those services are provided; (2) the service is originally thought to be a part of an audit by our External Accountant; (3) the service turns out to be a Non-Audit Service; and (4) the service is promptly brought to the attention of the Audit Committee and approved prior to completion of the audit by the committee or by one or more members of the committee who are members of our board to whom authority to grant such approvals has been delegated by the committee.

During 2010, there were no waivers of our Audit Committee pre-approval policy.

Fees and Services

The aggregate fees billed to us by our External Accountant in each of these categories for each of 2010 and 2009 are set forth as follows:

External Accountant Auditor Fees

	2010[1]	2009[2]	
Type of Fees	Grant Thornton	Grant Thornton	KPMG
Audit Fees[3]	$1,120,650	$998,350	$998,825
Audit-Related Fees[4]	16,116	- - -	19,900
Tax Fees[5]	134,721	64,211	- - -
All Other Fees[6]	94,694	138,600	134,325
Total	$1,366,181	$1,201,161	$1,153,050

1 Grant Thornton was our External Accountant for this year.

2 KPMG was our External Accountant up to August 11, 2009, and Grant Thornton was our External Accountant for the balance of that year. KPMG fees include charges subsequent to its dismissal.

3 Consists of fees for our annual financial statement audit, quarterly financial statement reviews, reviews of other filings by us with the SEC, audit of our internal control over financial reporting and for services that are normally provided by an auditor in connection with statutory and regulatory filings or engagements. The audit fees included in the 2009 KPMG column include charges for our 2008 annual financial statement audit that were not previously reported.

4 Consists of fees for audit of the GCI 401(k) Plan and review of the related annual report on Form 11-K filed with the SEC.

5 Consists of fees for review of our state and federal income tax returns and consultation on various tax advice and tax planning matters.

6 Consists of fees for any services not included in the first three types of fees identified in the table. In 2009, these fees were limited to ones pertaining to agreed upon procedures relating, in the case of Grant Thornton, totally to our debt refinancing effort, and relating, in the case of KPMG, primarily to that effort.

All of the services described above were approved in conformity with the Audit Committee's pre-approval policy.

Part IV

Item 15. Exhibits, Consolidated Financial Statement Schedules

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
General Communication, Inc.

We have audited the accompanying consolidated balance sheets of General Communication, Inc. and subsidiaries (an Alaska corporation) (the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of General Communication, Inc. and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the two years ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), General Communication, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO *)* and our report dated March 14, 2011, expressed an adverse opinion thereon.

(signed) Grant Thornton LLP

Seattle, Washington
March 14, 2011

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
General Communication, Inc.:

We have audited the accompanying consolidated statements of operations, stockholders' equity, and cash flows of General Communication, Inc. and subsidiaries (the Company) for the year ended December 31, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of General Communication, Inc. and subsidiaries for the year ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

(signed) KPMG LLP

Anchorage, Alaska
March 20, 2009 except for Note 13,
as to which the date is March 12, 2010

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
General Communication, Inc.

We have audited General Communication, Inc. and subsidiaries' (an Alaska Corporation) (the "Company") internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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 generally accepted accounting principles. 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 generally accepted accounting principles, 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.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or combination of control deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment. The Company's internal controls in the financial reporting process related to the USF high cost program support revenue accrual were inadequately designed. In our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, General Communication, Inc. and subsidiaries has not maintained effective internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control—Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of General Communication, Inc. and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2010. The material weakness identified above was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2010 financial statements, and this report does not affect our report dated March 14, 2011, which expressed an unqualified opinion on those financial statements.

(signed) Grant Thornton LLP

Seattle, Washington
March 14, 2011

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Amounts in thousands) ASSETS	December 31, 2010	2009
Current assets:		
Cash and cash equivalents	$ 33,070	48,776
Receivables	132,856	147,859
Less allowance for doubtful receivables	9,189	7,060
Net receivables	123,667	140,799
Deferred income taxes	10,145	17,618
Prepaid expenses	5,950	4,491
Inventories	5,804	9,278
Other current assets	3,940	5,872
Total current assets	182,576	226,834
Property and equipment in service, net of depreciation	798,278	823,080
Construction in progress	31,144	26,161
Net property and equipment	829,422	849,241
Cable certificates	191,635	191,565
Goodwill	73,932	73,452
Wireless licenses	25,967	25,967
Other intangible assets, net of amortization	17,717	19,561
Deferred loan and senior notes costs, net of amortization of $6,469 and $4,662 at December 31, 2010 and 2009, respectively	13,661	13,168
Other assets	16,850	18,609
Total other assets	339,762	342,322
Total assets	$ 1,351,760	1,418,397

See accompanying notes to consolidated financial statements.

(Continued)

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

(Amounts in thousands) LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 2010	2009
Current liabilities:		
Current maturities of obligations under long-term debt and capital leases	$ 7,652	9,892
Accounts payable	35,589	30,697
Deferred revenue	17,296	21,404
Accrued payroll and payroll related obligations	22,132	21,874
Accrued interest	13,456	14,821
Accrued liabilities	12,557	15,037
Subscriber deposits	1,271	1,549
Total current liabilities	109,953	115,274
Long-term debt, net	779,201	771,247
Obligations under capital leases, excluding current maturities	84,144	89,279
Obligation under capital lease due to related party	1,885	1,876
Deferred income taxes	102,401	100,386
Long-term deferred revenue	49,175	52,342
Other liabilities	24,495	21,676
Total liabilities	1,151,254	1,152,080
Commitments and contingencies		
Stockholders' equity:		
Common stock (no par):		
Class A. Authorized 100,000 shares; issued 44,213 and 51,899 shares at December 31, 2010 and 2009, respectively; outstanding 43,958 and 51,627 shares at December 31, 2010 and 2009, respectively	69,396	150,911
Class B. Authorized 10,000 shares; issued and outstanding 3,178 and 3,186 shares at December 31, 2010 and 2009, respectively; convertible on a share-per-share basis into Class A common stock	2,677	2,684
Less cost of 255 and 272 Class A and Class B common shares held in treasury at December 31, 2010 and 2009, respectively	(2,249)	(2,339)
Paid-in capital	37,075	30,410
Retained earnings	93,607	84,651
Total stockholders' equity	200,506	266,317
Total liabilities and stockholders' equity	$ 1,351,760	1,418,397

See accompanying notes to consolidated financial statements.

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 2010, 2009, AND 2008

(Amounts in thousands, except per share amounts)	2010	2009	2008
Revenues	$ 651,250	595,811	575,442
Cost of goods sold (exclusive of depreciation and amortization shown separately below)	207,817	193,676	203,058
Selling, general and administrative expenses	228,808	212,671	210,306
Depreciation and amortization expense	126,114	123,362	114,369
Operating income	88,511	66,102	47,709
Other income (expense):			
Interest expense (including amortization and write-off of deferred loan fees)	(70,329)	(58,761)	(50,363)
Interest and investment income	261	111	576
Other	-	-	(217)
Other expense, net	(70,068)	(58,650)	(50,004)
Income (loss) before income tax expense	18,443	7,452	(2,295)
Income tax expense	9,488	3,936	1,077
Net income (loss)	8,955	3,516	(3,372)
Net loss attributable to the non-controlling interest	-	-	1,503
Net income (loss) attributable to General Communication, Inc.	$ 8,955	3,516	(1,869)
Basic net income (loss) attributable to General Communication, Inc. common stockholders per Class A common share	$ 0.17	0.07	(0.04)
Basic net income (loss) attributable to General Communication, Inc. common stockholders per Class B common share	$ 0.17	0.07	(0.04)
Diluted net income (loss) attributable to General Communication, Inc. common stockholders per Class A common share	$ 0.17	0.06	(0.04)
Diluted net income (loss) attributable to General Communication, Inc. common stockholders per Class B common share	$ 0.17	0.06	(0.04)

See accompanying notes to consolidated financial statements

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008

(Amounts in thousands)	Class A Common Stock	Class B Common Stock	Class A and B Shares Held in Treasury	Paid-in Capital	Retained Earnings	Non-controlling Interest	Total Stockholders' Equity
Balances at January 1, 2008	155,980	2,751	(3,448)	20,132	77,540	6,478	259,433
Net loss	-	-	-	-	(1,869)	(1,503)	(3,372)
Acquisition of remaining shares of non-controlling interest	-	-	-	-	-	(4,975)	(4,975)
Common stock retirements	(5,465)	-	-	-	5,465	-	-
Shares issued under stock option plan	415	-	-	-	-	-	415
Issuance of restricted stock awards	331	-	-	(331)	-	-	-
Share-based compensation expense	-	-	-	7,432	-	-	7,432
Reclassification from treasury stock to be held for general corporate purposes to common stock to be retired	-	-	960	-	(960)	-	-
Other	1	(45)	26	-	-	-	(18)
Balances at December 31, 2008	151,262	2,706	(2,462)	27,233	80,176	-	258,915
Net income	-	-	-	-	3,516	-	3,516
Common stock retirements	(950)	(9)	9	-	950	-	-
Shares issued under stock option plan	423	-	-	-	-	-	423
Issuance of restricted stock awards	398	-	-	(398)	-	-	-
Share-based compensation expense	-	-	-	3,575	-	-	3,575
Other	(222)	(13)	114	-	9	-	(112)
Balances at December 31, 2009	150,911	2,684	(2,339)	30,410	84,651	-	266,317
Net income	-	-	-	-	8,955	-	8,955
Common stock repurchases and retirements	(80,901)		94		-		(80,807)
Shares issued under stock option plan	659	-	-	-	-	-	659
Issuance of restricted stock awards	(1,280)	-	-	1,280	-	-	-
Share-based compensation expense	-	-	-	5,385	-	-	5,385
Other	7	(7)	(4)	-	1	-	(3)
Balances at December 31, 2010	69,396	2,677	(2,249)	37,075	93,607	-	200,506

See accompanying notes to consolidated financial statements

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008

(Amounts in thousands)	2010	2009	2008
Cash flows from operating activities:			
Net income (loss)	$ 8,955	3,516	(3,372)
Adjustments to reconcile net income (loss) to net cash provided by operating activities, net of effect of acquisitions:			
Depreciation and amortization expense	126,114	123,362	114,369
Deferred income tax expense	9,488	3,936	1,077
Share-based compensation expense	6,733	2,804	7,278
Other noncash income and expense items	6,725	14,919	8,896
Change in operating assets and liabilities, net of effect of acquisitions	13,244	(47,618)	47,087
Net cash provided by operating activities	171,259	100,919	175,335
Cash flows from investing activities:			
Purchases of property and equipment, including construction period interest	(96,194)	(120,983)	(221,458)
Purchase of businesses and non-controlling interest, net of cash received	(5,545)	(109)	(65,335)
Purchase of marketable securities	941	(305)	-
Proceeds from sale of marketable securities	(202)	613	4,800
Insurance proceeds	990	-	-
Purchases of other assets and intangible assets	(4,712)	(5,093)	(8,974)
Net cash used in investing activities	(104,722)	(125,877)	(290,967)
Cash flows from financing activities:			
Issuance of 2019 Senior Notes	-	421,473	-
Repayment of debt and capital lease obligations	(35,974)	(402,710)	(10,248)
Borrowing on long-term debt	6,206	3,884	114,486
Payment of debt issuance costs	(2,300)	(9,006)	(2,118)
Repurchase of common stock	(80,807)	-	-
Borrowing on Senior Credit Facility	30,000	30,000	30,000
Other	632	189	342
Net cash provided by (used in) financing activities	(82,243)	43,830	132,462
Net increase (decrease) in cash and cash equivalents	(15,706)	18,872	16,830
Cash and cash equivalents at beginning of period	48,776	29,904	13,074
Cash and cash equivalents at end of period	$ 33,070	48,776	29,904

See accompanying notes to consolidated financial statements.

(1) Business and Summary of Significant Accounting Principles

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

(a) Business

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

- Origination and termination of traffic in Alaska for certain common carriers,
- Cable television services throughout Alaska,
- Competitive local access services throughout Alaska,
- Incumbent local access services in areas of rural Alaska,
- Long-distance telephone service,
- Sale of postpaid and prepaid wireless telephone services and sale of wireless telephone handsets and accessories,
- Data network services,
- Internet access services,
- Wireless roaming for certain wireless carriers,
- Broadband services, including our SchoolAccess® offering to rural school districts, our ConnectMD® offering to rural hospitals and health clinics, and managed video conferencing,
- Managed services to certain commercial customers,
- Sales and service of dedicated communications systems and related equipment, and
- Lease, service arrangements and maintenance of capacity on our fiber optic cable systems used in the transmission of voice and data services within Alaska and between Alaska and the remaining United States and foreign countries.

(b) Principles of Consolidation

The consolidated financial statements include the consolidated accounts of GCI and its wholly-owned subsidiaries, as well as a variable interest entity in which we were the primary beneficiary prior to August 18, 2008 when we acquired the remaining 18.1% equity interest and voting control of Alaska DigiTel, LLC ("Alaska DigiTel"). 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) Acquisitions

Effective June 1, 2008, we closed on our purchase of 100% of the outstanding stock of United Utilities, Inc. ("UUI") and Unicom, Inc. ("Unicom"), which were subsidiaries of United Companies, Inc. ("UCI"). UUI, together with its subsidiary, United-KUC, Inc. ("United-KUC"), provides local telephone service to 60 rural communities in the Bethel, Alaska area. Unicom operates DeltaNet, a long-haul broadband microwave network ringing the Yukon-Kuskokwim Delta. This investment expanded our Managed Broadband services in rural Alaska. The UUI and Unicom acquisition were stock purchases but we elected to treat them as an asset purchase for income tax purposes, resulting in goodwill being deductible for tax purposes.

Effective July 1, 2008, we closed on our purchase of 100% of the ownership interests of Alaska Wireless Communications, LLC ("Alaska Wireless"), which provides wireless and Internet services in the Dutch Harbor, Sand Point, Akutan, and Adak, Alaska areas. Such purchase was treated as an asset purchase for income tax purposes. This investment expanded our wireless services in the Aleutian Chain region of rural Alaska. We consider this business combination to be immaterial to our consolidated financial statements.

On August 18, 2008, we exercised our option to acquire the remaining 18.1% of the equity interest and voting control of Alaska DigiTel for $10.4 million. Prior to August 18, 2008, our ability to control the operations of Alaska DigiTel was limited as required by the Federal Communications Commission ("FCC") upon their approval of our initial acquisition of 81.9% of the non-controlling equity interest obtained in January 2007. Subsequent to the acquisition of the non-controlling interest, we own 100% of the outstanding common ownership units and voting control of Alaska DigiTel. Such purchase was treated as an asset purchase for income tax purposes. We purchased Alaska DigiTel as a way to participate in the future growth of the Alaska wireless industry. We consolidated 100% of Alaska

(Continued)

DigiTel's assets and liabilities at fair value beginning on January 1, 2007, when we determined that Alaska DigiTel was a variable interest entity of which we were the primary beneficiary. Upon our acquisition of the non-controlling interest in Alaska DigiTel on August 18, 2008, we recorded 18.1% of the change in fair value between the assets and liabilities on January 1, 2007 and the fair value of the assets and liabilities on August 18, 2008.

On the closing date of the UUI and Unicom acquisition, $8.0 million of the purchase price was deposited in an escrow account to compensate us for any indemnification claims we may have after the acquisition and was included in the purchase price. As of December 31, 2010, $2.0 million remained in the escrow account, the balance of which was released in January 2011.

We have agreed to make additional payments for UUI and Unicom in each of the years 2009 through 2013 that are contingent on sequential year-over-year revenue growth for specified customers. During the years ended December 31, 2010 and 2009, we paid an additional $388,000 and $109,000, respectively, to the former shareholders of UUI. As of December 31, 2010, we have recorded an accrual of $480,000 for contingent consideration to the former shareholders of UUI. We made an additional $5.2 million payment for Alaska Wireless in 2010 that was contingent on meeting certain financial conditions. We are unable to reasonably estimate the remaining contingent consideration amounts that may be paid for the UUI acquisition, but do not believe any amount paid will be significant.

Our business acquisitions and the acquisition of the non-controlling interest in Alaska DigiTel were recorded with the purchase price allocated based on the fair values of the assets acquired and liabilities assumed. In addition, the acquired companies' results of operations are included since the effective date of each acquisition.

The purchase prices, including contingent payments, for our 2008 acquisitions, net of cash received of approximately $1.7 million from UUI and Unicom, are as follows (amounts in thousands):

	As Originally Reported at December 31, 2008	Adjustments	Revised Purchase Price at December 31, 2010
UUI and Unicom	$ 40,575	977	41,552
Alaska Wireless	$ 14,508	5,157	19,665
Alaska DigiTel	$ 10,434	-	10,434

The purchase price for the UUI and Unicom acquisition had been allocated at December 31, 2009. During the year ended December 31, 2010, we accrued an additional contingency payment to UUI of $480,000. Therefore our allocation of the purchase price at December 31, 2009 has been adjusted for this consideration and is as follows (amounts in thousands):

(Continued)

	Originally Recorded at December 31, 2008	Adjustments	Revised Balance at December 31, 2009	Adjustments	Revised Balance at December 31, 2010
Current assets	$ 15,008	-	15,008	-	15,008
Property and equipment, including construction in progress	59,629	68	59,697	-	59,697
Intangible assets	8,175	-	8,175	-	8,175
Wireless licenses	100	-	100	-	100
Goodwill	9,102	1,427	10,529	480	11,009
Deferred income taxes	-	679	679	-	679
Other assets	3,106	-	3,106	-	3,106
Total assets acquired	95,120	2,174	97,294	480	97,774
Current liabilities	4,916	96	5,012	-	5,012
Long-term debt, including current portion	43,614	-	43,614	-	43,614
Other long-term liabilities	4,335	1,581	5,916	-	5,916
Total liabilities assumed	52,865	1,677	54,542	-	54,542
Net assets acquired	$ 42,255	497	42,752	480	43,232

The purchase price for the Alaska DigiTel acquisition has been finalized and allocated as of December 31, 2008 as follows (amounts in thousands):

Current assets	$ 2,220
Property and equipment, including construction in progress	6,015
Intangible assets	1,468
Wireless licenses	4,396
Goodwill	4,534
Other assets	1
Total assets acquired	18,634
Current liabilities	2,588
Long-term debt, including current portion	5,515
Other long-term liabilities	97
Total liabilities assumed	8,200
Net assets acquired	$ 10,434

Goodwill increased $480,000 at December 31, 2010 as compared to December 31, 2009 due to a contingent payment to UUI. Goodwill increased $6.6 million at December 31, 2009 as compared to December 31, 2008, primarily to record a $930,000 adjustment for grant deferred revenue to the UUI and Unicom purchase price allocations and for additional $5.2 million and $497,000 contingent payments to Alaska Wireless and UUI, respectively.

We modified the initial preliminary UUI and Unicom purchase price allocation during 2008 by increasing current assets $548,000, decreasing property and equipment $8.5 million, increasing intangible assets $1.7 million, increasing goodwill $3.1 million, increasing other assets $695,000, increasing current liabilities $464,000, increasing long-term debt $910,000, and decreasing other long-term liabilities $3.9 million for adjustments due to the refinement of the estimated fair value.

We modified the initial preliminary Alaska DigiTel purchase price allocation for the purchase of the non-controlling interest during 2008 by decreasing property and equipment $202,000, increasing intangible assets $503,000, decreasing goodwill $88,000, and increasing liabilities $253,000 for adjustments to the fair value of the fixed assets and intangibles due to refinement of the valuation. An adjustment to the fair value of the liabilities was due to refinement of the estimated fair value.

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All of our 2008 acquisitions resulted in goodwill which is deductible over 15 years for income tax purposes.

Revenues from the date of acquisition, net of intercompany revenue, for our acquisitions of UUI, Unicom, Alaska DigiTel and Alaska Wireless are allocated to our Consumer, Network Access, Managed Broadband, and Regulated Operations segments.

The following unaudited pro forma financial information is presented as if we had acquired the companies as of the beginning of the period presented. The pro forma results of operation as if the acquisitions occurred on January 1, 2008 for the year ended December 31, 2008 is as follows (amount in thousands, unaudited):

Pro forma consolidated revenue	$	588,691
Pro forma net loss	$	(2,932)
EPS:		
Basic – pro forma	$	(0.06)
Diluted – pro forma	$	(0.06)

(d) Recently Issued Accounting Pronouncements

Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2009-13 addresses the accounting for multiple deliverable arrangements to enable vendors to account for products or services ("deliverables") separately rather than as a combined unit. Specifically, this guidance amends the criteria in Subtopic 605-25, "Revenue Recognition - Multiple-Element Arrangements", for separating consideration in multiple-deliverable arrangements. This guidance establishes a selling price hierarchy for determining the selling price of a deliverable, which is based on: (a) vendor-specific objective evidence; (b) third-party evidence; or (c) estimates. This guidance also eliminates the residual method of allocation and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method. In addition, this guidance significantly expands required disclosures related to a vendor's multiple-deliverable revenue arrangements. ASU 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The adoption of ASU 2009-13 is not expected to have a material impact on our statement of operations, financial position or cash flows.

In December 2010, the FASB issued ASU 2010-28 "Intangibles—Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts". Under ASU 2010-28, if the carrying amount of a reporting unit is zero or negative, an entity must assess whether it is more likely than not that goodwill impairment exists. To make that determination, an entity should consider whether there are adverse qualitative factors that could impact the amount of goodwill, including those listed in ASC 350-20-35-30. As a result of the new guidance, an entity can no longer assert that a reporting unit is not required to perform the second step of the goodwill impairment test because the carrying amount of the reporting unit is zero or negative, despite the existence of qualitative factors that indicate goodwill is more likely than not impaired. ASU 2010-28 is effective for public entities for fiscal years, and for interim periods within those years, beginning after December 15, 2010, with early adoption prohibited. The adoption of ASU 2009-28 is not expected to have a material impact on our statement of operations, financial position or cash flows.

In December 2010, the FASB issued the ASU 2010-29 "Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations". ASU 2010-29 specifies that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments in this update also expand the supplemental pro forma disclosures under Topic 805

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to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amended guidance is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. Early adoption is permitted. The adoption of ASU 2009-29 is not expected to have a material impact on our statement of operations, financial position or cash flows.

(e) Recently Adopted Accounting Pronouncements

ASU 2009-17 addresses a revision to former SFAS No. 167, “Amendments to FASB Interpretation No. 46(R)” ("SFAS 167"). ASU 2009-17 amends previous accounting related to the consolidation of variable interest entities ("VIE") to require an enterprise to qualitatively assess the determination of the primary beneficiary of a variable interest entity based on whether the entity (1) has the power to direct the activities of a VIE that most significantly impact the entity’s economic performance and (2) has the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. Also, SFAS No. 167 requires an ongoing reconsideration of the primary beneficiary, and amends the events that trigger a reassessment of whether an entity is a VIE. Enhanced disclosures are also required to provide information about an enterprise’s involvement in a VIE. The adoption of ASU 2009-17 on January 1, 2010, did not have a material impact on our statement of operations, financial position or cash flows.

ASU No. 2010-06, “Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements” requires new disclosures and clarifies existing disclosure requirements about fair value measurement as set forth in Codification Subtopic 820-10. The FASB’s objective is to improve these disclosures and, thus, increase the transparency in financial reporting. Specifically, ASU 2010-06 amends Codification Subtopic 820-10 to now require that (a) a reporting entity should disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers; and (b) in the reconciliation for fair value measurements using significant unobservable inputs, a reporting entity should present separately information about purchases, sales, issuances, and settlements. In addition, ASU 2010-06 clarifies the requirements of the following existing disclosures:

- For purposes of reporting fair value measurement for each class of assets and liabilities, a reporting entity needs to use judgment in determining the appropriate classes of assets and liabilities; and
- A reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements.

We adopted ASU 2010-06 as of January 1, 2010, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Early application is permitted. The adoption of ASU 2010-06 did not have a material impact on our statement of operations, financial position or cash flow.

(f) Regulatory Accounting and Regulation

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

(g) Earnings per Common Share

We compute net income per share of Class A and Class B common stock using the “two class” method. Therefore, basic net income per share is computed by dividing net income applicable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted net income per share is computed by dividing net income by the weighted average

(Continued)

number of common and dilutive common equivalent shares outstanding during the period. The computation of the dilutive net income per share of Class A common stock assumes the conversion of Class B common stock to Class A common stock, while the dilutive net income per share of Class B common stock does not assume the conversion of those shares. Additionally in applying the "two-class" method, undistributed earnings are allocated to both common shares and participating securities. Our restricted stock grants are entitled to dividends and meet the criteria of a participating security.

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

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

	Year Ended December 31, 2010	
	Class A	Class B
Basic net income per share:		
Numerator:		
Allocation of undistributed earnings	$ 8,420	535
Denominator:		
Weighted average common shares outstanding	50,076	3,183
Basic net income per share	$ 0.17	0.17
Diluted net income per share:		
Numerator:		
Allocation of undistributed earnings for basic computation	$ 8,420	535
Reallocation of undistributed earnings as a result of conversion of Class B to Class A shares	535	-
Reallocation of undistributed earnings as a result of conversion of Class B to Class A shares outstanding	-	(2)
Net income adjusted for allocation of undistributed earnings	$ 8,955	533
Denominator:		
Number of shares used in basic computation	50,076	3,183
Conversion of Class B to Class A common shares outstanding	3,183	-
Unexercised stock options	167	-
Number of shares used in per share computations	53,426	3,183
Diluted net income per share	$ 0.17	0.17

(Continued)

	Years Ended December 31,			
	2009		2008	
	Class A	Class B	Class A	Class B
Basic net income (loss) per share:				
Numerator:				
Allocation of undistributed earnings (losses)	$ 3,305	211	$ (1,754)	(115)
Denominator:				
Weighted average common shares outstanding	50,159	3,195	49,080	3,241
Basic net income (loss) attributable to GCI common stockholders per common share	$ 0.07	0.07	$ (0.04)	(0.04)
Diluted net income (loss) per share:				
Numerator:				
Allocation of undistributed earnings (losses) for basic computation	$ 3,305	211	$ (1,754)	(115)
Reallocation of undistributed earnings (losses) as a result of conversion of Class B to Class A shares	211	-	(115)	-
Reallocation of undistributed earnings (losses) as a result of conversion of Class B to Class A shares outstanding	-	(29)	-	-
Effect of share based compensation that may be settled in cash or shares	(454)	-	-	-
Net income (loss) adjusted for allocation of undistributed earnings (losses) and effect of share based compensation that may be settled in cash or shares	$ 3,062	182	$ (1,869)	(115)
Denominator:				
Number of shares used in basic computation	50,159	3,195	49,080	3,241
Conversion of Class B to Class A common shares outstanding	3,195	-	3,241	-
Unexercised stock options	258	-	-	-
Effect of share based compensation that may be settled in cash or shares	236	-	-	-
Number of shares used in per share computations	53,848	3,195	52,321	3,241
Diluted net income (loss) attributable to GCI common stockholders per common share	$ 0.06	0.06	$ (0.04)	(0.04)

Weighted average shares associated with outstanding share awards for the years ended December 31, 2010, 2009 and 2008 which have been excluded from the computations of diluted EPS, because the effect of including these share awards would have been anti-dilutive, consist of the following (shares, in thousands):

	Years Ended December 31,		
	2010	2009	2008
Shares associated with anti-dilutive unexercised stock options	460	3,753	4,238
Share-based compensation that may be settled in cash or shares, the effect of which is anti-dilutive	217	-	289
	677	3,753	4,527

(Continued)

Additionally, 50,000, 420,000 and 258,000 weighted average shares associated with contingent options and awards for the years ended December 31, 2010, 2009 and 2008, respectively, were excluded from the computation of diluted EPS because the contingencies of these options and awards have not been met at December 31, 2010, 2009, and 2008, respectively.

(h) Common Stock

Following are the changes in issued common stock for the years ended December 31, 2010, 2009 and 2008 (shares, in thousands):

	Class A	Class B
Balances at January 1, 2008	50,437	3,257
Class B shares converted to Class A	54	(54)
Shares issued upon stock option exercises	71	-
Share awards issued	45	-
Shares retired	(540)	-
Other	(5)	-
Balances at December 31, 2008	50,062	3,203
Class B shares converted to Class A	15	(15)
Shares issued upon stock option exercises	77	-
Share awards issued	1,964	-
Shares retired	(219)	(2)
Balances at December 31, 2009	51,899	3,186
Class B shares converted to Class A	8	(8)
Shares issued upon stock option exercises	116	-
Share awards issued	336	-
Shares retired	(8,144)	-
Other	(2)	-
Balances at December 31, 2010	44,213	3,178

We retired 17,000, 219,000, and 540,000 shares of our Class A common stock during the years ended December 31, 2010, 2009 and 2008, respectively, that were acquired to settle the minimum statutory tax-withholding requirements pursuant to restricted stock award vesting and the settlement of deferred compensation.

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. In October 2010, GCI's Board of Directors approved an increase to the common stock buyback plan. Under the amended plan, we were authorized to repurchase up to $100.0 million worth of GCI common stock. In December 2010, GCI's Board of Directors approved an additional $100.0 million increase to the stock buyback plan. 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.

On October 21, 2010, we entered into a stock purchase agreement with Arctic Slope Regional Corporation ("ASRC"), pursuant to which GCI repurchased 7,486,240 shares of GCI's Class A common stock for $10.16 per share, representing a total purchase price of $76.0 million. Prior to the repurchase ASRC was a related party.

During the year ended December 31, 2010 we repurchased a total of 8.0 million shares of our Class A and B common stock at a cost of $80.8 million. The cost of the repurchased common stock reduced Common Stock on our Consolidated Balance Sheets. The repurchase reduced the amount available under the stock buyback program to $125.5 million. The repurchased stock was retired as of December 31, 2010. There were no repurchases during the years ended December 31, 2009 and 2008.

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If stock repurchases are less than the total approved quarterly amount the difference may be carried forward and used to repurchase additional shares in future quarters. We expect to continue the repurchases for an indefinite period dependent on leverage, liquidity, company performance, market conditions and subject to continued oversight by GCI's Board of Directors. The open market repurchases have complied and will continue to comply with the restrictions of Rule 10b-18 under the Securities Exchange Act of 1934, as amended.

(i) Redeemable Preferred Stock

We have 1,000,000 shares of preferred stock authorized with no shares issued and outstanding at years ended December 31, 2010, 2009 and 2008.

(j) Treasury Stock

We account for treasury stock purchased for general corporate purposes under the cost method and include treasury stock as a component of Stockholders' Equity. Treasury stock purchased with intent to retire (whether or not the retirement is actually accomplished) is charged to Class A or Class B Common Stock.

(k) Cash Equivalents

Cash equivalents consist of overnight sweep investments and certificates of deposit which have an original maturity of three months or less at the date acquired and are readily convertible into cash.

(l) 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 ("USAC") 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, a specific identification method, or a combination of the two methods. When a specific identification method is used, past due balances over 90 days old and balances less than 90 days old but potentially uncollectible due to bankruptcy or other issues are reviewed individually for collectability. Account balances are charged off against the allowance when we feel it is probable the receivable will not be recovered. We do not have any off-balance-sheet credit exposure related to our customers.

(m) Inventories

Wireless handset inventories are stated at the lower of cost or market (net realizable value). Cost is determined using the average cost method. Handset costs in excess of the revenues generated from handset sales, or handset subsidies, are expensed at the time of sale. We do not recognize the expected handset subsidies prior to the time of sale because the promotional discount decision is made at the point of sale and/or because we expect to recover the handset subsidies through service revenue.

Inventories of other merchandise for resale and parts are stated at the lower of cost or market. Cost is determined using the average cost method.

(n) Property and Equipment

Property and equipment is stated at cost. Construction costs of facilities are capitalized. Equipment financed under capital leases is recorded at the lower of fair market value or the present value of future minimum lease payments at inception of the lease. Construction in progress represents transmission equipment and support equipment and systems not placed in service on December 31, 2010 that management intends to place in service during 2011.

(Continued)

Depreciation is computed using the straight-line method based upon the shorter of the estimated useful lives of the assets or the lease term, if applicable, in the following ranges:

Asset Category	Asset Lives
Telephony transmission equipment and distribution facilities	5-20 years
Fiber optic cable systems	15-25 years
Cable transmission equipment and distribution facilities	5-30 years
Support equipment and systems	3-20 years
Transportation equipment	5-13 years
Property and equipment under capital leases	12-20 years
Buildings	25 years
Customer premises equipment	2-20 years

Amortization of property and equipment under capital leases is included in Depreciation and Amortization Expense on the Consolidated Statements of Operations.

Repairs and maintenance are charged to expense as incurred. Expenditures for major renewals and betterments are capitalized. Accumulated depreciation is removed and gains or losses are recognized at the time of sales or other dispositions of property and equipment.

(o) Intangible Assets and Goodwill

Goodwill, cable certificates (certificates of convenience and public necessity) and wireless licenses are not amortized. Cable certificates represent certain perpetual operating rights to provide cable services. Wireless licenses represent the right to utilize certain radio frequency spectrum to provide wireless communications services. Goodwill represents the excess of cost over fair value of net assets acquired in connection with a business acquisition. Goodwill is not allocated to our reportable segments as our Chief Operating Decision Maker does not review a balance sheet by reportable segment to make decisions about resource allocation or evaluate reportable segment performance, however, goodwill is allocated to our reporting units for the sole purpose of the annual impairment test.

All other amortizable intangible assets are being amortized over 2 to 20 year periods using the straight-line method.

(p) Impairment of Intangibles, Goodwill, and Long-lived Assets

Cable certificates and wireless license assets are treated as indefinite-lived intangible assets and are tested annually for impairment or more frequently if events and circumstances indicate that the asset might be impaired. The impairment test consists of a comparison of the fair value of the asset with its carrying amount. If the carrying amount of the assets exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. After an impairment loss is recognized, the adjusted carrying amount of the asset becomes its new accounting basis. Impairment testing of our cable certificate and wireless license assets as of October 31, 2010 and 2009 used a direct value method.

Our goodwill is tested annually for impairment, and is tested for impairment more frequently if events and circumstances indicate that the assets might be impaired. We are required to determine goodwill impairment using a two-step process. The first step of the goodwill impairment test is used to identify potential impairment by comparing the fair value of a reporting unit with its carrying amount. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The

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implied fair value of goodwill is determined in the same manner as the amount of goodwill that would be recognized in a business combination. We use a discounted cash flow method to determine the fair value of our reporting units. This method requires us to make estimates and assumptions including projected cash flows and discount rate. These estimates and assumptions could have a significant impact on whether an impairment charge is recognized and also the magnitude of any such impairment charge.

During the third quarter of 2009, we changed the date of our annual impairment test from the last day of the fiscal year to the last day of the tenth month of the fiscal year for all of our indefinite-lived intangibles. As we grew, it became increasingly difficult to complete the various impairment analyses in a timely manner, therefore, we believed the change in accounting principle related to the annual testing date was preferable as it provided us additional time to complete the impairment test and report the results of that test in our annual filing on Form 10-K. We believe that the change to the annual testing date did not delay, accelerate or avoid an impairment charge. We determined that this change in accounting principle was preferable under the circumstances and it did not result in adjustments to our financial statements when applied retrospectively. The annual impairment test was performed as of December 31, 2008 and was performed again as of October 31, 2009, therefore, less than 12 months elapsed between impairment tests. We completed our annual review and no impairment charge was recorded for the years ended December 31, 2009 or 2010.

Long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Recoverability of an asset group to be held and used is measured by a comparison of the carrying amount of an asset group to estimated undiscounted future cash flows expected to be generated by the asset group. If the carrying amount of an asset group exceeds its estimated undiscounted future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset group exceeds the fair value of the asset group.

(q) Amortization and Write-off of Loan Fees

Debt issuance costs are deferred and amortized using the effective interest method. If a refinancing or amendment of a debt instrument is a substantial modification, all or a portion of the applicable debt issuance costs are written off. If a debt instrument is repaid prior to the maturity date we will write-off a proportional amount of debt issuance costs.

(r) Other Assets

Other Assets primarily include long-term deposits, prepayments, and non-trade accounts receivable.

(s) Asset Retirement Obligations

We record the fair value of a liability for an asset retirement obligation in the period in which it is incurred in Other Liabilities on the Consolidated Balance Sheets if the fair value of the liability can be reasonably estimated. When the liability is initially recorded, we capitalize a cost by increasing the carrying amount of the related long-lived asset. In periods subsequent to initial measurement, period-to-period changes in the liability for an asset retirement obligation resulting from revisions to either the timing or the amount of the original estimate of undiscounted cash flows are recognized. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, we either settle the obligation for its recorded amount or incur a gain or loss upon settlement.

The majority of our asset retirement obligations are the estimated cost to remove telephony transmission equipment and support equipment from leased property. Following is a reconciliation of the beginning and ending aggregate carrying amount of our liability for asset retirement obligations (amounts in thousands):

Balance at December 31, 2008	$ 6,179
Liability incurred	5,764
Accretion expense	634
Liability settled	(63)

(Continued)

Balance at December 31, 2009	12,514
Liability incurred	1,253
Accretion expense	289
Liability settled	(21)
Balance at December 31, 2010	$ 14,035

During the years ended December 31, 2010 and 2009 we recorded additional capitalized costs of $1.3 million and $5.8 million, respectively, in Property and Equipment in Service, Net of Depreciation.

Certain of our network facilities are on property that requires us to have a permit and the permit contains provisions requiring us to remove our network facilities in the event that the permit is not renewed. We expect to continually renew our permits and therefore cannot estimate any liabilities associated with such agreements. A remote possibility exists that we would not be able to successfully renew a permit, which could result in us incurring significant expense in complying with restoration or removal provisions.

(t) Revenue Recognition

All revenues are recognized when the earnings process is complete. Revenue recognition is as follows:

- Revenues generated from long-distance service usage and plan fees, Internet service excess usage, and managed services are recognized when the services are provided,
- We recognize unbilled revenues when the service is provided based upon minutes of use processed, and/or established rates, net of credits and adjustments,
- Cable television service package fees, local access and Internet service plan fees, and private line telecommunication revenues are billed in advance, recorded as Deferred Revenue on the balance sheet, and are recognized as the associated service is provided,
- Certain of our wireless services offerings have been determined to be revenue arrangements with multiple deliverables. Revenues are recognized as each element is earned based on objective evidence regarding the relative fair value of each element and when there are no undelivered elements that are essential to the functionality of the delivered elements. Revenues generated from wireless service usage and plan fees are recognized when the services are provided. Revenues generated from the sale of wireless handsets and accessories are recognized when title to the handset and accessories passes to the customer. As the non-refundable, up-front activation fee charged to the customer does not meet the criteria as a separate unit of accounting, we allocate the additional arrangement consideration received from the activation fee to the handset (the delivered item) to the extent that the aggregate handset and activation fee proceeds do not exceed the fair value of the handset. Any activation fees not allocated to the handset would be deferred upon activation and recognized as service revenue on a straight-line basis over the expected customer relationship period,
- The majority of our equipment sale transactions involve the sale of communications equipment with no other services involved. Such equipment is subject to standard manufacturer warranties and we do not manufacture any of the equipment we sell. In such instances the customer takes title to the equipment generally upon delivery. We recognize revenue for such transactions when title passes to the customer and the revenue is earned and realizable. On certain occasions we enter into agreements to sell and satisfactorily install or integrate telecommunications equipment for a fixed fee. Customers may have refund rights if the installed equipment does not meet certain performance criteria. We defer revenue recognition until we have received customer acceptance per the contract or agreement, and all other required revenue recognition elements have been achieved. Revenues from contracts with multiple element arrangements, such as those including installation and integration services, are recognized as each element is earned based on objective evidence regarding the relative fair value of each element and when there are no undelivered elements that are essential to the functionality of the delivered elements,
- Technical services revenues are derived primarily from maintenance contracts on equipment and are recognized on a prorated basis over the term of the contracts,
- We account for fiber capacity Indefeasible Rights to Use ("IRU") agreements as an operating lease or service arrangement and we defer the revenue and recognize it ratably over the life of the IRU or as service is rendered,
- Access revenue is recognized when earned. We participate in access revenue pools with other telephone companies. Such pools are funded by toll revenue and/or access charges regulated by the Regulatory Commission of Alaska ("RCA") within the intrastate jurisdiction and the FCC within the interstate jurisdiction. Much of the interstate access revenue is initially recorded based on estimates. These estimates are derived from interim financial information, available separation studies and the most recent information available about achieved rates of return. These estimates are subject to adjustment in future accounting periods as additional information becomes available. To the extent that a dispute arises over revenue settlements, our policy is to defer revenue collected until the dispute is resolved,
- As an Eligible Telecommunications Carrier ("ETC"), we receive support from the Universal Service Fund ("USF") to support the provision of wireline local access and wireless service in high-cost areas. We accrue estimated program revenue quarterly based on current line counts, the most current rates paid to us, our assessment of the impact of current FCC regulations, and our assessment of the potential outcome of FCC proceedings. Our estimated accrued revenue is subject to our judgment regarding the outcome of many variables and is subject to upward or downward adjustment in subsequent periods. Our ability to collect our accrued USF support is contingent upon continuation of the USF program and upon our eligibility to participate in that program, which is subject to change by future regulatory, legislative or judicial actions. We adjust revenue and the account receivable in the period the FCC makes a program change or we assess the likelihood that such a change has increased or decreased revenue. The payment from the USF is generally received approximately ten months subsequent to the services being performed. At December 31, 2010 we have $40.0 million in accounts receivable related to the USF high-cost area program. We do

not recognize revenue until our ETC status has been approved by the RCA,

- We receive refunds from time to time from incumbent local exchange carriers ("ILECs"), with which we do business in respect of their earnings that exceed regulatory requirements. Telephone companies that are rate regulated by the FCC using the rate of return method are required by the FCC to refund earnings from interstate access charges assessed to long-distance carriers when their earnings exceed their authorized rate of return. Such refunds are computed based on the regulated carrier's earnings in several access categories. Uncertainties exist with respect to the amount of their earnings, the refunds (if any), their timing, and their realization. We account for such refundable amounts as gain contingencies, and, accordingly, do not recognize them until realization is a certainty upon receipt,
- We receive grant revenue for the purpose of building communication infrastructure in rural areas. We defer the revenue and recognize it over the life of the asset that was constructed using grant funds, and
- Other revenues are recognized when the service is provided.

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We recognized $2.8 million of wireless revenue in July 2008 from USAC for interstate common line support. Due to the uncertainty in our ability to retroactively claim reimbursement under the program, we accounted for this payment as a gain contingency and, accordingly, recognized revenue only upon receipt of payment when realization was certain.

(u) Payments Received from Suppliers

Our Consumer segment occasionally receives reimbursements for video services costs to promote suppliers' services, called cooperative advertising arrangements. The supplier payment is classified as a reduction of selling, general and administrative expenses if it reimburses specific, incremental and identifiable costs incurred to resell the suppliers' services. If the supplier payment is unspecific, the payment is classified as a reduction to Cost of Goods Sold. Recognition occurs upon receipt of the payment because collection is not assured.

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(v) Advertising Expense

We expense advertising costs in the year during which the first advertisement appears. Advertising expenses were $4.3 million, $4.1 million and $5.6 million for the years ended December 31, 2010, 2009 and 2008, respectively.

(w) Leases

Scheduled operating lease rent increases are amortized over the expected lease term on a straight-line basis. Rent holidays are recognized on a straight-line basis over the operating lease term (including any rent holiday period).

Leasehold improvements are amortized over the shorter of their economic lives or the lease term. We may amortize a leasehold improvement over a term that includes assumption of a lease renewal if the renewal is reasonably assured. Leasehold improvements acquired in a business combination are amortized over the shorter of the useful life of the assets or a term that includes required lease periods and renewals that are deemed to be reasonably assured at the date of acquisition. Leasehold improvements that are placed in service significantly after and are not contemplated at or near the beginning of the lease term are amortized over the shorter of the useful life of the assets or a term that includes required lease periods and renewals that are deemed to be reasonably assured at the date the leasehold improvements are purchased. Leasehold improvements made by us and funded by landlord incentives or allowances under an operating lease are recorded as deferred rent and amortized as reductions to lease expense over the lease term.

(x) Interest Expense

Material interest costs incurred during the construction period of non-software capital projects are capitalized. Interest costs incurred during the development period of a software capital project are capitalized. Interest is capitalized in the period commencing with the first expenditure for a qualifying capital project and ending when the capital project is substantially complete and ready for its intended use. We capitalized interest cost of $1.1 million, $548,000 and $4.2 million during the years ended December 31, 2010, 2009 and 2008, respectively.

(y) Income Taxes

Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for their future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable earnings in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recognized if it is more likely than not that some portion or all of the deferred tax asset will not be realized.

We file federal income tax returns in the U.S. and in various state jurisdictions. We are no longer subject to U.S. or state tax examinations by tax authorities for years before 2007 except that certain U.S. federal income tax returns for years after 1997 are not closed by relevant statutes of limitations due to unused net operating losses reported on those income tax returns.

We recognize accrued interest on unrecognized tax benefits in interest expense and penalties in selling, general and administrative expenses. We did not have any unrecognized tax benefits as of December 31, 2010, 2009 and 2008, and accordingly, we did not recognize any interest expense. Additionally, we recorded no penalties during the years ended December 31, 2010, 2009 and 2008.

(z) Share-based Payment Arrangements

We currently use the Black-Scholes-Merton option-pricing model to value stock options granted to employees. We use these values to recognize stock compensation expense for stock

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options. Compensation expense is recognized in the financial statements for share-based awards based on the grant date fair value of those awards. Share-based compensation expense includes an estimate for pre-vesting forfeitures and is recognized over the requisite service periods of the awards on a straight-line basis, which is generally commensurate with the vesting term. See note 9 for information on the assumptions we used to calculate the fair value of share-based compensation.

We are required to report the benefits associated with tax deductions in excess of recognized compensation cost as a financing cash flow rather than as an operating cash flow.

(aa) Stock Options and Stock Awards Issued for Non-employee Services

Stock options and warrants issued in exchange for non-employee services are accounted for based upon the fair value of the consideration or services received or the fair value of the equity instruments issued using the Black-Scholes-Merton method, whichever is more reliably measurable.

The fair value determined using these principles is charged to operating expense over the shorter of the term for which non-employee services are provided, if stated, or the stock option or warrant vesting period.

(ab) Use of Estimates

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America ("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 area program support, share-based compensation, inventory reserves, reserve for future customer credits, valuation allowances for deferred income tax assets, depreciable and amortizable lives of assets, the carrying value of long-lived assets including goodwill, cable certificates and wireless licenses, purchase price allocations, deferred lease expense, asset retirement obligations, the accrual of Cost of Goods Sold, and the accrual of contingencies and litigation. Actual results could differ from those estimates.

The accounting estimates related to revenues from the high cost USF program are dependent on various inputs including current line counts, the most current rates paid to us, and our assessment of the impact of new FCC regulations, and the potential outcome of FCC proceedings. Some of the inputs are subjective and based on our judgment regarding the outcome of certain variables and is subject to upward or downward adjustment in subsequent periods.

Effective in the second quarter of 2010, we changed our USF high-cost area program support accrual methodology due to a change in our estimate of the current amounts expected to be paid to us. The effect of this change in estimate was a revenue increase of $4.7 million, a net income increase of $3.1 million, and a basic and diluted net income per share increase of $0.06 for the year ended December 31, 2010.

(ac) Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk are primarily cash and cash equivalents and accounts receivable. Excess cash is invested in high quality short-term liquid money instruments. At December 31, 2010 and 2009, substantially all of our cash and cash equivalents were invested in short-term liquid money instruments. At December 31, 2010 and 2009, cash balances were in excess of Federal Deposit Insurance Corporation insured limits.

We do not have any major customers for the year ended December 31, 2010 (see note 10). Our customers are located primarily throughout Alaska. Because of this geographic concentration, our growth and operations depend upon economic conditions in Alaska.

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(ad) Software Capitalization Policy

Internally used software, whether purchased or developed, is capitalized and amortized using the straight-line method over an estimated useful life of five years. We capitalize certain costs associated with internally developed software such as payroll costs of employees devoting time to the projects and external direct costs for materials and services. Costs associated with internally developed software to be used internally are expensed until the point the project has reached the development stage. Subsequent additions, modifications or upgrades to internal-use software are capitalized only to the extent that they allow the software to perform a task it previously did not perform. Software maintenance and training costs are expensed in the period in which they are incurred. The capitalization of software requires judgment in determining when a project has reached the development stage.

(ae) Guarantees

Certain of our customers have guaranteed levels of service. If an interruption in service occurs we do not recognize revenue for any portion of the monthly service fee that will be refunded to the customer or not billed to the customer due to these service level agreements.

(af) 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 statements of operations. We report a certain surcharge on a gross basis in our statement of operations of $5.2 million, $4.4 million and $4.1 million for the years ended December 31, 2010, 2009 and 2008, respectively.

(ag) Derivatives

From time to time we enter into derivative contracts to manage exposure to variability in cash flows from floating-rate financial instruments, particularly on our long-term debt instruments and credit facilities. We do not currently have significant exposure from floating-rate financial instruments since we repaid the outstanding indebtedness under our Senior Credit Facility in 2009 with the proceeds from the issuance of the 2019 Notes. We do not apply hedge accounting to our derivative instruments and therefore treat these instruments as “economic hedges.” Derivative instruments are accounted for at fair value as either assets or liabilities on the balance sheet. Changes in the fair value of derivatives are recognized in earnings each reporting period.

In the third quarter of 2008, we entered into two interest rate caps to manage the interest rate risk on our Senior Credit Facility, which was indexed to the London Interbank Offered Rate. These caps had a combined notional value of $180.0 million and an initial cost of $928,000. The caps had a fair value of $0 and $7,000 at December 31, 2009 and 2008, respectively, resulting in realization of a loss to interest expense of $7,000 and $921,000 during the years ended December 31, 2009 and 2008, respectively. The caps matured on July 1, 2010.

(ah) Reclassifications

Reclassifications have been made to the 2009 and 2008 financial statements to make them comparable with the 2010 presentation.

(2) Consolidated Statements of Cash Flows Supplemental Disclosures

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

Year ended December 31,	2010	2009	2008
(Increase) decrease in accounts receivable	$ 12,283	(33,555)	(5,209)
(Increase) decrease in prepaid expenses	(1,459)	1,923	488
(Increase) decrease in inventories	3,461	(2,109)	(3,336)
(Increase) decrease in other current assets	1,037	(4,272)	(69)
(Increase) decrease in other assets	2,663	(10,742)	-

(Continued)

Increase (decrease) in accounts payable	1,683	(1,889)	(4,198)
Increase (decrease) in deferred revenues	(4,108)	(787)	4,543
Increase (decrease) in accrued payroll and payroll related obligations	271	(752)	5,437
Increase (decrease) in accrued liabilities	2,585	(1,608)	2,695
Increase (decrease) in accrued interest	(1,365)	4,597	1,226
Increase (decrease) in subscriber deposits	(278)	287	84
Increase (decrease) in long-term deferred revenue	(3,167)	763	49,153
Increase (decrease) in components of other long-term liabilities	(362)	526	(3,727)
	$ 13,244	(47,618)	47,087

The following items are for the years ended December 31, 2010, 2009 and 2008 (amounts in thousands):

Net cash paid or received:	2010	2009	2008
Interest paid, net of amounts capitalized	$ 71,140	51,161	46,781
Income tax refund received	$ 1,163	911	83
Income tax paid	$ -	-	884

The following items are non-cash investing and financing activities for the years ended December 31, 2010, 2009 and 2008 (amounts in thousands):

	2010	2009	2008
Non-cash additions for purchases of property and equipment	$ 7,622	4,427	12,124
Asset retirement obligation additions to property and equipment	$ 1,253	5,764	1,408
Warranty receivable applied to capital lease obligation	$ -	465	8,415
Assets acquired in acquisition	$ 480	6,475	-
Capital lease obligation incurred	$ -	-	99,873
Satellite warranty receivable	$ -	-	8,880

Additional Non-cash Financing Activities
We received cash proceeds of $110.6 million from the $145.0 million term loan that we obtained in May 2008. We used $30.0 million of the term loan to repay the revolving portion of our Senior Credit Facility and our loan proceeds were reduced by $2.9 million for an original issue discount and $1.5 million for bank and legal fees associated with the new term loan.

(3) Receivables and Allowance for Doubtful Receivables

Receivables consist of the following at December 31, 2010 and 2009 (amounts in thousands):

	2010	2009
Trade	$ 130,708	145,220
Employee	722	315
Other	1,426	2,324
Total Receivables	$ 132,856	147,859

(Continued)

Changes in the allowance for doubtful receivables during the years ended December 31, 2010, 2009 and 2008 are summarized below (amounts in thousands).

Description	Balance at beginning of year	Additions: Charged to costs and expenses	Additions: Charged to other accounts	Deductions: Write-offs net of recoveries	Balance at end of year
December 31, 2010	$ 7,060	3,085	1,670	2,626	9,189
December 31, 2009	$ 2,582	3,818	1,734	1,074	7,060
December 31, 2008	$ 1,657	3,471	-	2,546	2,582

Charged to Other Accounts for the year ended December 31, 2010 consists of a $1.7 million charge for a customer that participates in the Rural Health Care Division support program that is operated by the USAC. We have been providing service to this customer pursuant to a contract since July 1, 2008. We have received funding commitment letters from USAC for both funding years that have passed since the contract start date. The commitment letter for the year from July 2008 to June 2009 committed funding for all but $1.7 million of that particular year. USAC denied funding of $1.7 million based on the timing of customer-owned equipment placed in service in relation to service charges. On August 23, 2010, we filed with the FCC a request for review of the denial. We have recorded a reserve by reducing revenue $1.7 million in the year ended December 31, 2010.

Charged to Other Accounts for the year ended December 31, 2009 consists of a $914,000 adjustment recorded upon the conversion of our Alaska DigiTel customer accounts into a Consumer customer billing system that grossed up accounts receivable and the allowance for doubtful receivables to record termination fees for tracking purposes. Additionally, the year ended December 31, 2009 includes an adjustment of $820,000 due to the decision to temporarily stop revenue recognition for services provided to a customer whose funding from the USAC was denied.

(4) Net Property and Equipment in Service

Net property and equipment in service consists of the following at December 31, 2010 and 2009 (amounts in thousands):

	2010	2009
Land and buildings	$ 36,332	31,279
Telephony transmission equipment and distribution facilities	674,246	637,292
Cable transmission equipment and distribution facilities	128,919	117,483
Support equipment and systems	190,947	170,922
Transportation equipment	9,116	9,930
Property and equipment under capital leases	102,972	102,972
Customer premise equipment	124,655	121,943
Fiber optic cable systems	244,381	242,309
	1,511,568	1,434,130
Less accumulated depreciation	693,645	598,687
Less accumulated amortization	19,645	12,363
Net property and equipment in service	$ 798,278	823,080

(Continued)

(5) Intangible Assets and Goodwill

As of October 31, 2010 cable certificates, wireless licenses and goodwill were tested for impairment and the fair values were greater than the carrying amounts, therefore these intangible assets were determined not to be impaired at December 31, 2010. The remaining useful lives of our cable certificates, wireless licenses and goodwill were evaluated as of October 31, 2010 and events and circumstances continue to support an indefinite useful life.

There are no indicators of impairment of our intangible assets subject to amortization as of December 31, 2010.

Other Intangible Assets subject to amortization include the following at December 31, 2010 and 2009 (amounts in thousands):

	2010	2009
Software license fees	$ 26,403	22,459
Customer relationships	11,034	11,217
Customer contracts	3,538	3,538
Right-of-way	783	783
Other	543	529
	42,301	38,526
Less accumulated amortization	24,584	18,965
Net other intangible assets	$ 17,717	19,561

Changes in Other Intangible Assets are as follows (amounts in thousands):

Balance at December 31, 2008	$ 22,976
Asset additions	4,772
Less amortization expense	7,628
Less asset write-off	559
Balance at December 31, 2009	19,561
Asset additions	4,533
Less amortization expense	6,360
Less asset write-off	17
Balance at December 31, 2010	$ 17,717

Goodwill increased $480,000 at December 31, 2010 as compared to December 31, 2009 due to the contingent payment to the former shareholders of UUI. Goodwill increased $6.6 million at December 31, 2009 as compared to December 31, 2008, primarily to record a $930,000 adjustment for grant deferred revenue to the UUI and Unicom purchase price allocations and for the additional $5.2 million and $497,000 contingent payments to Alaska Wireless and the former shareholders of UUI, respectively.

Amortization expense for amortizable intangible assets for the years ended December 31, 2010, 2009 and 2008 follow (amounts in thousands):

(Continued)

	Years Ended December 31,		
	2010	2009	2008
Amortization expense	$ 6,360	7,628	5,948

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,	
2011	$ 5,298
2012	3,810
2013	2,749
2014	1,896
2015	1,150

(6) Long-Term Debt

Long-term debt consists of the following (amounts in thousands):

	December 31,	
	2010	2009
2019 Notes (a)	$ 425,000	425,000
2014 Notes (b)	320,000	320,000
Senior Credit Facility (c)	20,000	-
Rural Utility Service ("RUS") debt (d)	19,844	34,721
CoBank Mortgage ("CoBank") note payable (d)	1,832	2,277
Debt	786,676	781,998
Less unamortized discount paid on the 2019 Notes	3,266	3,460
Less unamortized discount paid on the 2014 Notes	1,693	2,158
Less current portion of long-term debt	2,516	5,133
Long-term debt, net of unamortized discount	$ 779,201	771,247

(a) We pay interest of 8.63% on notes that are due in 2019 (“2019 Notes”). The 2019 Notes are senior unsecured obligations which rank equally in right of payment with the existing and future senior unsecured debt, including our 2014 Notes described below, and senior in right of payment to all future subordinated indebtedness. The 2019 Notes are carried on our Consolidated Balance Sheet net of the unamortized portion of the discount, which is being amortized to Interest Expense over the term of the 2019 Notes using the effective interest method and an effective interest rate of 9.07%.

The 2019 Notes are redeemable at our option, in whole or in part, on not less than thirty days nor more than sixty days notice, at the following redemption prices, plus accrued and unpaid interest (if any) to the date of redemption:

If redeemed during the twelve month period commencing November 15 of the year indicated:	Redemption Price
2014	104.313%
2015	102.875%
2015	101.438%
2017 and thereafter	100.000%

The 2019 Notes mature on November 15, 2019. Semi-annual interest payments are payable on May 15 and November 15 of each year.

The 2019 Notes were issued pursuant to an Indenture, dated as of the Closing Date, between us and Union Bank, N.A., as trustee.

(Continued)

We are not required to make mandatory sinking fund payments with respect to the 2019 Notes.

Upon the occurrence of a change of control, each holder of the 2019 Notes will have the right to require us to purchase all or any part (equal to $1,000 or an integral multiple thereof, except that no 2019 Note will be purchased in part if the remaining portion thereof would not be at least $2,000) of such holder's 2019 Notes at a purchase price equal to 101% of the principal amount of such 2019 Notes, plus accrued and unpaid interest on such 2019 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 2019 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 covenants in the Indenture restrict GCI, Inc. and certain of its subsidiaries from incurring debt, but permits debt under the Senior Credit Facility and vendor financing as long as our leverage ratio, as defined, does not exceed 5.5 to one. If our leverage ratio does not exceed 5.5 to one, we are able to enter into sale and leaseback transactions; pay dividends or distributions on capital stock or repurchase capital stock; issue stock of subsidiaries; make certain investments; create liens on assets to secure debt; enter into transactions with affiliates; merge or consolidate with another company; and transfer and sell assets. These covenants are subject to a number of limitations and exceptions, as further described in the Indenture.

We paid closing costs totaling $9.1 million in connection with the offering, which were recorded as deferred loan costs and are being amortized over the term of the 2019 Notes. Unamortized deferred loan costs related to the Senior Credit Facility totaling $1.4 million were written off in the year ended December 31, 2009.

We were in compliance with all 2019 Notes loan covenants at December 31, 2010.

(b) We pay interest of 7.25% on notes that are due in 2014 ("2014 Notes"). The 2014 Notes are an unsecured senior obligation of GCI, Inc. The 2014 Notes are carried on our Consolidated Balance Sheet net of the unamortized portion of the discount, which is being amortized to Interest Expense over the term of the 2014 Notes using the effective interest method and an effective interest rate of 7.50%.

The 2014 Notes are redeemable at our option, in whole or in part, on not less than thirty days nor more than sixty days notice, at the following redemption prices, plus accrued and unpaid interest (if any) to the date of redemption:

If redeemed during the twelve month period commencing February 1 of the year indicated:	Redemption Price
2011	101.208%
2012 and thereafter	100.000%

The 2014 Notes restrict GCI, Inc. and certain of its subsidiaries from incurring debt, but permits debt under the Senior Credit Facility and vendor financing as long as our leverage ratio, as defined, does not exceed 6.0 to one. In addition, certain other debt is permitted regardless of our leverage ratio, including debt under the Senior Credit Facility not exceeding (and reduced by certain stated items):

- $250.0 million, reduced by the amount of any prepayments, or
- 3.0 times earnings before interest, taxes, depreciation and amortization for the last four full fiscal quarters of GCI, Inc. and its subsidiaries.

The 2014 Notes limit the ability of our subsidiaries to make cash dividend payments to GCI.

Semi-annual interest payments of $11.6 million are payable in February and August of each year.

(Continued)

The 2014 Notes are structurally subordinate to our Senior Credit Facility.

We are not required to make mandatory sinking fund payments with respect to the 2014 Notes.

Our 2014 Notes' key debt covenants require our Total Leverage Ratio (as defined) be 6.0:1.0 or less and our Senior Leverage Ratio (as defined) be 3.0:1.0 or less if our Senior Debt (as defined) is greater than $250.0 million.

We were in compliance with all 2014 Notes loan covenants at December 31, 2010.

(c) In November 2009, we completed our offering of the 2019 Notes and used the net proceeds from this offering to repay the outstanding amount of $389.8 million under our Senior Credit Facility, including $349.8 million outstanding on the term loan and $40.0 million outstanding on the revolving portion of the Senior Credit Facility. The term loan was retired upon the repayment but the revolving portion was still available to us at December 31, 2009.

On January 29, 2010, GCI Holdings, Inc., a wholly owned subsidiary of GCI, entered into a Second Amended and Restated Credit and Guarantee Agreement with Calyon New York Branch, as administrative agent, Royal Bank of Canada, as syndication agent, and CoBank, ACB, Union Bank of California, N.A. and Wells Fargo Bank, N.A., as documentation agents ("amended Senior Credit Facility"). The amended Senior Credit Facility provides a $75.0 million revolving credit facility with a $25.0 million sublimit for letters of credit. The amended Senior Credit Facility replaced our then existing Senior Credit Facility. The amended Senior Credit Facility will mature on January 29, 2015.

On October 20, 2010, we borrowed $30.0 million under our revolving credit facility to partially fund a repurchase of our Class A common stock as further described in note 9. In November 2010, we repaid $10.0 million of the $30.0 million outstanding balance. After consideration of these transactions, we have $2.7 million of letters of credit outstanding and $52.3 million available for borrowing under our revolving credit facility at December 31, 2010.

The interest rate on our amended Senior Credit Facility is the London Interbank Offered Rate plus the following Applicable Margin set forth opposite each applicable Total Leverage Ratio below:

Total Leverage Ratio (as defined)	Applicable Margin
≥3.75	4.00%
≥3.25 but <3.75	3.50%
≥2.75 but <3.25	3.00%
<2.75	2.50%

Borrowings under the amended Senior Credit Facility are subject to certain financial covenants and restrictions on indebtedness. Our amended Senior Credit Facility Total Leverage Ratio (as defined) may not exceed 5.25:1.00; the Senior Leverage Ratio (as defined) may not exceed 3.00:1.00; and our Interest Coverage Ratio (as defined) must not be less than 2.50:1.00 at any time.

The obligations under the amended Senior Credit Facility are secured by a security interest on substantially all of the assets of GCI Holdings, Inc. and the subsidiary guarantors, and on the stock of GCI Holdings, Inc.

In connection with the amended Senior Credit Facility, we paid loan fees of $2.0 million which are being amortized over the life of the amended Senior Credit Facility.

(Continued)

(d) We acquired long-term debt upon our acquisition of UUI and Unicom effective June 1, 2008, from the RUS and CoBank. The long-term debt is due in monthly installments of principal based on a fixed rate amortization schedule. The interest rates on the various loans to which this debt relates range from 2.0% to 6.8%. Through UUI and Unicom, we have $48.7 million available for borrowing for specific capital expenditures under existing borrowing arrangements. Substantially all of the assets of UUI and Unicom are collateral for the amounts due to RUS and CoBank.

Maturities of long-term debt as of December 31, 2010 are as follows (amounts in thousands):

Years ending December 31,	
2011	$ 2,516
2012	2,462
2013	2,611
2014	322,199
2015	22,048
2016 and thereafter	434,840
	786,676
Less unamortized discount paid on 2019 Notes	3,266
Less unamortized discount paid on 2014 Notes	1,693
Less current portion of long-term debt	2,516
	$ 779,201

(7) Income Taxes

Total income tax expense of $9.5 million, $3.9 million and $1.1 million for the years ended December 31, 2010, 2009 and 2008, respectively, was allocated to income/loss in each year. We did not record any excess tax benefit generated from stock options exercised during the years ended December 31, 2010, 2009 and 2008 since we are in a net operating loss carryforward position and the income tax deduction will not yet reduce income taxes payable. The cumulative excess tax benefits generated for stock options exercised that have not been recognized is $4.6 million at December 31, 2010.

We have income tax receivables for federal and state alternative minimum tax of $0 and $1.2 million at December 31, 2010 and 2009, respectively.

Income tax expense consists of the following (amounts in thousands):

	Years Ended December 31,		
	2010	2009	2008
Deferred tax expense:			
Federal taxes	$ 8,086	3,494	922
State taxes	1,402	442	155
	9,488	3,936	1,077
	$ 9,488	3,936	1,077

Total income tax expense differed from the “expected” income tax expense determined by applying the statutory federal income tax rate of 35% as follows (amounts in thousands):

(Continued)

	Years Ended December 31,		
	2010	2009	2008
"Expected" statutory tax expense (benefit)	$ 6,455	2,608	(803)
State income taxes, net of federal expense (benefit)	1,129	456	(48)
Income tax effect of nondeductible entertainment expenses	775	703	725
Impact of non-controlling interest attributable to non-tax paying entity	-	-	526
Income tax effect of nondeductible lobbying expenses	405	380	424
Income tax effect of nondeductible officer compensation	722	761	246
Other, net	2	(972)	7
	$ 9,488	3,936	1,077

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities at December 31, 2010 and 2009 are summarized below (amounts in thousands):

	2010	2009
Current deferred tax assets, net of current deferred tax liability:		
Compensated absences, accrued for financial reporting purposes	$ 2,115	2,565
Net operating loss carryforwards	-	8,354
Workers compensation and self insurance health reserves, principally due to accrual for financial reporting purposes	810	580
Accounts receivable, principally due to allowance for doubtful receivables	3,770	2,981
Deferred compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	92	(270)
Other	3,358	3,408
Total current deferred tax assets	$ 10,145	17,618
Long-term deferred tax assets:		
Net operating loss carryforwards	$ 88,967	74,345
Deferred revenue for financial reporting purposes	19,481	22,422
Alternative minimum tax credits	1,895	1,892
Deferred compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	2,908	1,093
Asset retirement obligations in excess of amounts recognized for tax purposes	1,885	1,775
Share-based compensation expense for financial reporting purposes in excess of amounts recognized for tax purposes	8,647	3,026
Other	1,168	4,132
Total long-term deferred tax assets	124,951	108,685

(Continued)

Long-term deferred tax liabilities:		
Plant and equipment, principally due to differences in depreciation	182,490	170,260
Intangible assets	44,862	38,811
Total long-term deferred tax liabilities	227,352	209,071
Net long-term deferred tax liabilities	$ 102,401	100,386

At December 31, 2010, we have tax net operating loss carryforwards of $226.4 million that will begin expiring in 2011 if not utilized, and alternative minimum tax credit carryforwards of $1.9 million available to offset regular income taxes payable in future years. Our utilization of remaining acquired net operating loss carryforwards is subject to annual limitations pursuant to Internal Revenue Code section 382 which could reduce or defer the utilization of these losses.

We are no longer subject to U.S. or state tax examinations by tax authorities for years before 2007 except that certain U.S. federal income tax returns for years after 1997 are not closed by relevant statutes of limitations due to unused net operating losses reported on those income tax returns.

Our tax net operating loss carryforwards are summarized below by year of expiration (amounts in thousands).

Years ending December 31,	Federal	State
2011	$ 759	759
2018	1,313	1,294
2019	25,942	25,391
2020	44,744	43,797
2021	29,614	28,987
2022	14,081	13,788
2023	3,968	3,903
2024	722	-
2025	737	-
2026	150	-
2027	1,010	-
2028	39,879	39,715
2029	48,370	47,558
2030	15,157	15,022
Total tax net operating loss carryforwards	$ 226,446	220,214

Tax benefits associated with recorded deferred tax assets are considered to be more likely than not realizable through taxable income earned in carryback years, future reversals of existing taxable temporary differences, and future taxable income exclusive of reversing temporary differences and carryforwards. The amount of deferred tax asset considered realizable, however, could be reduced if estimates of future taxable income during the carryforward period are reduced.

(8) Financial Instruments

Fair Value of Financial Instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. At December 31, 2010 and 2009, the fair values of cash and cash equivalents, net receivables, accounts payable, accrued payroll and payroll related obligations, accrued interest, accrued liabilities, and subscriber deposits approximate their carrying value due to the short-term nature of these financial instruments. The carrying amounts and estimated fair values of our financial instruments at December 31, 2010 and 2009 follow (amounts in thousands):

(Continued)

	December 31, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Current and long-term debt and capital lease obligations	$ 872,882	908,286	872,294	866,820
Other liabilities	73,309	72,065	72,770	71,623

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

Current and long-term debt and capital lease obligations: The fair values of our 2019 Notes, 2014 Notes, RUS debt, CoBank mortgage note payable, and capital leases are based upon quoted market prices for the same or similar issues or on the current rates offered to us for the same remaining maturities. The fair value of our amended Senior Credit Facility is estimated to approximate the carrying value because this instrument is subject to variable interest rates.

Other Liabilities: Lease escalation liabilities are valued at the discounted amount of future cash flows using quoted market prices on current rates offered to us. Deferred compensation liabilities are carried at fair value, which is the amount payable as of the balance sheet date. Asset retirement obligations are recorded at their fair value and, over time, the liability is accreted to its present value each period. Our non-employee share-based compensation awards are reported at their fair value at each reporting period.

Fair Value Measurements

ASC Topic 820 “Fair Value Measurements and Disclosures” established a three-tiered fair value hierarchy that prioritizes inputs to valuation techniques used in fair value calculations. Level 1 inputs, the highest priority, are quoted prices in active markets for identical assets or liabilities. Level 2 inputs reflect other than quoted prices included in Level 1 that are either observable directly or through corroboration with observable market data. Level 3 inputs are unobservable inputs, due to little or no market activity for the asset or liability, such as internally-developed valuation models. We have applied the provisions of Topic 820 to our trading securities and the assets of our deferred compensation plan (primarily mutual funds).

Assets measured at fair value on a recurring basis as of December 31, 2010 and 2009 are as follows (amounts in thousands):

	Fair Value Measurement at Reporting Date Using		
December 31, 2010 Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Deferred compensation plan assets (mutual funds)	1,678	-	-
Total assets at fair value	$ 1,678	-	-
December 31, 2009 Assets			
Money market funds	$ 12	-	-
U.S. government and agency obligations	883	-	-
Deferred compensation plan assets (mutual funds)	1,522	-	-
Total assets at fair value	$ 2,417	-	-

(Continued)

The valuation of our marketable securities, money markets funds, and mutual funds are determined using quoted market prices in active markets utilizing market observable inputs.

(9) Stockholders' Equity

Common Stock

GCI's Class A and Class B common stock are identical in all respects, except that each share of Class A common stock has one vote per share and each share of Class B common stock has ten votes per share. Each share of Class B common stock outstanding is convertible, at the option of the holder, into one share of Class A common stock.

During the year ended December 31, 2010, we repurchased 8.0 million shares of our Class A and Class B common stock at a cost of $80.8 million, pursuant to the Class A and Class B common stock repurchase program authorized by GCI's Board of Directors. There were no repurchases during the years ended December 31, 2009 and 2008. During the years ended December 31, 2010, 2009 and 2008 we retired 8.0 million, 219,000, and 540,000 shares, respectively, of our Class A and Class B common stock.

Shared-Based Compensation

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

The fair value of restricted stock awards is determined based on the number of shares granted and the quoted price of our common stock. We use a Black-Scholes-Merton option pricing model to estimate the fair value of stock options issued. The Black-Scholes-Merton option pricing model incorporates various and highly subjective assumptions, including expected term and expected volatility. We have reviewed our historical pattern of option exercises and have determined that meaningful differences in option exercise activity existed among employee job categories. Therefore, we have categorized these awards into two groups of employees for valuation purposes.

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

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

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

(Continued)

The following table shows our assumptions used to compute the share-based compensation expense for stock options granted during the years ended December 31, 2010, 2009 and 2008:

	2010	2009	2008
Expected term (years)	5.0 – 6.5	5.2 – 6.8	5.2 – 6.8
Volatility	52.6% – 55.8%	53.6% – 59.1%	47.6% – 55.4%
Risk-free interest rate	2.0% – 2.9%	1.7% – 3.2%	1.6% – 3.4%

We estimate pre-vesting option forfeitures at the time of grant and periodically revise those estimates in subsequent periods if actual forfeitures differ from those estimates. We record share-based compensation expense only for those awards expected to vest using an estimated forfeiture rate based on our historical pre-vesting forfeiture data.

A summary of option activity under the Stock Option Plan as of December 31, 2010 and changes during the year then ended is presented below (share amounts in thousands):

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2010	1,627	$ 7.35		
Granted	203	$ 5.34		
Exercised	(116)	$ 5.67		
Forfeited and retired	(466)	$ 7.60		
Outstanding at December 31, 2010	1,249	$ 7.08	4.5 years	$ 6,976
Exercisable at December 31, 2010	914	$ 7.33	3.1 years	$ 4,885
Available for grant at December 31, 2010	4,180			

The weighted average grant date fair value of options granted during the years ended December 31, 2010, 2009 and 2008 was $2.84 per share, $3.49 per share and $3.10 per share, respectively. The total fair value of options vesting during the years ended December 31, 2010, 2009 and 2008 was $377,000, $110,000 and $3.3 million, respectively. The total intrinsic values, determined as of the date of exercise, of options exercised in the years ended December 31, 2010, 2009 and 2008 were $511,000, $120,000 and $214,000, respectively. We received $659,000, $423,000 and $416,000 in cash from stock option exercises in the years ended December 31, 2010, 2009 and 2008, respectively.

A summary of nonvested restricted stock award activity under the Stock Option Plan for the year ended December 31, 2010, follows (share amounts in thousands):

	Shares	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2010	2,225	$ 5.69
Granted	336	$ 7.55
Vested	(233)	$ 8.30
Forfeited	(132)	$ 12.51
Nonvested at December 31, 2010	2,196	$ 5.29

(Continued)

The following is a summary of our share-based compensation expense for the years ended December 31, 2010, 2009 and 2008 (in thousands):

	2010	2009	2008
Employee share-based compensation expense	$ 5,385	5,709	7,282
Expense reversal for performance based options and awards not expected to vest	-	(2,134)	-
Adjustment to fair value of liability classified awards	1,348	(771)	(4)
Total share-based compensation expense	$ 6,733	2,804	7,278

Share-based compensation expense is classified as selling, general and administrative expense in our consolidated Statements of Operations. Unrecognized share-based compensation expense was $4.9 million relating to 2.2 million restricted stock awards and $732,000 relating to 335,000 unvested stock options as of December 31, 2010. We expect to recognize share-based compensation expense over a weighted average period of 1.9 years for stock options and 1.5 years for restricted stock awards.

The following is a summary of activity for stock option grants that were made not pursuant to the Stock Option Plan for the years ended December 31, 2010, 2009 and 2008 (share amounts in thousands):

	Shares	Weighted Average Exercise Price
Outstanding at December 31, 2008 and 2009	150	$ 6.50
Options forfeited and retired	(150)	$ 6.50
Outstanding at December 31, 2010	-	
Available for grant at December 31, 2010	-	

In January 2001 we entered into an aircraft operating lease agreement with a company owned by our President and Chief Executive Officer. The lease was amended effective January 1, 2002, February 25, 2005 and December 27, 2010. Upon signing the lease, the lessor was granted an option to purchase 250,000 shares of GCI Class A common stock at $6.50 per share, of which 100,000 shares were exercised during the year ended December 31, 2006 and the remaining 150,000 shares expired on March 31, 2010.

On August 6, 2009, we filed a Tender Offer Statement on Schedule TO (“Exchange Offer”) with the SEC. The Exchange Offer was an offer by us to eligible officers, employees and stakeholders, other than officers of GCI who also serve on GCI’s Board of Directors (“Participants”) to exchange, on a grant-by-grant basis, their outstanding eligible stock options that were granted under our Stock Option Plan, whether vested or unvested, for shares of restricted stock of GCI Class A common stock that we granted under the Stock Option Plan (“Restricted Stock”). Generally, eligible options included all options issued pursuant to the Stock Option Plan between January 1, 1999, and February 15, 2009, excluding any options that vest based on EBITDA performance (“Eligible Options”). We accepted for cancellation, Eligible Options to purchase 5,241,700 shares of GCI Class A common stock from 166 Participants, representing approximately 86% of the options eligible for exchange in the offer with a fair value of $6.2 million as of the date of the exchange. We issued 1,908,890 shares of Restricted Stock to Participants, with a fair value of $7.1 million as of the date of the exchange, in each case, in accordance with the terms of the Exchange Offer.

In accordance with the terms of the Restricted Stock agreement, one-half of the Restricted Stock received in exchange for eligible options will vest on December 20, 2011 with the remainder vesting on February 28, 2012. The number of shares of Restricted Stock that were offered in exchange for each eligible option was equal to the lesser of (i) a number of shares of Restricted Stock having a fair value

(Continued)

equal to 100% of the fair value of the eligible options exchanged for shares of Restricted Stock, or (ii) a number of shares of Restricted Stock equal to 40% of the number of shares issuable pursuant to the eligible options surrendered.

The exchange of stock options for Restricted Stock was treated as a modification of the stock options. The remaining unamortized stock compensation expense related to the original options will continue to be amortized over the vesting period of the Restricted Stock. The compensation expense for the incremental difference between the fair value of the Restricted Stock and the fair value of the original options on the date of modification, reflecting the current facts and circumstances on the modification date, will be amortized over the vesting period of the Restricted Stock. The incremental share-based compensation expense related to the modification, net of estimated forfeitures, is $940,000, of which $378,000 and $122,000 was expensed in the years ending December 31, 2010 and 2009, respectively. We used a lattice model to value the options exchanged for Restricted Stock for purposes of determining our incremental share-based compensation expense .

Employee Stock Purchase Plan

In 1986, we adopted an Employee Stock Purchase Plan ("GCI 401(k) Plan") qualified under Section 401 of the Internal Revenue Code of 1986. The GCI 401(k) Plan provides for acquisition of GCI's Class A common stock at market value as well as various mutual funds. The GCI 401(k) Plan permits each employee who has completed one year of service to elect to participate. Eligible employees could elect to reduce their compensation by up to 50 percent of such compensation (subject to certain limitations) up to a maximum of $16,500 during the year ended December 31, 2010. Contributions may be made on either a pretax or Roth basis.

Eligible employees were allowed to make catch-up contributions of no more than $5,500 during the year ended December 31, 2010 and will be able to make such contributions limited to $5,500 during the year ended December 31, 2011. We do not match employee catch-up contributions.

We may match up to 100% of employee salary reductions in any amount, decided by GCI's Board of Directors each year, but not more than 10 percent of any one employee's compensation will be matched in any year. Matching contributions vest over the initial six years of employment. For the year ended December 31, 2010, the combination of employee and matching contributions (pre-tax contributions and Roth basis) could not exceed the lesser of 100 percent of an employee's compensation or $33,000 excluding catch-up contributions. For the year ended December 31, 2009, the combination of pre-tax contributions, after tax contributions and matching contributions could not exceed the lesser of 100 percent of an employee's compensation or $49,000 excluding catch-up contributions.

Employee contributions receive up to 100% matching and employees self-direct their matching investment. Our matching contributions allocated to participant accounts totaled $6.9 million, $6.2 million, and $5.8 million for the years ended December 31, 2010, 2009, and 2008, respectively. We used cash to fund all of our employer-matching contributions during the years ended December 31, 2010, 2009 and 2008.

(10) Industry Segments Data

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

A description of our reportable segments follows:

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

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

Commercial - We offer a full range of voice, video, data and wireless services to small businesses, local, national and global businesses, governmental entities and public and private educational institutions.

(Continued)

Managed Broadband - We offer data services to rural school districts, hospitals and health clinics through our SchoolAccess ® and ConnectMD® initiatives and managed video conferencing.

Regulated Operations - We offer voice and data services to residential, business, and governmental customers in areas of rural Alaska.

Corporate related expenses including engineering, information technology, accounting, legal and regulatory, human resources, and other general and administrative expenses for the years ended December 31, 2010 , 2009 and 2008 are allocated to our segments using segment margin for the years ended December 31, 2009 , 2008 and 2007, respectively. Bad debt expense for the years ended December 31, 2010, 2009 and 2008 is allocated to our segments using a combination of specific identification and allocations based upon segment revenue for the years ended December 31, 2010 , 2009 and 2008, respectively. Corporate related expenses and bad debt expense are specifically identified for our Regulated Operations segment and therefore, are not included in the allocations.

We evaluate performance and allocate resources based on earnings before depreciation and amortization expense, net interest expense, income taxes, share-based compensation expense, accretion expense and non-cash contribution adjustment ("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 EBITDA are used to estimate current or prospective enterprise value. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies in note 1. Intersegment sales are recorded at cost plus an agreed upon intercompany profit.

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

Summarized financial information for our reportable segments for the years ended December 31, 2010 2009 and 2008 follows (amounts in thousands):

2010	Consumer	Network Access	Commercial	Managed Broadband	Regulated Operations	Total Reportable Segments
Revenues:						
Intersegment	$ -	-	5,442	-	176	5,618
External	342,898	107,227	128,458	49,962	22,705	651,250
Total revenues	342,898	107,227	133,900	49,962	22,881	656,868
Cost of Goods Sold:						
Intersegment	-	600	2,515	-	176	3,291
External	104,481	25,030	59,885	14,012	4,409	207,817
Total Cost of Goods Sold	104,481	25,630	62,400	14,012	4,585	211,108
Contribution:						
Intersegment	-	(600)	2,927	-	-	2,327
External	238,417	82,197	68,573	35,950	18,296	443,433
Total contribution	238,417	81,597	71,500	35,950	18,296	445,760
Less SG&A	127,130	33,566	38,838	17,338	11,936	228,808
Plus share-based compensation	3,361	1,598	1,117	651	6	6,733
Plus non-cash contribution expense	(81)	(41)	(24)	(14)	-	(160)
Plus accretion	149	71	43	26	-	289
Adjusted EBITDA	$ 114,716	50,259	30,871	19,275	6,366	221,487

(Continued)

2009						
Revenues:						
Intersegment	$ -	419	5,729	-	192	6,340
External	294,925	122,072	110,135	44,875	23,804	595,811
Total revenues	294,925	122,491	115,864	44,875	23,996	602,151
Cost of Goods Sold:						
Intersegment	419	600	2,694	-	192	3,905
External	96,894	27,253	52,245	11,135	6,149	193,676
Total Cost of Goods Sold	97,313	27,853	54,939	11,135	6,341	197,581
Contribution:						
Intersegment	(419)	(181)	3,035	-	-	2,435
External	198,031	94,819	57,890	33,740	17,655	402,135
Total contribution	197,612	94,638	60,925	33,740	17,655	404,570
Less SG&A	112,883	38,348	35,363	14,450	11,627	212,671
Plus share-based compensation	1,145	891	549	219	-	2,804
Plus non-cash contribution expense	294	201	98	47	-	640
Adjusted EBITDA	$ 86,587	57,563	23,174	19,556	6,028	192,908

2008						
Revenues:						
Intersegment	$ 84	916	5,808	-	157	6,965
External	255,632	153,821	114,660	37,047	14,282	575,442
Total revenues	255,716	154,737	120,468	37,047	14,439	582,407
Cost of Goods Sold:						
Intersegment	656	685	2,821	125	97	4,384
External	89,853	40,326	59,480	10,265	3,134	203,058
Total Cost of Goods Sold	90,509	41,011	62,301	10,390	3,231	207,442
Contribution:						
Intersegment	(572)	231	2,987	(125)	60	2,581
External	165,779	113,495	55,180	26,782	11,148	372,384
Total contribution	165,207	113,726	58,167	26,657	11,208	374,965
Less SG&A	110,364	43,057	36,191	13,132	7,562	210,306
Plus share-based compensation	2,891	2,443	1,392	552	-	7,278
Plus non-cash contribution expense	199	177	76	28	-	480
Plus non-controlling interest	661	589	253	-	-	1,503
Plus other expense	(217)	-	-	-	-	(217)
Adjusted EBITDA	$ 58,949	73,647	20,710	14,230	3,586	171,122

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

(Continued)

Years Ended December 31,	2010	2009	2008
Reportable segment revenues	$ 656,868	602,151	582,407
Less intersegment revenues eliminated in consolidation	5,618	6,340	6,965
Consolidated revenues	$ 651,250	595,811	575,442

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

Years Ended December 31,	2010	2009	2008
Reportable segment Adjusted EBITDA	$ 221,487	192,908	171,122
Less depreciation and amortization expense	(126,114)	(123,362)	(114,369)
Less share-based compensation expense	(6,733)	(2,804)	(7,278)
(Less) plus non-cash contribution expense	160	(640)	(480)
Less net loss attributable to non-controlling interest	-	-	(1,503)
Less accretion expense	(289)	-	-
Plus other expense	-	-	217
Consolidated operating income	88,511	66,102	47,709
Less other expense, net	(70,068)	(58,650)	(50,004)
Consolidated income (loss) before income tax expense	$ 18,443	7,452	(2,295)

Assets at December 31, 2010, 2009 and 2008 and capital expenditures for the years ended December 31, 2010, 2009 and 2008 are not allocated to reportable segments as our Chief Operating Decision Maker does not review a balance sheet or capital expenditures by segment to make decisions about resource allocations or to evaluate segment performance.

We did not have any major customers for the year ended December 31, 2010. We earned revenues included in the Network Access segment from a major customer for the years ended December 31, 2009 and 2008, net of discounts, of $64.5 million and $65.0 million, respectively. As a percentage of total revenues, our major customer's revenues totaled 11% for the years ended December 31, 2009 and 2008.

(11) Related Party Transactions

We entered into a long-term capital lease agreement in 1991 with the wife of our President and CEO for property occupied by us. The leased asset was capitalized in 1991 at the owner's cost of $900,000 and the related obligation was recorded. The lease agreement was amended in April 2008 and our existing capital lease asset and liability increased $1.3 million to record the extension of this capital lease. The amended lease terminates on September 30, 2026.

In January 2001 we entered into an aircraft operating lease agreement with a company owned by our President and CEO. The lease was amended effective January 1, 2002, February 25, 2005 and December 27, 2010. The lease term is month-to-month and may be terminated at any time upon one hundred and twenty days written notice. The monthly lease rate is $75,000. Upon signing the lease, the lessor was granted an option to purchase 250,000 shares of GCI Class A common stock at $6.50 per share, of which 100,000 shares were exercised during the year ended December 31, 2006 and the remaining 150,000 shares expired on March 31, 2010. We paid a deposit of $1.5 million in connection with the lease. The deposit will be repaid to us upon the earlier of six months after the agreement terminates, or nine months after the date of a termination notice. In December 2010 we paid $350,000 to the lessor for the right to return the aircraft to the lessor in the same condition it was in on December 27, 2010.

(Continued)

(12) Commitments and Contingencies

Operating Leases as Lessee

We lease business offices, have entered into site lease agreements and use satellite transponder and fiber capacity and certain equipment pursuant to operating lease arrangements. Many of our leases are for multiple years and contain renewal options. Rental costs, including immaterial amounts of contingent rent expense, under such arrangements amounted to $31.0 million, $29.5 million and $35.7 million for the years ended December 31, 2010, 2009 and 2008, respectively.

Capital Leases as Lessee

We entered into a long-term capital lease agreement in 1991 with the wife of our President and CEO for property occupied by us as further described in note 11.

On March 31, 2006, through our subsidiary GCI Communication Corp. we entered into an agreement to lease transponder capacity on Intelsat, Ltd.'s ("Intelsat") Galaxy 18 spacecraft that successfully launched on May 21, 2008. We are also leasing capacity on the Horizons 1 satellite, which is owned jointly by Intelsat and JSAT International, Inc. The leased capacity replaced our existing transponder capacity on Intelsat's Galaxy XR satellite.

The Intelsat Galaxy 18 C-band and Ku-Band transponders are being leased over an expected term of 14 years. The present value of the lease payments, excluding telemetry, tracking and command services and back-up protection, was $98.6 million. We recorded a capital lease obligation and an addition to our Property and Equipment at December 31, 2008.

In June 2008 Galaxy XR was taken out of service resulting in the removal of the remaining $8.8 million net book value and the recognition of an $8.8 million warranty receivable. We applied $8.4 million of the warranty receivable to offset our cash obligation relating to the capital lease during the year ended December 31, 2008, resulting in an outstanding warranty receivable of $465,000 as of December 31, 2008. During the year ended December 31, 2009, we applied the remaining $465,000 of the warranty receivable to offset our cash obligation.

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

Years ending December 31:	Operating	Capital
2011	$ 21,435	11,672
2012	17,614	11,732
2013	16,312	11,742
2014	14,653	11,752
2015	13,764	11,761
2016 and thereafter	67,515	78,471
Total minimum lease payments	$ 151,293	137,130
Less amount representing interest		45,965
Less current maturity of obligations under capital leases		5,136
Long-term obligations under capital leases, excluding current maturity		$ 86,029

The leases generally provide that we pay the taxes, insurance and maintenance expenses related to the leased assets. Several of our leases include renewal options, escalation clauses and immaterial amounts of contingent rent expense. We expect that in the normal course of business leases that expire will be renewed or replaced by leases on other properties.

(Continued)

Operating Leases as Lessor and IRU Revenue

We enter into lease or service arrangements for IRU capacity on our fiber optic cable systems with third parties and for many of these leases or service arrangements, we received up-front cash payments. We have $50.1 million and $52.9 million in deferred revenue at December 31, 2010 and 2009 respectively, representing cash received from customers for which we will recognize revenue in the future. The arrangements under operating lease or service arrangements expire on various dates through 2029. The revenue will be recognized over the term of the agreements.

A summary of minimum future lease or service arrangement cash receipts including IRUs and the provision of certain other service are as follows (amounts in thousands):

Years ending December 31,	
2011	$ 6,741
2012	6,697
2013	6,628
2014	6,140
2015	5,005
2016 and thereafter	38,042
Total minimum future service revenues	$ 69,253

The cost of assets that are leased to customers is $256.2 million and $251.5 million as of December 31, 2010 and 2009, respectively. The carrying value of assets leased to customers is $159.4 million and $166.2 million as of December 31, 2010 and 2009, respectively.

Letters of Credit

We have letters of credit totaling $2.7 million outstanding under our amended Senior Credit Facility as follows:

- $2.4 million to secure payment of certain access charges associated with our provision of telecommunications services within the State of Alaska,
- $249,000 to meet obligations associated with our insurance arrangements, and
- $100,000 to secure right of way access.

Wireless Service Equipment Obligation

We have entered into an agreement to purchase hardware, software, and equipment capable of providing wireless service to small markets in rural Alaska as a reliable substitute for standard wire line service. The agreement has a total remaining commitment of $4.8 million. We paid $2.9 million, $5.2 million and $3.8 million for the years ended December 31, 2010, 2009 and 2008, respectively, and expect to pay $284,000 and $4.5 million during the years ended December 31, 2011, and 2012, respectively.

Guaranteed Service Levels

Certain customers have guaranteed levels of service with varying terms. In the event we are unable to provide the minimum service levels we may incur penalties or issue credits to customers.

(Continued)

Self-Insurance

Through December 31, 2010, we were self-insured for losses and liabilities related primarily to health and welfare claims up to $200,000 per incident and $2.0 million per lifetime per beneficiary above which third party insurance applied. Effective January 1, 2011, these limits are $500,000 per incident and $2.0 million per lifetime. A reserve of $1.6 million and $1.1 million was recorded at December 31, 2010 and 2009, respectively, to cover estimated reported losses, estimated unreported losses based on past experience modified for current trends, and estimated expenses for settling claims. We are self-insured up to $500,000 per incident for losses and liabilities related to workers' compensation claims and have an insurance policy for any losses in excess of $500,000 per incident. A reserve of $1.8 million and $72,000 was recorded at December 31, 2010 and 2009, respectively, to cover estimated reported losses and estimated expenses for investigating and settling claims. $1.3 million was included in this reserve for the year ended December 31, 2010 for the GCI-owned aircraft accident further discussed below. Actual losses will vary from the recorded reserves. While we use what we believe are pertinent information and factors in determining the amount of reserves, future additions to the reserves may be necessary due to changes in the information and factors used.

We are self-insured for damage or loss to certain of our transmission facilities, including our buried, undersea, and above-ground transmission lines. If we become subject to substantial uninsured liabilities due to damage or loss to such facilities, our financial position, results of operations or liquidity may be adversely affected.

Litigation, Disputes, and Regulatory Matters

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

- In September 2008, the FCC's Office of Inspector General initiated an investigation regarding Alaska DigiTel's compliance with program rules and requirements under the Lifeline Program. The request covered the period beginning January 1, 2004 through August 31, 2008 and related to amounts received for Lifeline service. Alaska DigiTel was an Alaska based wireless communications company of which we acquired an 81.9% equity interest on January 2, 2007 and the remaining 18.1% equity interest on August 18, 2008 and was subsequently merged with one of our wholly owned subsidiaries in April 2009. Prior to August 18, 2008, our control over the operations of Alaska DigiTel was limited as required by the FCC upon its approval of our initial acquisition completed in January 2007. We responded to this request on behalf of Alaska DigiTel and the GCI companies as affiliates. On January 18, 2011, we reached an agreement with the FCC and the Department of Justice to settle the matter, which required us to contribute $1.6 million to the United States Treasury and grants us a broad release of claims including those under the False Claims Act. The $1.6 million contribution, of which $154,000, $661,000 and $741,000 was recognized in selling, general and administrative expense in the Statement of Operations in the years ending December 31, 2010, 2009 and 2008, respectively, was paid in January 2011; and
- In August 2010, a GCI-owned aircraft was involved in an accident resulting in five fatalities and injuries to the remaining four passengers on board. We had aircraft and liability insurance coverage in effect at the time of the accident. We cannot predict the likelihood or nature of any potential claims related to the accident.

Universal Service

The USF pays ETCs to support the provision of local service in high cost areas. Under FCC regulations and RCA orders, we are an authorized competitive ETC for purposes of providing wireless and wireline telephone service in Anchorage, Juneau, Fairbanks, and the Matanuska Telephone Association study area (which includes the Matanuska-Susitna Valley) and other less populated areas throughout Alaska. Without ETC status, we would not qualify for USF support in these areas or other rural areas where we propose to offer wireline and wireless local services, and our revenue for providing local services in these areas would be materially adversely affected.

(Continued)

On May 1, 2008, the FCC issued an order adopting the recommendation of the Federal State Joint Board on Universal Service to impose a state-by-state interim cap on high cost funds to be distributed to competitive ETCs. As part of the revised policy, the FCC adopted a limited exception from the cap for competitive ETCs serving tribal lands or Alaska Native regions. While the operation of the cap has generally reduced the high cost fund amounts available to competitive ETCs as new competitive ETCs are designated and as existing competitive ETCs acquire new customers, providers like us who serve tribal lands or Alaska Native regions were provided some relief. On March 5, 2009, the FCC issued an additional order waiving a previously adopted limitation to the exception, the result of which was to provide uncapped support for all lines served by competitive ETCs for tribal lands or Alaska Native regions during the time the interim cap is in effect. The uncapped support for tribal lands or Alaska Native regions and the cap for all other regions will be in place until the FCC takes action on proposals for long term reform.

On March 16, 2010, the FCC staff released the National Broadband Plan, including among its topics a proposal to transition existing USF high cost support from voice to broadband networks over a 10-year period. On April 21, 2010, the FCC initiated a proceeding to consider interim and long-term USF reforms, including a five-year phase-out of support to competitive ETCs. On February 8, 2011, the FCC issued a Notice of Proposed Rulemaking to consider adopting reforms to its high cost support program, including, among other things, the proposed competitive ETC phase-out and ways to fund and distribute support for broadband services. We cannot predict at this time the outcome of this proceeding or its effect on high cost support available to us, but our revenue for providing local services in these areas would be materially adversely affected by the reduction of USF support.

Cable Service Rate Reregulation

Federal law permits regulation of basic cable programming services rates. However, Alaska law provides that cable television service is exempt from regulation by the RCA unless 25% of a system's subscribers request such regulation by filing a petition with the RCA. At December 31, 2010, only the Juneau system is subject to RCA regulation of its basic service rates. No petition requesting regulation has been filed for any other system. The Juneau system serves 7% of our total basic service subscribers at December 31, 2010.

Alaska Wireless Contingent Payment

On July 1, 2008 we completed the acquisition of all of the ownership interests in Alaska Wireless. We made an initial payment on the acquisition date and an additional payment of $5.2 million in February 2010 that was contingent on the achievement of certain financial conditions. The commitment was accrued at December 31, 2009.

Code Division Multiple Access ("CDMA") Network Expansion

During 2007 Alaska DigiTel and GCI signed an agreement with a customer to build-out Alaska DigiTel's CDMA network with various milestones through 2012 to provide expanded roaming area coverage. If we fail to meet the schedule, the customer has the right to terminate the agreement and we may be required to pay up to $16.0 million as liquidated damages. We expect to meet the deadlines imposed by the build-out schedule and therefore expect our expenditures to result in an expansion of our wireless facilities rather than payment of the liquidated damages.

TERRA-Southwest

In January 2010 the U.S. Department of Agriculture's RUS approved our wholly-owned subsidiary, UUI's application for an $88.2 million loan/grant combination to extend terrestrial broadband service for the first time to Bristol Bay and the Yukon-Kuskokwim Delta, an area in Alaska roughly the size of the state of North Dakota. Upon completion, TERRA-Southwest ("TERRA-SW") will be able to serve over 9,000 households and over 700 businesses in the 65 covered communities. The project will also be able to serve numerous public/non-profit/private community anchor institutions and entities, such as regional health care providers, school districts, and other regional and Alaska native organizations. The RUS award, consisting of a $44.2 million loan and a $44.0 million grant, will be made under the RUS Broadband Initiatives Program established pursuant to the American Recovery and Reinvestment Act. The award will fund backbone network facilities that we would not otherwise be able to construct within our return-on-investment requirements. UUI started construction on TERRA-SW in 2010 and expects to complete the project in 2012 or earlier if possible.

(Continued)

(13) Non-controlling Interest

On January 1, 2009 we adopted ASC Topic 810-10-65-1, "Consolidation" (formerly SFAS No. 160, "Non-Controlling Interests in Consolidated Financial Statements, an Amendment of Accounting Research Bulletin No. 51"). As a result of the required retrospective application of the presentation and disclosure provisions, loss before income tax expense changed from $792 previously reported to $2,295 for the year ended December 31, 2008. Our loss previously reported was $1,869 and is now $3,372 for the year ended December 31, 2008. There was no change in total stockholder's equity as of December 31, 2008. There were no adjustments to the consolidated statements of cash flows or basic or diluted EPS attributable to GCI for the year ended December 31, 2008.

(14) Fourth Quarter Results of Operations (Unaudited)

The following is a summary of unaudited quarterly results of operations for the years ended December 31, 2010 and 2009 (amounts in thousands, except per share amounts):

2010		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total revenues	$	152,419	162,326	171,509	164,996
Operating income	$	19,129	25,048	30,203	14,131
Net income (loss) attributable to GCI	$	1,674	1,930	7,583	(2,232)
Basic net income (loss) attributable to GCI per common share	$	0.03	0.04	0.14	(0.05)
Diluted net income (loss) attributable to GCI per common share	$	0.03	0.04	0.14	(0.05)
2009					
Total revenues	$	148,689	148,796	150,816	147,510
Operating income	$	13,512	18,559	20,730	13,301
Net income (loss) attributable to GCI	$	354	2,564	4,336	(3,738)
Basic net income (loss) attributable to GCI per common share	$	0.01	0.05	0.08	(0.07)
Diluted net income (loss) attributable to GCI per common share	$	0.00	0.05	0.08	(0.07)

During the fourth quarter of 2009, we recognized $1.9 million in interest expense resulting from the write-off of the original issue discount on our Senior Credit Facility, our interest expense increased $1.0 million due to the issuance of $425.0 million in additional Senior Notes, we recognized $1.0 million in interest expense resulting from the write-off of deferred loan costs on our Senior Credit Facility, we recorded an $862,000 adjustment to decrease wireless revenue to correct the accrual of wireless plan fee and usage revenue reported in prior quarters, and we recorded a $760,000 increase to the Allowance for Doubtful Receivables to reserve for a certain customer account receivable.

(15) Subsequent Events

On January 18, 2011, we repaid $5.0 million of our outstanding long-term debt. On February 15, 2011 and February 25, 2011, we borrowed $8.0 million and $5.0 million, respectively, under our amended Senior Credit Facility. After consideration of these transactions, we have $44.3 million available for borrowing under our revolving credit facility.

Item 15(b). 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
3.1	Restated Articles of Incorporation of the Company dated August 20, 2007 (37)
3.2	Amended and Restated Bylaws of the Company dated August 20, 2007 (36)
4.1	Certified copy of the General Communication, Inc. Amendment No. 1, dated as of June 25, 2007, to the Amended and Restated 1986 Stock Option Plan (33)
10.3	Westin Building Lease (3)
10.4	Duncan and Hughes Deferred Bonus Agreements (4)
10.5	Compensation Agreement between General Communication, Inc. and William C. Behnke dated January 1, 1997 (13)
10.6	Order approving Application for a Certificate of Public Convenience and Necessity to operate as a Telecommunications (Intrastate Interexchange Carrier) Public Utility within Alaska (2)
10.13	MCI Carrier Agreement between MCI Telecommunications Corporation and General Communication, Inc. dated January 1, 1993 (5)
10.14	Contract for Alaska Access Services Agreement between MCI Telecommunications Corporation and General Communication, Inc. dated January 1, 1993 (5)
10.15	Promissory Note Agreement between General Communication, Inc. and Ronald A. Duncan, dated August 13, 1993 (6)
10.16	Deferred Compensation Agreement between General Communication, Inc. and Ronald A. Duncan, dated August 13, 1993 (6)
10.17	Pledge Agreement between General Communication, Inc. and Ronald A. Duncan, dated August 13, 1993 (6)
10.20	The GCI Special Non-Qualified Deferred Compensation Plan (7)
10.21	Transponder Purchase Agreement for Galaxy X between Hughes Communications Galaxy, Inc. and GCI Communication Corp. (7)
10.25	Licenses: (3)
10.25.1	214 Authorization
10.25.2	International Resale Authorization
10.25.3	Digital Electronic Message Service Authorization
10.25.11	Certificate of Convenience and Public Necessity – Telecommunications Service (Local Exchange) dated July 7, 2000 (29)
10.26	ATU Interconnection Agreement between GCI Communication Corp. and Municipality of Anchorage, executed January 15, 1997 (12)
10.29	Asset Purchase Agreement, dated April 15, 1996, among General Communication, Inc., ACNFI, ACNJI and ACNKSI (8)
10.30	Asset Purchase Agreement, dated May 10, 1996, among General Communication, Inc., and Alaska Cablevision, Inc. (8)
10.31	Asset Purchase Agreement, dated May 10, 1996, among General Communication, Inc., and McCaw/Rock Homer Cable System, J.V. (8)
10.32	Asset Purchase Agreement, dated May 10, 1996, between General Communication, Inc., and McCaw/Rock Seward Cable System, J.V. (8)

10.33	Amendment No. 1 to Securities Purchase and Sale Agreement, dated October 31, 1996, among General Communication, Inc., and the Prime Sellers Agent (9)
10.34	First Amendment to Asset Purchase Agreement, dated October 30, 1996, among General Communication, Inc., ACNFI, ACNJI and ACNKSI (9)
10.36	Order Approving Arbitrated Interconnection Agreement as Resolved and Modified by Order U-96-89(5) dated January 14, 1997 (12)
10.37	Amendment to the MCI Carrier Agreement executed April 20, 1994 (12)
10.38	Amendment No. 1 to MCI Carrier Agreement executed July 26, 1994 (11)
10.39	MCI Carrier Addendum—MCI 800 DAL Service effective February 1, 1994 (11)
10.40	Third Amendment to MCI Carrier Agreement dated as of October 1, 1994 (11)
10.41	Fourth Amendment to MCI Carrier Agreement dated as of September 25, 1995 (11)
10.42	Fifth Amendment to the MCI Carrier Agreement executed April 19, 1996 (12)
10.43	Sixth Amendment to MCI Carrier Agreement dated as of March 1, 1996 (11)
10.44	Seventh Amendment to MCI Carrier Agreement dated November 27, 1996 (14)
10.45	First Amendment to Contract for Alaska Access Services between General Communication, Inc. and MCI Telecommunications Corporation dated April 1, 1996 (14)
10.46	Service Mark License Agreement between MCI Communications Corporation and General Communication, Inc. dated April 13, 1994 (13)
10.47	Radio Station Authorization (Personal Communications Service License), Issue Date June 23, 1995 (13)
10.50	Contract No. 92MR067A Telecommunications Services between BP Exploration (Alaska), Inc. and GCI Network Systems dated April 1, 1992 (14)
10.51	Amendment No. 03 to BP Exploration (Alaska) Inc. Contract No. 92MRO67A effective August 1, 1996 (14)
10.52	Lease Agreement dated September 30, 1991 between RDB Company and General Communication, Inc. (2)
10.54	Order Approving Transfer Upon Closing, Subject to Conditions, and Requiring Filings dated September 23, 1996 (13)
10.55	Order Granting Extension of Time and Clarifying Order dated October 21, 1996 (13)
10.58	Employment and Deferred Compensation Agreement between General Communication, Inc. and John M. Lowber dated July 1992 (13)
10.59	Deferred Compensation Agreement between GCI Communication Corp. and Dana L. Tindall dated August 15, 1994 (13)
10.60	Transponder Lease Agreement between General Communication Incorporated and Hughes Communications Satellite Services, Inc., executed August 8, 1989 (6)
10.61	Addendum to Galaxy X Transponder Purchase Agreement between GCI Communication Corp. and Hughes Communications Galaxy, Inc. dated August 24, 1995 (13)
10.62	Order Approving Application, Subject to Conditions; Requiring Filing; and Approving Proposed Tariff on an Inception Basis, dated February 4, 1997 (13)
10.66	Supply Contract Between Submarine Systems International Ltd. And GCI Communication Corp. dated as of July 11, 1997. (15)
10.67	Supply Contract Between Tyco Submarine Systems Ltd. And Alaska United Fiber System Partnership Contract Variation No. 1 dated as of December 1, 1997. (15)

10.71	Third Amendment to Contract for Alaska Access Services between General Communication, Inc. and MCI Telecommunications Corporation dated February 27, 1998 (16) #
10.80	Fourth Amendment to Contract for Alaska Access Services between General Communication, Inc. and its wholly owned subsidiary GCI Communication Corp., and MCI WorldCom dated January 1, 1999. (17) #
10.89	Fifth Amendment to Contract for Alaska Access Services between General Communication, Inc. and its wholly owned subsidiary GCI Communication Corp., and MCI WorldCom Network Services, Inc., formerly known as MCI Telecommunications Corporation dated August 7, 2000 # (18)
10.90	Sixth Amendment to Contract for Alaska Access Services between General Communication, Inc. and its wholly owned subsidiary GCI Communication Corp., and MCI WorldCom Network Services, Inc., formerly known as MCI Telecommunications Corporation dated February 14, 2001 # (18)
10.91	Seventh Amendment to Contract for Alaska Access Services between General Communication, Inc. and its wholly owned subsidiary GCI Communication Corp., and MCI WorldCom Network Services, Inc., formerly known as MCI Telecommunications Corporation dated March 8, 2001 # (18)
10.100	Contract for Alaska Access Services between Sprint Communications Company L.P. and General Communication, Inc. and its wholly owned subsidiary GCI Communication Corp. dated March 12, 2002 # (21)
10.102	First Amendment to Lease Agreement dated as of September 2002 between RDB Company and GCI Communication Corp. as successor in interest to General Communication, Inc. (22)
10.103	Agreement and plan of merger of GCI American Cablesystems, Inc. a Delaware corporation and GCI Cablesystems of Alaska, Inc. an Alaska corporation each with and into GCI Cable, Inc. an Alaska corporation, adopted as of December 10, 2002 (22)
10.104	Articles of merger between GCI Cablesystems of Alaska, Inc. and GCI Cable, Inc., adopted as of December 10, 2002 (22)
10.105	Aircraft lease agreement between GCI Communication Corp., and Alaska corporation and 560 Company, Inc., an Alaska corporation, dated as of January 22, 2001 (22)
10.106	First amendment to aircraft lease agreement between GCI Communication Corp., and Alaska corporation and 560 Company, Inc., an Alaska corporation, dated as of February 8, 2002 (22)
10.108	Bonus Agreement between General Communication, Inc. and Wilson Hughes (23)
10.109	Eighth Amendment to Contract for Alaska Access Services between General Communication, Inc. and its wholly owned subsidiary GCI Communication Corp., and MCI WorldCom Network Services, Inc. # (23)
10.110	Settlement and Release Agreement between General Communication, Inc. and WorldCom, Inc. (23)
10.112	Waiver letter agreement dated as of February 13, 2004 for Credit, Guaranty, Security and Pledge Agreement (24)
10.113	Indenture dated as of February 17, 2004 between GCI, Inc. and The Bank of New York, as trustee (24)
10.114	Registration Rights Agreement dated as of February 17, 2004, among GCI, Inc., and Deutsche Bank Securities Inc., Jefferies & Company, Inc., Credit Lyonnais Securities (USA), Inc., Blaylock & Partners, L.P., Ferris, Baker Watts, Incorporated, and TD Securities (USA), Inc., as Initial Purchasers (24)

10.121	First amendment to contract for Alaska Access Services between Sprint Communications Company L.P. and General Communication, Inc. and its wholly owned subsidiary GCI Communication Corp. dated July 24, 2002 # (26)
10.122	Second amendment to contract for Alaska Access Services between Sprint Communications Company L.P. and General Communication, Inc. and its wholly owned subsidiary GCI Communication Corp. dated December 31, 2003 (26)
10.123	Third amendment to contract for Alaska Access Services between Sprint Communications Company L.P. and General Communication, Inc. and its wholly owned subsidiary GCI Communication Corp. dated February 19, 2004 # (26)
10.124	Fourth amendment to contract for Alaska Access Services between Sprint Communications Company L.P. and General Communication, Inc. and its wholly owned subsidiary GCI Communication Corp. dated June 30, 2004 # (26)
10.126	Audit Committee Charter (as revised by the board of directors of General Communication, Inc. effective as of February 3, 2005) (27)
10.127	Nominating and Corporate Governance Committee Charter (as revised by the board of directors of General Communication, Inc. effective as of February 3, 2005) (27)
10.128	Fifth amendment to contract for Alaska Access Services between Sprint Communications Company L.P. and General Communication, Inc. and its wholly owned subsidiary GCI Communication Corp. dated January 22, 2005 # (27)
10.129	Ninth Amendment to Contract for Alaska Access Services between General Communication, Inc. and its wholly owned subsidiary GCI Communication Corp., and MCI WorldCom Network Services, Inc. # (28)
10.130	Amended and Restated Credit Agreement among GCI Holdings, Inc. and Calyon New York Branch as Administrative Agent, Sole Lead Arranger, and Co-Bookrunner, The Initial Lenders and Initial Issuing Bank Named Herein as Initial Lenders and Initial Issuing Bank, General Electric Capital Corporation as Syndication Agent, and Union Bank of California, N.A., CoBank, ACB, CIT Lending Services Corporation and Wells Fargo Bank, N.A. as Co-Documentation Agents, dated as of August 31, 2005 (28)
10.131	Amended and Restated 1986 Stock Option Plan of General Communication, Inc. as of June 7, 2005 (28)
10.132	Amendment No. 1 to $150 Million EBITDA Incentive Program dated December 30, 2005 (29)
10.134	Full-time Transponder Capacity Agreement with PanAmSat Corporation dated March 31, 2006 # (30)
10.135	Tenth Amendment to Contract for Alaska Access Services between General Communication, Inc. and its wholly owned subsidiary GCI Communication Corp., and MCI Communications Services, Inc. d/b/a Verizon Business Services (successor-in-interest to MCI Network Services, Inc., which was formerly known as MCI WorldCom Network Services) # (31)
10.136	Reorganization Agreement among General Communication, Inc., Alaska DigiTel, LLC, The Members of Alaska DigiTel, LLC, AKD Holdings, LLC and The Members of Denali PCS, LLC dated as of June 16, 2006 (Nonmaterial schedules and exhibits to the Reorganization Agreement have been omitted pursuant to Item 601b.2 of Regulation S-K. We agree to furnish supplementally to the Commission upon request a copy of any omitted schedule or exhibit.) # (32)
10.137	Second Amended and Restated Operating Agreement of Alaska DigiTel, LLC dated as of January 1, 2007 (We agree to furnish supplementally to the Commission upon request a copy of any omitted schedule or exhibit.) # (32)

10.138	Sixth amendment to contract for Alaska Access Services between Sprint Communications Company L.P. and General Communication, Inc. and its wholly owned subsidiary GCI Communication Corp. dated September 20, 2006 (33)
10.139	Seventh amendment to contract for Alaska Access Services between Sprint Communications Company L.P. and General Communication, Inc. and its wholly owned subsidiary GCI Communication Corp. dated January 17, 2007 # (33)
10.140	General Communication, Inc. Director Compensation Plan dated June 29, 2006 (33)
10.141	Eleventh Amendment to Contract for Alaska Access Services between General Communication, Inc. and its wholly owned subsidiary GCI Communication Corp., and MCI Communications Services, Inc. d/b/a Verizon Business Services (successor-in-interest to MCI Network Services, Inc., which was formerly known as MCI WorldCom Network Services) # (35)
10.142	Third Amendment to the Amended and Restated Credit Agreement among GCI Holdings, Inc., GCI Communication Corp., GCI Cable, Inc., GCI Fiber Communication Co., Potter View Development Co., Inc., and Alaska United Fiber System Partnership, GCI, Inc., the banks, financial institutions, and other lenders party hereto and Calyon New York Branch as Administrative Agent, dated as of September 14, 2007 (36)
10.143	Joinder Agreement dated as of September 28, 2007 among BNP Paribas, U.S. Bank National Association, GCI Holdings, Inc., GCI Communication Corp., GCI Cable, Inc., GCI Fiber Communication Co., Potter View Development Co., Inc., and Alaska United Fiber System Partnership, GCI, Inc., and Calyon New York Branch as Administrative Agent (36)
10.144	Strategic Roaming Agreement dated as of October 30, 2007 between Alaska DigiTel, LLC. And WirelessCo L.P. # (37)
10.145	CDMA Build-out Agreement dated as of October 30, 2007 between Alaska DigiTel, LLC. and WirelessCo L.P. (Nonmaterial schedules and exhibits to the Reorganization Agreement have been omitted pursuant to Item 601b.2 of Regulation S-K. We agree to furnish supplementally to the Commission upon request a copy of any omitted schedule or exhibit.) # (37)
10.146	Long-term de Facto Transfer Spectrum Leasing agreement between Alaska DigiTel, LLC. and SprintCom, Inc. # (37)
10.147	Twelfth Amendment to Contract for Alaska Access Services between General Communication, Inc. and its wholly owned subsidiary GCI Communication Corp., and MCI Communications Services, Inc. d/b/a Verizon Business Services (successor-in-interest to MCI Network Services, Inc., which was formerly known as MCI WorldCom Network Services) dated November 19, 2007 (Nonmaterial schedules and exhibits to the Reorganization Agreement have been omitted pursuant to Item 601b.2 of Regulation S-K. We agree to furnish supplementally to the Commission upon request a copy of any omitted schedule or exhibit.) # (37)
10.148	Stock Purchase Agreement dated as of October 12, 2007 among GCI Communication Corp., United Companies, Inc., Sea Lion Corporation and Togiak Natives LTD. (Nonmaterial schedules and exhibits to the Reorganization Agreement have been omitted pursuant to Item 601b.2 of Regulation S-K. We agree to furnish supplementally to the Commission upon request a copy of any omitted schedule or exhibit.) (37)
10.149	Fourth Amendment to the Amended and Restated Credit Agreement dated as of May 2, 2008 by and among GCI Holdings, Inc., the other parties thereto and Calyon New York Branch, as administrative agent, and the other Lenders party thereto (38)

10.150	Second Amendment to Lease Agreement dated as of April 8, 2008 between RDB Company and GCI Communication Corp. as successor in interest to General Communication, Inc. (39)
10.151	Audit Committee Charter (as revised by the board of directors of General Communication, Inc. effective as of April 27, 2007) (39)
10.152	Nominating and Corporate Governance Committee Charter (as revised by the board of directors of General Communication, Inc. effective as of April 27, 2007) (39)
10.153	Thirteenth Amendment to Contract for Alaska Access Services between General Communication, Inc. and its wholly owned subsidiary GCI Communication Corp., and MCI Communications Services, Inc. d/b/a Verizon Business Services (successor-in-interest to MCI Network Services, Inc., which was formally known as MCI WorldCom Network Services) dated January 16, 2008 # (39)
10.154	Fourteenth Amendment to Contract for Alaska Access Services between General Communication, Inc. and its wholly owned subsidiary GCI Communication Corp., and MCI Communications Services, Inc. d/b/a Verizon Business Services (successor-in-interest to MCI Network Services, Inc., which was formally known as MCI WorldCom Network Services) dated May 15, 2008 (40)
10.155	Contract for Alaska Access Services between the Company and Verizon, dated January 1, 1993 (41) #
10.156	Third Amendment to Contract for Alaska Access Services between the Company and Verizon, dated February 27, 1998 (41) #
10.157	Fourth Amendment to Contract for Alaska Access Services between the Company and Verizon, dated January 1, 1999 (41) #
10.158	Fifth Amendment to the Amended and Restated Credit Agreement dated as of October 17, 2008 by and among Holdings, Inc. the other parties thereto and Calyon New York Branch, as administrative agent, and the other Lenders party thereto (42)
10.159	Amendment to Deferred Bonus Agreement dated December 31, 2008 by and among the Company, the Employer and Mr. Duncan (43)
10.160	Amendment to Deferred Compensation Agreement dated December 31, 2008 by and among the Company, the Employer and Mr. Duncan (43)
10.161	First Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated February 15, 2008 # (44)
10.162	Second Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated April 9, 2008 # (44)
10.163	Third Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated June 4, 2008 # (44)
10.164	Fourth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated June 4, 2008 # (44)
10.165	Fifth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated September 30, 2008 # (44)
10.166	Sixth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated October 31, 2008 # (44)
10.167	Seventh Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated November 6, 2008 # (44)

10.168	Eighth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication Corp. dated June 8, 2009 # (44)
10.169	Fifteenth Amendment to Contract for Alaska Access Services between General Communication, Inc. and its wholly owned subsidiary GCI Communication Corp., and MCI Communications Services, Inc. d/b/a Verizon Business Services (successor-in-interest to MCI Network Services, Inc., which was formally known as MCI WorldCom Network Services) dated May 5, 2009 # (44)
10.170	Second Amended and Restated Credit Agreement dated as of January 29, 2010 by and among GCI Holdings, Inc., the other parties thereto and Calyon New York Branch, as administrative agent, and the other Lenders party thereto (45)
10.171	Sixteenth Amendment to Contract for Alaska Access Services between General Communication, Inc. and its wholly owned subsidiary GCI Communication Corp., and MCI Communications Services, Inc. d/b/a Verizon Business Services (successor-in-interest to MCI Network Services, Inc., which was formally known as MCI WorldCom Network Services) dated October 13, 2009 (46)
10.172	Seventeenth Amendment to Contract for Alaska Access Services between General Communication, Inc. and its wholly owned subsidiary GCI Communication Corp., and MCI Communications Services, Inc. d/b/a Verizon Business Services (successor-in-interest to MCI Network Services, Inc., which was formally known as MCI WorldCom Network Services) dated December 8, 2009 # (46)
10.173	Audit Committee Charter (as revised by the Board of Directors of General Communication, Inc. effective January 1, 2010) (47)
10.174	Nominating and Corporate Governance Committee Charter (as revised by the Board of Directors of General Communication, Inc. effective as of January 1, 2010) (47)
10.175	Ninth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication, Corp. dated June 29, 2010 # (47)
10.176	Stock Purchase Agreement between General Communication, Inc. and Arctic Slope Regional Corporation, an Alaska corporation, dated as of October 21, 2010 (48)
10.177	Description of Incentive Compensation Guidelines for Named Executive Officers (49)
10.178	Amended and restated aircraft lease agreement between GCI Communication Corp., and Alaska corporation and 560 Company, Inc., an Alaska corporation, dated as of February 25, 2005 *
10.179	First amendment to the amended and restated aircraft lease agreement between GCI Communication Corp., and Alaska corporation and 560 Company, Inc., an Alaska corporation, dated as of December 27, 2010 *
10.180	Tenth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication, Corp. dated September 24, 2010 # *
10.181	Eleventh Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication, Corp. dated September 23, 2010 # *

10.182	Twelfth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation, formerly known as PanAmSat Corporation and GCI Communication, Corp. dated November 5, 2010 # *
10.183	Reorganization Agreement among General Communication, Inc., Alaska DigiTel, LLC, The Members of Alaska DigiTel, LLC, AKD Holdings, LLC and The Members of Denali PCS, LLC dated as of June 16, 2006 (Nonmaterial schedules and exhibits to the Reorganization Agreement have been omitted pursuant to Item 601b.2 of Regulation S-K. We agree to furnish supplementally to the Commission upon request a copy of any omitted schedule or exhibit.) *
10.184	Second Amended and Restated Operating Agreement of Alaska DigiTel, LLC dated as of January 1, 2007 (We agree to furnish supplementally to the Commission upon request a copy of any omitted schedule or exhibit.) *
10.185	Amendment No. 2 to the Amended and Restated 1986 Stock Option Plan of General Communication, Inc. (50)
10.186	Amendment No. 3 to the Amended and Restated 1986 Stock Option Plan of General Communication, Inc. *
10.187	Amended Memorandum of Understanding dated effective as of January 26, 2006 setting forth the principal terms and conditions of transactions proposed to be consummated among Alaska DigiTel, LLC, an Alaska limited liability company, all of the members of Denali PCS, LLC, an Alaska limited liability company, and General Communication, Inc., an Alaska corporation *
10.188	Broadband Initiatives Program Loan/Grant and Security Agreement between United Utilities, Inc. and the United States of America dated as of June 1, 2010 # *
14	Code Of Business Conduct and Ethics (originally reported as exhibit 10.118) (25)
18.1	Letter regarding change in accounting principle (39)
21.1	Subsidiaries of the Registrant *
23.1	Consent of Grant Thornton LLP (Independent Public Accountant for Company) *
23.2	Consent of KPMG LLP (Independent Public Accountant for Company) *
31	Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *
32	Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *
99	Additional Exhibits:
99.1	The Articles of Incorporation of GCI Communication Corp. (1)
99.2	The Bylaws of GCI Communication Corp. (1)
99.7	The Bylaws of GCI Cable, Inc. (10)
99.8	The Articles of Incorporation of GCI Cable, Inc. (10)
99.15	The Bylaws of GCI Holdings, Inc. (13)
99.16	The Articles of Incorporation of GCI Holdings, Inc. (13)
99.17	The Articles of Incorporation of GCI, Inc. (12)
99.18	The Bylaws of GCI, Inc. (12)
99.27	The Partnership Agreement of Alaska United Fiber System (15)
99.28	The Bylaws of Potter View Development Co., Inc. (19)
99.29	The Articles of Incorporation of Potter View Development Co., Inc. (19)
99.34	The Bylaws of GCI Fiber Communication, Co., Inc. (20)
99.35	The Articles of Incorporation of GCI Fiber Communication, Co., Inc. (20)

#	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.

Exhibit Reference	Description
1	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 1990
2	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 1991
3	Incorporated by reference to The Company's Registration Statement on Form 10 (File No. 0-15279), mailed to the Securities and Exchange Commission on December 30, 1986
4	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 1989.
5	Incorporated by reference to The Company's Current Report on Form 8-K dated June 4, 1993.
6	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 1993.
7	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 1995.
8	Incorporated by reference to The Company's Form S-4 Registration Statement dated October 4, 1996.
9	Incorporated by reference to The Company's Current Report on Form 8-K dated November 13, 1996.
10	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 1996.
11	Incorporated by reference to The Company's Current Report on Form 8-K dated March 14, 1996, filed March 28, 1996.
12	Incorporated by reference to The Company's Form S-3 Registration Statement (File No. 333-28001) dated May 29, 1997.
13	Incorporated by reference to The Company's Amendment No. 1 to Form S-3/A Registration Statement (File No. 333-28001) dated July 8, 1997.
14	Incorporated by reference to The Company's Amendment No. 2 to Form S-3/A Registration Statement (File No. 333-28001) dated July 21, 1997.
15	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 1997.
16	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 1998.
17	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended June 30, 1999.

18	Incorporated by reference to The Company’s Quarterly Report on Form 10-Q for the period ended March 31, 2001.
19	Incorporated by reference to The Company’s Quarterly Report on Form 10-Q for the period ended June 30, 2001.
20	Incorporated by reference to The Company’s Annual Report on Form 10-K for the year ended December 31, 2001.
21	Incorporated by reference to The Company’s Quarterly Report on Form 10-Q for the period ended June 30, 2002.
22	Incorporated by reference to The Company’s Annual Report on Form 10-K for the year ended December 31, 2002.
23	Incorporated by reference to The Company’s Quarterly Report on Form 10-Q for the period ended June 30, 2003.
24	Incorporated by reference to The Company’s Annual Report on Form 10-K for the year ended December 31, 2003.
25	Incorporated by reference to The Company’s Quarterly Report on Form 10-Q for the period ended March 31, 2004.
26	Incorporated by reference to The Company’s Quarterly Report on Form 10-Q for the period ended June 30, 2004.
27	Incorporated by reference to The Company’s Quarterly Report on Form 10-Q for the period ended March 31, 2005.
28	Incorporated by reference to The Company’s Quarterly Report on Form 10-Q for the period ended September 30, 2005.
29	Incorporated by reference to The Company’s Annual Report on Form 10-K for the year ended December 31, 2005 filed March 16, 2006.
30	Incorporated by reference to The Company’s Quarterly Report on Form 10-Q for the period ended March 31, 2006.
31	Incorporated by reference to The Company’s Quarterly Report on Form 10-Q for the period ended June 30, 2006.
32	Incorporated by reference to The Company’s Annual Report on Form 10-K for the year ended December 31, 2006 filed March 19, 2007.
33	Incorporated by reference to The Company’s Quarterly Report on Form 10-Q for the period ended March 31, 2007.
34	Incorporated by reference to The Company’s Form S-8 filed with the SEC on July 27, 2007.
35	Incorporated by reference to The Company’s Quarterly Report on Form 10-Q for the period ended June 30, 2007.
36	Incorporated by reference to The Company’s Quarterly Report on Form 10-Q for the period ended September 30, 2007.
37	Incorporated by reference to The Company’s Annual Report on Form 10-K for the year ended December 31, 2007 filed March 7, 2008.
38	Incorporated by reference to the Company's Report on Form 8-K for the period May 2, 2008 filed May 8, 2008.

39	Incorporated by reference to The Company’s Quarterly Report on Form 10-Q for the period ended March 31, 2008.
40	Incorporated by reference to The Company’s Quarterly Report on Form 10-Q for the period ended June 30, 2008.
41	Incorporated by reference to The Company's Report on Form 8-K for the period September 19, 2008 filed on September 22, 2008.
42	Incorporated by reference to The Company’s Quarterly Report on Form 10-Q for the period ended September 30, 2008.
43	Incorporated by reference to The Company's Report on Form 8-K for the period December 31, 2008 filed January 6, 2009.
44	Incorporated by reference to The Company’s Quarterly Report on Form 10-Q for the period ended September 30, 2009.
45	Incorporated by reference to The Company's Report on Form 8-K for the period January 29, 2010 filed February 3, 2010.
46	Incorporated by reference to The Company’s Annual Report on Form 10-K for the year ended December 31, 2009 filed March 12, 2010.
47	Incorporated by reference to The Company’s Quarterly Report on Form 10-Q for the period ended June 30, 2010 filed August 5, 2010.
48	Incorporated by reference to The Company's Report on Form 8-K for the period October 21, 2010 filed October 27, 2010.
49	Incorporated by reference to The Company's Report on Form 8-K for the period October 7, 2010 filed October 15, 2010.
50	Incorporated by reference to The Company’s Form SC TO-I dated August 6, 2009.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

By: /s/ Ronald A. Duncan
Ronald A. Duncan, President
(Chief Executive Officer)

Date: March 14, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title	Date
/s/ Stephen M. Brett Stephen M. Brett	Chairman of Board and Director	March 1, 2011
/s/ Ronald A. Duncan Ronald A. Duncan	President and Director (Principal Executive Officer)	March 14, 2011
/s/ Jerry A. Edgerton Jerry A. Edgerton	Director	March 1, 2011
/s/ Scott M. Fisher Scott M. Fisher	Director	March 1, 2011
/s/ William P. Glasgow William P. Glasgow	Director	March 7, 2011
/s/ Mark W. Kroloff Mark W. Kroloff	Director	March 14, 2011
/s/ Stephen R. Mooney Stephen R. Mooney	Director	March 14, 2011
/s/ James M. Schneider James M. Schneider	Director	March 10, 2011
/s/ John M. Lowber John M. Lowber	Senior Vice President, Chief Financial Officer, Secretary and Treasurer (Principal Financial Officer)	March 14, 2011
/s/ Lynda L. Tarbath Lynda L. Tarbath	Vice President, Chief Accounting Officer (Principal Accounting Officer)	March 14, 2011

AMENDED AND RESTATED
AIRCRAFT LEASE AGREEMENT

This Amended and Restated Aircraft Lease Agreement ("Agreement") is made effective as of February 25, 2005 ("Effective Date"), between GCI Communication Corp., an Alaska corporation ("GCI" and "Lessee") and 560 Company, Inc., an Alaska corporation ("Lessor").

WHEREAS, effective as of January 1, 2001, GCI and Lessor entered into an Aircraft Lease Agreement ("Lease") regarding the following-described aircraft ("Citation"):

Make/model:	Cessna Citation V (C560)
Registration:	N560ER
Serial No.:	560-0003
Engines:	Pratt & Whitney JT15D-5A
Serial No.:	Left 108003 Right 108535

WHEREAS, the Lease was amended by GCI and Lessor by that First Amendment to Aircraft Lease Agreement effective as of February 8, 2002 ("First Amendment");

WHEREAS, 560 Company, Inc. is the Lessor and owner of a newly acquired aircraft, together with all equipment and accessories attached thereto or used in connection therewith (collectively, "Astra"):

Make/model:	1997 Israel Aircraft Industries Astra SPX
Registration:	N89HS
Serial no.:	89
Engines:	Garrett Ai Research Jet Engine, Model No. TFE-731-40R-200G
Serial no.:	P113126 + P113125

WHEREAS, the parties desire to amend the Lease with this second amendment and restatement, to add the Astra to the existing Lease;

WHEREAS, Lessee desires to use the Citation and the Astra (collectively, "Aircraft"), and Lessor is willing to allow Lessee to use the Aircraft, for the terms and purposes, and on the terms and conditions, set forth in this Agreement;

Now, therefore, Lessor and Lessee agree as follows:

1. **Location and Use of Aircraft**. The Aircraft shall be under the control of Lessee as of the Effective Date. Lessor hereby grants to Lessee the right to use the Aircraft on the terms and conditions set forth in this Agreement.

2. **Term**. The initial term of this Agreement shall be for thirty (30) days and shall commence on the Effective Date. The lease shall automatically continue on a month to month basis unless terminated pursuant to any provision of this Agreement. Either Lessee or Lessor may terminate this Agreement upon one hundred twenty (120) days' written notice as set forth in Section 17, and as follows: If GCI elects to terminate this Agreement, Lessor may within five (5) business days of the date of such notice provide GCI with written notice of Lessor's intent to put the Astra up for sale. Then, this Agreement shall terminate upon the earlier of (i) the later sale date of both Aircraft, or (ii) one hundred and twenty (120) days from the date of GCI's termination notice. If the Agreement is not terminated within ninety (90) days from the date of GCI's termination notice, then Lessor shall rebate any rental payment for the period after the ninetieth (90) day until the date of the lease termination to GCI on the same date and in addition to the deposit described in Section 3(C). Additionally, Lessor shall rebate to GCI all costs GCI incurs hereunder beginning on the ninety-first (91 st) day after the termination notice. If Lessor fails to give notice of its intent to sell the Aircraft within such five (5) business days, then this Agreement shall terminate ninety (90) days from the date of GCI's written notice of its intent to terminate.

3. **Payments to Lessor**.

   A. GCI shall pay rent to Lessor at the rate of (a) US $50,000.00 per month on the Citation and (b) US $75,000.00 per month on the Astra, "dry" plus sales/use tax if applicable, without demand, offset, deduction or counterclaim. Payments of each month's rental shall be made on or before the first (1st) day of each month, in advance. The monthly rental payment for the first and last month shall be prorated on an actual day's basis, and any unused funds after a proper termination shall be refunded to Lessee in full except as otherwise provided herein.

   B. In addition to the monthly payment, GCI previously granted to Lessor an option to purchase two hundred fifty thousand (250,000) shares of General Communication, Inc., Class A Common Stock, no par value, at six and 50/100 dollars ($6.50) per share, in the form set forth as Exhibit A hereto. Lessor may sell to GCI the Stock arising from such option, so long as all proceeds from any such sale are used first to retire the Deposit (defined in Section 3C below). Alternatively, if Lessor

desires not to exercise the option, Lessor may surrender the right to purchase all or a portion of the Stock subject to the option agreement to GCI, whereupon the "in the money" value (calculated by reference to the closing price of the GCI Class A common stock on the day immediately preceding the surrender) of the underlying option Stock surrendered shall be applied first toward repayment of the Deposit, with any remainder paid in cash to 560 Company. Any such sales of Stock, or such application of the "in the money" value of the Stock, to GCI shall be subject to all the covenants and limitations set forth in GCI and its affiliates' debt and preferred stock instruments, both those currently outstanding and any and all subsequently executed. If GCI (or its affiliates) is unable to obtain a waiver of any covenant or restriction that would prohibit such a Stock repurchase, then GCI's obligation to complete such a repurchase shall be waived unless and until such time as a repurchase is permissible.

C. In addition to the above payments, GCI previously provided Lessor with a one million five hundred thousand dollar ($1,500,000.00) deposit for the Aircraft's usage hereunder ("Deposit"). Lessor may utilize the Deposit for its general working capital needs. Upon the earlier of (i) six (6) months after the Agreement terminates, or (ii) nine (9) months after the date of the termination notice, Lessor shall repay the Deposit to GCI, without interest (except as set forth in Section 14), and in addition to any rental rebate amount owing under Section 2.

4. **Use**.

A. Lessee shall, at its sole expense, provide all crewmembers required for operation of the Aircraft during the term of this Agreement, except as set forth in Section 4(E). All crewmembers must be qualified to Lessee's insurance company's standards to fly the Aircraft.

B. Lessee shall pay all expenses in preparation for any GCI-usage flight and in connection with GCI flights, including but not limited to expenses for fuel, crew quarters, landing fees, imposts, duties, fines, meals, all other out-of-pocket crew expenses, and the cost of any special equipment required for Lessee's business, except as set forth in Section 4(E).

C. Lessee shall, at its sole expense, provide hangar storage and line service for the Aircraft in Anchorage, Alaska. Lessee shall also pay all maintenance costs for the Aircraft during the term hereof.

D. The Aircrafts' base when not in use shall be Anchorage, Alaska.

E. The Aircraft are for Lessee's use, and Lessee has first priority use of the Aircraft. However, GCI agrees that as additional consideration for this Lease, if GCI does not then need all or a portion of the Aircraft for its business purposes, Lessor has a secondary right of use in (a) any empty seats on any GCI flights, and (b) the entire Aircraft(s) when GCI does not require such Aircrafts' use. Lessor's use of any empty seats on a GCI flight shall be in partial consideration for this Agreement. Lessor's right to use the entire Aircraft(s) is subject to Lessor's obligation to timely reimburse GCI for all incremental costs incurred as a result of Lessor's usage, *i.e.* the variable costs of fuel, landing fees and the daily expenses of the pilots. Regardless of any such usage, as set forth in Section 7, GCI remains obligated to pay all the fixed costs of the Aircraft, *e.g.* fixed and regular maintenance, insurance, pilots' salaries, *etc.* The Aircraft cannot be subleased, chartered or used by any other person or entity. Lessor covenants and warrants to GCI that it shall only utilize the Aircraft for its principal's business and personal purposes, and no other party than the sole individual owner of Lessor shall make payments to Lessor for the utilization of the Aircraft.

5. **Major Damage**. If the Aircraft suffer any major damage or loss of a type required to be reported to the FAA or recorded in the Aircrafts' logbooks under FAA regulations governing the Aircrafts' use, and subsequently shall have been returned to service, Lessor and Lessee shall upon delivery of the Aircraft to Lessor under Section 9 below, determine the amount of loss in value, if any, suffered by the Aircraft due to such damage or loss. Lessor and Lessee shall determine such amount by requesting bids for the purchase of the Aircraft from three (3) dealers in such aircraft, qualified to render such and not affiliated with Lessor and Lessee. Lessor and Lessee shall each select one (1) dealer, and the two dealers shall select the third dealer. Each dealer shall render one (1) bid based upon a description of the Aircraft assuming no damage history, and a second (2nd) bid based on the Aircraft's actual condition. The difference between the average of all bids received for the Aircraft assuming no damage history, and the average of all bids received for the Aircraft including the actual damage history, together with interest thereon from the period between the end of the term of this Agreement until the date of payment, at a rate equal to one (1) percentage point in excess of the prime rate announced from time to time by Wells Fargo Bank, shall be paid by Lessee to Lessor in the form of a lump sum payment within ten (10) days after the last of the three (3) dealers renders its bid.

6. **Lessor's Inspection**. Lessor or its authorized representatives may at all reasonable times inspect the Aircraft and Lessee's books and records relating to the Aircraft, provided such Aircraft is not scheduled for use at the time requested for inspection. Lessor's inspection will not interfere with Lessee's normal business operation.

7. **Maintenance and Repairs; Modifications and Improvements** .

A. During the term of this Agreement, Lessee shall, at its sole expense, maintain the Aircraft in good operating and airworthy condition, perform any periodic inspections or service for the Aircraft recommended by the manufacturers' maintenance manual or service bulletins or required by law, repair any uninsured damage to the Aircraft as a result of Lessee's use thereof, and maintain the Astra on the MSP Gold program for its engines. Lessor shall be responsible for any uninsured damage to the Aircraft as a result of its exclusive use thereof. Prior to repairing any damage to the Aircraft, Lessee will notify Lessor of such damage and obtain written approval of the repairs. The performance of all maintenance and repair work shall be by or under the supervision of properly qualified and trained personnel and in compliance with FAA or other governmental requirements.

B. Should any engine of the Aircraft become due for a hot section inspection or major overhaul during the term of this Agreement, Lessee shall, at its sole expense, perform such inspection or overhaul in accordance with the manufacturer's recommended procedures.

C. GCI, with Lessor's consent, may add equipment to or modify the Aircraft at its expense during the term hereof. At the termination of the Lease, GCI may, at its election and expense, either (i) remove such equipment or modifications and return it to its original and unmodified condition, or (ii) abandon such modifications and improvements to Lessor.

8. **Insurance**.

A. Lessee shall maintain, at Lessee's expense, during the term of this Agreement all risk aircraft physical damage (ground and flight hull) insurance on (a) the Astra in the amount of seven million five hundred thousand US Dollars ($7,500,000.00) and (b) the Citation in the amount of four million five hundred thousand US Dollars ($4,500,000.00). Lessor and the Wells Fargo Bank shall be additional insureds. The hull insurance shall contain a breach of warranty clause and loss payee in favor of Lessor in case Lessee breaches any obligation under the insurance contract.

B. Lessee shall maintain, at Lessee's expense, during the term of this Agreement aircraft liability insurance, including bodily injury to passengers, in the amount of at least one hundred million US Dollars ($100,000,000.00). Lessor and the Wells Fargo Bank shall be additional insureds. Assuming such coverage is available under reasonable financial terms, the liability insurance shall contain a breach of warranty clause and loss payee in favor of Lessor in case Lessee breaches any obligation under the insurance contract.

C. Lessor and Lessee each hereby waive any and all rights of recovery against the other, or against the owners, officers, servants, employees, agents and representatives of the other, for loss or damage of such waiving party or its property, or the property of others under its control, where such loss or damage is insured against under any insurance policy in force at the time of such loss or damage as required hereunder.

D. In the event that GCI is unable to or elects not to purchase the insurance coverage specified in this Section 8, GCI hereby agrees to indemnify Lessor for any difference between the amount of insurance actually acquired and the amount of insurance required by this Agreement.

9. **Return of Aircraft**.

A. Upon the termination of this Agreement, Lessee shall, at its sole expense, return the Aircraft forthwith to Lessor by delivering the Aircraft to Lessor at Anchorage, Alaska, or at another agreed location. The Aircraft shall be returned in the same condition as when delivered to Lessee hereunder, ordinary wear and tear excepted, no open or deferred maintenance items, in airworthy condition, and free and clear of all liens, encumbrances or rights of others whatsoever caused by Lessee.

B. Not less than three (3) days prior to the expiration or earlier termination of the Agreement, Lessee shall make the Aircraft available to Lessor at Anchorage, Alaska, or such other location as agreed to pursuant to Section 9(A), for the purpose of permitting Lessor, at Lessor's sole cost, to make an inspection of the Aircraft. In connection with such inspection, Lessor shall, at Lessee's expense, be entitled to an acceptance flight check of not more than one (1) hour's duration. Lessor shall at Lessor's expense be entitled to correct and repair any condition of the Aircraft discovered on such inspection or flight check which causes the Aircraft not to be in the condition prescribed above or not airworthy; and Lessee shall reimburse Lessor upon demand for the cost of any such repairs. If any corrections or repairs are necessary, the terms of the Agreement shall be extended for the period required to enable Lessee to make such corrections or repairs and to return the Aircraft in accordance with the terms of Section 9.

C. During any extended term referred to in this Section 9, rent shall be paid by Lessee to Lessor until the date of actual return

at the rate specified in Section 3(A) above.

10. **Taxes**. Lessee shall pay, and indemnify and hold Lessor harmless from, all license and registration fees and all sales, use, operational, personal property, and other taxes, levies, duties, charges or withholdings of any nature (together with any penalties, fines or interest thereon and reasonable attorneys' fees) imposed upon Lessor by any federal, state or local government or taxing authority upon or with respect to the use or operation of the Aircraft hereunder, upon the rentals, receipts, or earnings arising there from, or with respect to this Agreement (other than taxes on, or measured by, the net income of Lessor). The obligations of Lessee under this Section shall survive the termination of this Agreement. Lessee shall only be liable for the prorated portion of any taxes or fees not collected during the term of this Agreement.

11. **Liens, Encumbrances and Rights of Others** . Lessee will not directly or indirectly create, incur, or permit any mortgage, pledge, lien attachment, charge, encumbrance or right of others whatsoever on or with respect to the Aircraft, title thereto or any interest therein, other than that arising because of a debt or other obligation of the Lessor. Lessee will promptly, at Lessee's sole expense, cause any such mortgage, pledge, lien, attachment, charge, encumbrance or right of another which may arise at any time to be duly discharged, dismissed and removed as soon as possible, but in any event within ten (10) days after the existence of the same shall have first become known to Lessee.

12. **DISCLAIMER OF WARRANTIES. LESSEE ACKNOWLEDGE THAT LESSOR HAS NOT MADE ANY REPRESENTATIONS OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE CONDITION, AIRWORTHINESS, MERCHANTABILITY, DESIGN, OPERATION, OR FITNESS FOR USE OR A PARTICULAR PURPOSE OF THE AIRCRAFT, AGAINST INTERFERENCE BY OTHERS (OTHER THAN THAT ARISING BECAUSE OF A DEBT OR OTHER OBLIGATION OF THE LESSOR), OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE AIRCRAFT. LESSOR WARRANTS THAT IT HAS GOOD TITLE TO THE AIRCRAFT AND THAT IT IS FREE AND CLEAR OF LIENS AND ENCUMBRANCES EXCEPT THOSE CREATED BY LESSOR.**

13. **Indemnity**. Lessee hereby assumes liability for, and shall indemnify, protect, save and keep harmless Lessor, its shareholders, officers, directors, employees and agents, from and against, and to pay Lessor promptly upon demand the amount of, any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements, including reasonable legal expense, of whatsoever kind and nature, imposed on, incurred by or asserted against Lessor in any way relating to or arising out of this Agreement or the possession, use or operation of the Aircraft by Lessee. Lessor hereby assumes liability for, and shall indemnify, protect, save and keep harmless GCI, its shareholders, officers, directors, employees and agents, from and against, and to pay GCI promptly upon demand the amount of, any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements, including reasonable legal expense, of whatsoever kind and nature, imposed on, incurred by or asserted against GCI in any way relating to or arising out of this Agreement or the possession, use or operation of the Aircraft by Lessor. The indemnities contained in this Section 13 shall continue in full force and effect, not withstanding the expiration or other termination of this Agreement.

14. **Default**. The following shall constitute Events of Default hereunder: a) Lessee or Lessor shall fail to make any payment due to the other party within five (5) days after the same shall become due; b) Lessor or Lessee shall fail to perform or observe any other material covenant, condition or agreement to be performed or observed by it hereunder, and such failure shall continue unremedied for a period of twenty (20) days after written notice thereof by Lessor or Lessee; c) Lessee or Lessor shall become insolvent or bankrupt, or make an assignment for the benefit for creditors or consent to the appointment of a trustee or receiver; or a trustee or receiver shall be appointed for such party; or bankruptcy, reorganization or insolvency proceedings shall be instituted by or against Lessee or Lessor, and, if instituted against a party hereto, shall not be dismissed for a period of thirty (30) days. Interest shall accrue for any payment not made when due hereunder at ten and one-half (10.5%) percent per annum, beginning on the first day such payment is late.

15. **Remedies**. Upon the occurrence of any Event of Default, Lessor or Lessee may, at its option, and at any time thereafter, do one or more of the following:

A. Require the defaulting party, upon the written demand of the non-defaulting party and at non-defaulting party's expense, to terminate this Agreement. If this Agreement is terminated because of a default, Lessee will promptly return the Aircraft to Lessor at the location, in the condition, and otherwise in accordance with all of the terms, specified in Section 9 of this Agreement.

B. Exercise any other right or remedy which may be available to it at law or in equity. In addition, the defaulting party shall reimburse the non-defaulting party upon demand for all legal fees, other costs and expenses incurred by reason of the occurrence of any Event of Default, or the exercise of the non-defaulting party's remedies with respect thereto, including all costs and expenses incurred in connection with the return of the Aircraft in accordance with the terms of Section 9 hereof or

in placing such Aircraft in the condition required by Section 9. No remedy referred to in this Section 15 is intended to be exclusive, but each shall be cumulative in addition to any remedy referred to above or available to the non-defaulting party at law or in equity; and the exercise or beginning of exercise by the non-defaulting party of any one or more of such remedies shall not preclude the simultaneous or later exercise by the non-defaulting party of any or all such other remedies.

16. **Assignment**. Lessee shall not, without the prior written consent of Lessor (which may be withheld by Lessor in its absolute discretion) assign any of its rights hereunder or permit the Aircraft to be operated or used by, or in the possession of, any party other than Lessee, except that GCI may assign its contract rights hereunder for security purposes only to its lenders.

17. **Notices**. All notices, demands and requests contemplated by this Agreement shall be deemed to have been delivered and received if served personally, or sent by United States registered or certified mail, postage prepaid, return receipt requested, or by courier service, addressed to the addresses set forth below or such other addresses as either party may designate by notice to the other:

If to Lessor:
560 Company, Inc.
Attention: Ronald Duncan, President
2550 Denali Street, Suite 1000
Anchorage, Alaska 99503

If to Lessee:
GCI Communication Corp.
Attention: Chief Financial Officer
2550 Denali Street, Suite 1000
Anchorage, Alaska 99503

Any such notice shall be deemed delivered and received upon such specified delivery at the time of attempted delivery shown on such return or courier receipt. Any notice hereunder shall also be sent to: Wells Fargo Bank, N.A.
Commercial Banking Group
C/o Chris Clifford, Vice President
MAC K3212-023
301 West Northern Lights Boulevard
Anchorage, AK 99503

18. **Attorneys' Fees**. In the event of any litigation or arbitration between the parties with respect to this Agreement, the prevailing party shall recover from the other party all costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party, all of which shall be included in and as a part of the judgment or award rendered in such litigation or arbitration. The term "prevailing party" shall mean the party which achieves substantially the relief sought, whether by judgment, order, settlement, or otherwise.

19. **Further Instruments**. Each party shall from time to time execute and deliver such further instruments as the other party may reasonably request to effectuate the intent of this Agreement.

20. **Execution and Counterparts**. This Agreement may be executed and delivered in counterparts and by each party hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original and all of which taken together shall constitute one and the same instrument.

21. **Non-Waiver of Rights and Breaches**. No failure or delay of either party in the exercise of any right given to such party by this Agreement shall constitute a waiver thereof, unless the time specified herein for the exercise of such right has expired, nor shall any single or partial exercise of any right preclude other or further exercise of that, or any other, right. The waiver by a party hereto of any default of the other party shall not be deemed to be a waiver of any subsequent default or other default of that party.

22. **Entire Agreement; Modification**. This Agreement, as amended and restated, constitutes the entire agreement between the parties pertaining to the subject matter hereof, and supersedes all prior agreements, understandings and representations of the parties with respect to the subject matter hereof. This Agreement may not be modified, amended or supplemented or otherwise changed except in writing, executed by each party.

23. **No Agency or Partnership**. Nothing in this Agreement shall be deemed to make either Lessor or Lessee an agent, partner or joint venturer of the other.

24. **Lessee Citizenship**. Lessee hereby represents and warrants to Lessor that Lessee is a citizen or permanent resident of the United States within the meaning of Title 14, Section 375.36 of the Code of Federal Regulations.

25. **Governing Law**. This Agreement shall be governed by and construed in accordance with the substantive law, but not the law regarding conflicts or choice of law, of the State of Alaska, with venue at Anchorage, Alaska.

26. **Counterpart Signatures**. This Agreement can be signed in multiple counterparts, the compilation of which shall be considered as one document.

27. **TRUTH IN LEASING** (See Federal Aviation Regulation (FAR) 91.23).

A. UPON INFORMATION AND BELIEF, FOR THE TWELVE (12) MONTHS PRECEDING THE DATE OF THIS AGREEMENT, THE AIRCRAFT LEASED HEREUNDER HAVE BEEN MAINTAINED AND INSPECTED IN ACCORDANCE WITH FEDERAL AVIATION REGULATION PART 91.1.

B. THE AIRCRAFT WILL BE MAINTAINED AND INSPECTED UNDER PART 91 FOR OPERATIONS UNDER THIS AGREEMENT, AND LESSEE CERTIFIES THAT IT IS RESPONSIBLE FOR THE AIRCRAFTS' STATUS OF COMPLIANCE WITH APPLICABLE MAINTENANCE AND INSPECTION REQUIREMENTS AS SET FORTH UNDER THE REQUIRED FAA REGULATIONS APPLICABLE TO OPERATOR'S USE AND OPERATION OF THE AIRCRAFT. IN ADDITION, LESSEE AGREES TO PROVIDE LESSOR WITH WRITTEN INSPECTION REPORTS FOR INSPECTIONS ACCOMPLISHED UNDER SAID PROGRAM.

C. LESSEE IS SOLELY RESPONSIBLE FOR OPERATIONAL CONTROL OF THE AIRCRAFT, AND CERTIFIES THAT IT WILL COMPLY WITH ALL REGULATIONS ISSUED DURING THE TERM OF THIS AGREEMENT. LESSEE IS HEREBY ADVISED THAT AN EXPLANATION OF FACTORS BEARING ON OPERATIONAL CONTROL AND PERTINENT FAA REGULATIONS CAN BE OBTAINED FROM THE NEAREST FAA FLIGHT STANDARDS DISTRICT OFFICE, GENERAL AVIATION DISTRICT OFFICE, OR AIR CARRIER DISTRICT OFFICE.

D. LESSEE AGREES TO KEEP A COPY OF THIS AGREEMENT IN EACH AIRCRAFT AT ALL TIMES DURING THE TERM OF THIS AGREEMENT.

27. **Sale of the Citation.** GCI and Lessee agree that GCI's lease of the Citation, and GCI's obligations hereunder relating to the Citation (other than the indemnity provisions of Section 13), shall terminate on the earlier of (a) ninety (90) days from the Effective Date, or (b) Lessor's sale of the Citation.

In witness whereof, Lessor and Lessee have caused this Agreement to be duly executed by their respective officers as of the Effective Date.

560 Company, Inc.

By: /s/ Ronald A. Duncan
Ronald A. Duncan, President

GCI Communication Corp.

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

AMENDMENT NO. 1 TO AMENDED AND RESTATED AIRCRAFT LEASE AGREEMENT

This Amendment No. 1 dated effective as of December 27, 2010 ("Amendment"), is the first amendment to that Amended and Restated Aircraft Lease Agreement ("Agreement") dated effective as of February 25, 2005, between GCI Communication Corp., an Alaska corporation ("GCI" and "Lessee") and 560 Company, Inc., an Alaska corporation ("Lessor").

Now, therefore, Lessor and Lessee agree as follows:

I. **Return of/Condition of Aircraft**. In consideration of $350,000 to be paid by Lessee to Lessor on or before December 31, 2010, the parties agree that the Astra may be returned to Lessor at any time in the same condition as it is in on December 27, 2010, ordinary wear and tear excepted.

II. **Ratification**. All other terms and conditions of the Agreement remain in full force and effect.

III. **Counterpart Signatures**. This Agreement may be signed in counterparts, the compilation of which shall be considered as one document.

In witness whereof, Lessor and Lessee have caused this Amendment to be duly executed by their respective officers as of December 27, 2010.

560 Company, Inc.

By: /s/ Ronald A. Duncan
Ronald A. Duncan, President

GCI Communication Corp.

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

***** 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 three Asterisks.**

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

This Tenth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) (the "Tenth Amendment") is made and entered into as of this 24th day of September, 2010 by and between INTELSAT CORPORATION, formerly known as PanAmSat Corporation, a Delaware corporation ("Intelsat"), and GCI COMMUNICATION 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 and *** transponders on Horizons 1 and *** Transponder Segment from Horizons 1;

WHEREAS, Customer and Intelsat wish to amend the terms of the Agreement to increase *** Transponder Capacity by *** Transponder on the Galaxy 13 satellite;

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 full time basis twenty-four (24) hours a day, seven (7) days 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 consist of (a) *** transponders (collectively, the "*** Transponders' and individually, the "*** Transponder") from that certain U.S. domestic satellite referred to by Intelsat as "Galaxy 18," located in geostationary orbit at 123 degrees West Longitude, (b) *** transponders from the *** payload of that certain satellite referred to by Intelsat as "Horizons 1" at 127 degrees West Longitude ("*** Transponder"); (c) *** Transponder Capacity from that certain U.S. domestic satellite referred to by Intelsat as "Horizons 1," located in geostationary orbit at 127 degrees West Longitude (the "Horizons 1 Transponder Segment"); and (d) *** transponders from the *** payload of that certain satellite referred to by Intelsat as "Galaxy 13" at 127 degrees West Longitude (the "Galaxy 13 *** Transponder") meeting the Performance Specifications set forth in the attached Appendix B-1 which *** Transponder on Galaxy 13, meeting the Performance Specifications set forth in the attached Appendix B-2, pursuant to the terms set forth below (the "*** Galaxy 13 Transponder").

   For purposes of this Tenth Amendment, "***" means Intelsat *** Customer *** as a result of *** transponder *** or ***.

   For the purposes of this Tenth Amendment, a *** Transponder is a transponder that will be *** to the Protected Parties of *** Transponders with respect to the performance of their *** Transponders. *** Transponders shall be *** the *** Transponders (or such ***) executed transponder purchase, lease, or use agreement for such *** Transponders.

   The transponders on the Satellite and the beams in which these transponders are grouped are referred to as "Transponder(s)" and the "Beam(s)," respectively. Galaxy 18, Galaxy 13 or Horizons 1 or such other satellite as to which Customer may at the time be using capacity hereunder, as applied in context herein, is referred to as the "Satellite." Intelsat shall not preempt or interrupt the provision of the Customer's Transponder Capacity to Customer, except as specifically permitted under this Agreement.

3. Capacity Term. The Capacity Term for the Galaxy 13 *** Transponder shall commence on *** Customer *** Galaxy 13 Transponder *** and ***.

4. Monthly Fee. The Monthly Fee for the Galaxy 13 *** Transponder shall be US$*** per month, exclusive of *** Protection Fee, and the Monthly Fee for the *** Galaxy 13 Transponder shall be US$***, exclusive of *** Protection Fee,.

5. *** of *** Galaxy 13 Transponder. Intelsat shall *** Customer's service on the *** Galaxy 13 Transponder to *** transponder on the Galaxy 18 satellite located at 123 degrees East Longitude once such transponder becomes available (the "*** Capacity") meeting the Performance Specifications provided upon notice that the *** Capacity is available. Intelsat shall provide Customer with thirty (30) days advance written notice of availability of the *** Capacity and Customer's rate for the *** Capacity on a *** transponder shall be $*** (inclusive of *** Protection Fee) or the US$*** if it is on a *** transponder (inclusive of *** Protection Fee). Once Customer moves to the *** Capacity, Customer shall have no further rights to use and no obligation to pay for the Galaxy 13 *** Transponder and the Capacity Term for the *** Capacity shall be as identified in Section 3 above.

6. 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 Tenth Amendment as of the day and year above written.

INTELSAT CORPORATION	GCI COMMUNICATION CORP.
By: /s/Patricia Casey	By: /s/ Jimmy R. Sipes
Name: Patricia Casey	Name: Jimmy R. Sipes
Title: Senior VP and Deputy General Counsel	Title: VP Network Services & Chief Engineer

APPENDIX B

TECHNICAL APPENDIX

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

[There is no Appendix A to this document.]

***** 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 three Asterisks.**

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

This Eleventh Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) (the "Tenth Amendment") is made and entered into as of this 23rd day of September, 2010 (the "Effective Date") by and between INTELSAT CORPORATION, formerly known as PanAmSat Corporation, a Delaware corporation ("Intelsat"), and GCI COMMUNICATION 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 and *** transponders on Horizons 1 and *** Transponder Segment from Horizons 1 and *** transponder on Galaxy 13;

WHEREAS, on April 6, 2010 Intelsat experienced a failure of a Galaxy Fleet Satellite which required Intelsat to place into operation the Galaxy Replacement Satellite;

WHEREAS, Intelsat is offering certain interim in-orbit protection capacity to Customer to provide additional restoration protection until the Galaxy Replacement Satellite is once again Available (as defined in the Agreement);

WHEREAS, Customer and Intelsat wish to amend the terms of the Agreement;

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. Article 14, *** Protection for the *** Transponders. As of the Effective Date, this Article shall be deleted in its entirety and replaced with the following:

   Article 14, *** Protection for the *** Transponders. Provided that Customer has paid the Monthly Fee for each of the *** Transponders (the "*** Transponders) on a monthly basis, Intelsat shall provide, of a "first failed" basis with other Intelsat customers also purchasing such *** protection, *** transponders which meet their transponder performance specifications on "Galaxy XIII" or its successor or replacement satellite located at 127 degrees West Longitude (collectively, the "127 Degrees WL *** Transponders," and individually the "127 Degrees *** Transponder"), in the event of an in-orbit catastrophic failure of Galaxy 18 or in the event that *** Transponders suffers a Confirmed Failure or becomes a Failed Transponder. Subject to the conditions precedent set forth below, upon the Confirmed Failures of *** Transponders and the occurrence of *** Failed Transponders, Intelsat will provide Customer with all *** of *** 127 Degrees WL *** Transponders. For purposes of determining priority to the *** protection for *** Transponder(s) among Customer and other Intelsat customers also purchasing *** protection, the first customer having a Failed Transponder shall be entitled to receive the use of *** protection; in the event of a simultaneous failure, the right to *** protections shall go to the party that executed its agreement with Intelsat first in time. If Intelsat provides Customer with *** 127 Degrees WL *** Transponder on Galaxy XIII and Customer leases such transponder under this Section, then Customer's obligation to pay the *** protection fee for the affected Transponder shall cease. The conditions precedent to Intelsat's obligation to provide and Customer's right to, the *** protection for *** Transponder(s) as set forth herein shall be the payment by Customer of the Monthly Fee payable concurrently with the Commencement Date and on the first day of each month thereafter, the availability/non-pre-emption of *** 127 Degrees WL *** Transponders an Customer's full compliance, in all material respects with the terms of this Agreement. As of the Execution Date of this Agreement there exists no other lessee, customer or user on Galaxy 18 with the contractual right to use any of *** 127 Degrees WL *** Transponders on Galaxy XIII; however, the parties specifically understand and agree that *** 127 Degrees WL *** Transponders is classified as a *** Transponder as defined in Section 5.3A. As a result, Customer's use of *** 127 Degree *** Transponder will be subordinate to other Protected Parties on the Galaxy XIII who will have primary protection on *** 127 Degrees WL *** Transponder and as a result, Customer's use of *** 127 Degrees WL *** Transponder may be preempted in which case Customer shall no longer pay for such *** protection fee for *** transponder.

IN WITNESS WHEREOF, each of the parties hereto has duly executed and delivered this Eleventh Amendment as of the day and

year above written.

INTELSAT CORPORATION	GCI COMMUNICATION CORP.
By: /s/Patricia Casey	By : /s/ Jimmy R. Sipes
Name: Patricia Casey	Name: Jimmy R. Sipes
Title: Senior VP and Deputy General Counsel	Title: VP Network Services & Chief Engineer

***** 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 three Asterisks.**

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

This Twelfth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) (the "Twelfth Amendment") is made and entered into as of this 5th day of November, 2010 by and between INTELSAT CORPORATION, formerly known as PanAmSat Corporation, a Delaware corporation ("Intelsat"), and GCI COMMUNICATION 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 Galaxy 18; *** transponders on Horizons 1; *** Transponder on Galaxy 13; and *** Transponder Segment from Horizons 1;

WHEREAS, Customer and Intelsat wish to amend the terms of the Agreement to increase *** Transponder Capacity by *** Transponder Segment on Galaxy 13 and *** to *** Transponder on the Galaxy 18 satellite

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 full time basis twenty-four (24) hours a day, seven (7) days 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 consist of (a) *** transponders (collectively, the "*** Transponders' and individually, the "*** Transponder") from that certain U.S. domestic satellite referred to by Intelsat as "Galaxy 18," located in geostationary orbit at 123 degrees West Longitude, (b) *** transponders from the *** payload of that certain satellite referred to by Intelsat as "Horizons 1" at 127 degrees West Longitude ("*** Transponder"); (c) *** Transponder Capacity from that certain U.S. domestic satellite referred to by Intelsat as "Horizons 1," located in geostationary orbit at 127 degrees West Longitude (the "Horizons 1 Transponder Segment"); (d) *** transponders from the *** payload of that certain satellite referred to by Intelsat as "Galaxy 13" at 127 degrees West Longitude (the "Galaxy 13 *** Transponder"); (e) *** Transponder (as defined below) from Galaxy 18 (the "Galaxy 18 *** Transponder") meeting the Performance Specifications set forth in the attached Appendix B-1; and (f) *** Transponder Segment on Galaxy 13 meeting the Performance Specifications set forth in the attached Appendix B-2 (the "*** Galaxy 13 Transponder Segment")which shall *** to a *** Transponder on Galaxy 18, meeting the Performance Specifications set forth in the attached Appendix B-3, pursuant to the terms set forth below .

   For purposes of this Twelfth Amendment, "***" means Intelsat *** Customer *** as a result of *** transponder *** or ***.

   For the purposes of this Twelfth Amendment, a *** Transponder is a transponder that will be *** the Protected Parties of *** Transponders with respect to the performance of their *** Transponders. *** Transponders shall be *** the *** Transponders (or such ***) executed transponder purchase, lease, or use agreement for such *** Transponders.

   The transponders on the Satellite and the beams in which these transponders are grouped are referred to as "Transponder(s)" and the "Beam(s)," respectively. Galaxy 18, Galaxy 13 or Horizons 1 or such other satellite as to which Customer may at the time be using capacity hereunder, as applied in context herein, is referred to as the "Satellite." Intelsat shall not preempt or interrupt the provision of the Customer's Transponder Capacity to Customer, except as specifically permitted under this Agreement.

3. Capacity Term. The Capacity Term for the Galaxy 18 *** Transponder and the *** Galaxy 13 Transponder Segment shall commence on *** and continue until ***.

4. Monthly Fee. The Monthly Fee for the Galaxy 18 *** Transponder shall be US$*** and the Monthly Fee for the *** Galaxy 13 Transponder Segment shall be US$*** per month, each exclusive of *** Protection Fee.

5. *** of *** Galaxy 13 Transponder Segment. Intelsat shall *** Customer's service on the *** Galaxy 13 Transponder Segment to *** transponder on the Galaxy 18 satellite located at 123 degrees East Longitude once such transponder becomes available (the "*** Capacity") meeting the Performance Specifications provided upon notice that the *** Capacity is available. Intelsat shall provide Customer with thirty (30) days advance written notice of availability of the *** Capacity. Once Customer moves to the *** Capacity, Customer shall have no further rights to use and no obligation to pay for the Galaxy 13 *** Transponder Segment and the Capacity Term for the *** Capacity shall be as identified in Section 3 above.

6. Option to Extend. Customer shall have the option to extend the Capacity Term for the Galaxy 18 *** Transponder and the *** Galaxy 13 Transponder Segment or *** Capacity, if so *** during the Capacity Term for *** period to *** by providing Intelsat with ninety (90) days advance written notice prior to the expiration of the Capacity Term.

7. 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 Twelfth Amendment as of the day and year above written.

INTELSAT CORPORATION	GCI COMMUNICATION CORP.
By: /s/Patricia Casey	By : /s/ Jimmy R. Sipes
Name: Patricia Casey	Name: Jimmy R. Sipes
Title: Senior VP and Deputy General Counsel	Title: VP Network Services & Chief Engineer

.

REORGANIZATION AGREEMENT

among

GENERAL COMMUNICATION, INC.,

ALASKA DIGITEL, LLC,

THE MEMBERS OF ALASKA DIGITEL, LLC,

AKD HOLDINGS, LLC

and

THE MEMBERS OF DENALI PCS, LLC

Dated as of June 16, 2006

TABLE OF CONTENTS

EXHIBITS

SCHEDULES

THIS REORGANIZATION AGREEMENT (this "Agreement") is made as of June 16, 2006, among General Communication, Inc., an Alaska corporation ("GCI"), Alaska DigiTel, LLC, an Alaska limited liability company ("AKD"), PacifiCom Holdings, L.L.C., a Delaware limited liability company ("Pacificom"), Red River Wireless, LLC, a Delaware limited liability company ("Red River" and, together with Pacificom, individually and collectively the "Denali Members"), Graystone Holdings, LLC, an Alaska limited liability company ("Graystone" and, together with Pacificom and Red River, individually and collectively, the "AKD Members"), and AKD Holdings, LLC, a Delaware limited liability company ("Parent").

Recitals

A. AKD operates a wireless telecommunications business within the State of Alaska.

B. Denali PCS, LLC, an Alaska limited liability company ("Denali"), holds licenses for certain spectrum capacity.

C. GCI desires to purchase all of the outstanding Denali Interests (as defined below) from the Denali Members and contribute cash and the Denali Interests to AKD in exchange for AKD Common Units (as defined below) and to purchase additional AKD Common Units from AKD all in accordance with the terms and conditions of this Agreement.

Agreement

Accordingly, in consideration of the mutual covenants in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the Parties agree as follows:

SECTION 1

DEFINITIONS

As used in this Agreement, the following terms have the indicated meanings:

"Accountants" has the meaning given in Section 2.3.2.

"Acquisition Transaction" has the meaning given in Section 6.1.

"Adverse Consequences" means all actions, suits, proceedings, investigations, complaints, claims, demands, orders, decrees, rulings, injunctions, judgments, directives, notices of violation, Liabilities, liens, losses (including loss of value), damages, penalties, fines, settlements, costs, remediation costs, expenses and fees (including court costs and reasonable fees and expenses of counsel and other experts), plus interest at a rate equal to two percentage points above the prime rate quoted by AKD's principal lender from time to time accrued from the date any Adverse Consequence becomes a liability of or is otherwise recognized by the party suffering the Adverse Consequence as determined in accordance with GAAP. As used in this Agreement, Adverse Consequences are not limited to matters asserted by third parties, but include Adverse Consequences incurred or sustained by a Party hereto other than as a result of claims by third persons.

"Affiliate" means, as to any Person, another Person that controls, is controlled by or is under common control with any Person and, as to any natural Person, any relative by blood, marriage or adoption. For that purpose, "control" means the power, directly or indirectly, by stock ownership, contract, family relationship, employment, position or otherwise, to significantly influence the business decisions of another Person.

"Agreement" has the meaning given in the Preamble.

"AKD" has the meaning given in the Preamble.

"AKD Balance Sheet Date" has the meaning given in Section 3.4.1.

"AKD Business Assets" means all assets and properties of AKD, whether real or personal, tangible or intangible, including, without limitation, (a) the AKD Licenses, (b) all furniture, office equipment, other equipment, automobiles and other tangible personal property listed in **Schedule 3.3.1**, (c) all of AKD's rights under the AKD Contracts, (d) all inventory, fixed assets and leasehold improvements, (e) all notes and accounts receivable of AKD, (f) all customer deposits, advance payments, prepaid items and expenses, deferred charges, rights of offset and credits and claims for refund, (g) all claims, rights and causes in action against third parties and all rights to insurance proceeds relating to any damage, destruction or impairment of the AKD Business Assets, (h) all Intellectual Property of AKD, including without limitation, those items listed in **Schedule 3.3.5**, (i) all books of account and all customer and supplier lists and

other records related to AKD's business, (j) all goodwill associated with the AKD Business Assets and (k) all of AKD's right, title and ownership interest in Properties.

"AKD Common Unit" means a Common Unit (as defined in the Operating Agreement) of membership interest in AKD.

"AKD Contracts" has the meaning given in Section 3.5.3.

"AKD Disclosure Schedule" means the schedule delivered by AKD to GCI and attached to this Agreement setting forth exceptions to the representations and warranties of AKD and the AKD Members in this Agreement.

"AKD Financial Statements" has the meaning given in Section 3.4.1.

"AKD Group" means AKD and its Subsidiaries.

"AKD Interest-Bearing Obligations" means the interest-bearing obligations of the AKD Group, including, without limitation, those obligations which are listed on **Schedule 1.1** and are reflected on the Closing Adjustment Schedule.

"AKD Licenses" has the meaning given in Section 3.8.1.

"AKD Members" has the meaning given in the Preamble.

"AKD Members' Agent" has the meaning given in Section 12.14.

"AKD Net Asset Value" has the meaning given in Section 2.3.1.

"AKD Net Working Capital" means the excess of the accounts receivable and other current assets over the accounts payable, accrued expenses, property taxes and other current liabilities of the AKD Group (other than the current portion of any AKD Interest Bearing Obligation), in each case, as reflected on the Closing Adjustment Schedule.

"AKD Plans" has the meaning given in Section 3.6.1.

"AKD Profits Interest Unit" means a Profits Interest Unit (as defined in the Operating Agreement) of membership interest in AKD.

"AKD Redemption Price" has the meaning given in Section 2.4.

"Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions in Anchorage, Alaska are required or authorized to be closed.

"Capitalized Refinancing Costs" means the fees, expenses and costs incurred by AKD to consummate one or more credit facilities the proceeds of which will be used to fully pay the obligations of AKD to CoBank, ACB, but only to the extent that such fees, expenses and costs are approved by GCI, which approval shall not be unreasonably withheld or delayed.

"Claim" has the meaning given in Section 10.6.

"Closing" has the meaning given in Section 2.7.

"Closing Adjustment Schedule" has the meaning given in Section 2.3.2.

"Closing Date" has the meaning given in Section 2.7.

"Code" means the United States Internal Revenue Code of 1986, as amended.

"Communications Act" means the Communications Act of 1934, as amended.

"Communications Laws" means the Communications Act and the rules, regulations, published policies, published decisions, published orders, published rulings, and published notices of the FCC promulgated thereunder.

"Contract" means any contract, agreement, deed, mortgage, lease (whether or not capitalized), license, instrument,

commitment, sales order, purchase order, quotation, bid, undertaking, arrangement or understanding, whether written or oral.

"Denali" has the meaning given in Recital B.

"Denali Balance Sheet Date" has the meaning given in Section 4.4.1.

"Denali Contracts" has the meaning given in Section 4.5.3.

"Denali Disclosure Schedule" means the schedule delivered by the Denali Members to GCI and attached to this Agreement setting forth exceptions to the representations and warranties of the Denali Members in this Agreement.

"Denali Financial Statements" has the meaning given in Section 4.4.1.

"Denali Interest" means a membership interest in Denali.

"Denali Licenses" has the meaning given in Section 4.8.1.

"Denali Members" has the meaning given in the Preamble.

"Disagreement" has the meaning given in Section 2.3.2.

"Disputing Party" has the meaning given in Section 12.1.

"Encumbrance" means any conditional sale agreement, default of title, easement, encroachment, encumbrance, hypothecation, infringement, lien, mortgage, pledge, reservation, restriction, security interest, title retention or other security arrangement, any right to possession or use, any option or other right to acquire title to or the right to possession or use, or any adverse right or interest, charge or claim of any nature whatsoever of, on or with respect to any asset, capital stock, property or property interest.

"Environmental Law" means all present and future statutes, ordinances, codes, common law principles, rules, regulations, orders, decrees, standards, procedures, permit or license requirements or other requirements of any governmental authority relating to land use, public health, safety, welfare or the environment, including, without limitation, the Resource Conservation and Recovery Act, as amended, and the Comprehensive Environmental Response, Compensation, and Liability Act, as amended.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended and the regulations and orders promulgated thereunder.

"FCC" means the Federal Communications Commission.

"FCC Rules" means the rules, regulations, policies, instructions and orders of the FCC.

"Final Order" means any action or decision of the FCC as to which (i) no request for a stay or similar request is pending, no stay is in effect, the action or decision has not been vacated, reversed, set aside, annulled or suspended and any deadline for filing such request that may be designated by statute or regulation has passed without the filing of any such request, (ii) no petition for rehearing or reconsideration or application for review is pending and the time for the filing of any such petition or application has passed, (iii) the FCC does not have the action or decision under reconsideration on its own motion and the time within which it may effect such reconsideration has passed and (iv) no appeal is pending including other administrative or judicial review, or in effect and any deadline for filing any such appeal that may be designated by statute or rule has passed.

"Fire Lake" means Fire Lake Partners, L.L.C., an Alaska limited liability company.

"GAAP" means accounting principles generally accepted in the United States, consistently applied.

"GCI" has the meaning given in the Preamble.

"GCI Indemnitee" has the meaning given in Section 10.1.

"Governmental Entity" means any United States or foreign governmental or regulatory agency, commission, court, body, entity or authority.

"Graystone" has the meaning given in the Preamble.

"Hazardous Substance" means any material, substance, chemical, element, compound, mixture, pollutant, contaminant or toxic or hazardous material, substance or waste that is designated, defined, listed, classified or regulated by any Environmental Law.

"Indemnifying Party" has the meaning given in Section 10.6(a).

"Indemnitee" has the meaning given in Section 10.6.

"Intellectual Property" means any right, license or other claim to or of ownership, authorship or invention, or the right to use, any trade mark, trade name, service mark, patent, copyright, work, Internet domain name, Internet website, know-how, trade secret, formula, pattern, compilation, method, technique, confidential information, client list, technical information, program, specification or plan, whether or not registered or filed with any governmental authority, and all filings, registrations or applications relating to any of the foregoing.

"Interests" has the meaning given in Section 5.5

"Interim Capital Loans" means any loans in the principal amount of up to $3 million made by CoBank, ACB or its successors to AKD pursuant to that certain Promissory Note dated March 17, 2006.

"Knowledge" of a Party has the meaning given in Section 12.6.

"Leased Real Property" means real property leased by AKD pursuant to the Real Property Leases.

"Liability" means any liability, debt or obligation, whether known or unknown, absolute or contingent, arising under contract, in tort, by statute or regulation or otherwise, accrued or unaccrued, liquidated or unliquidated and due or to become due, and whether for the payment of money, the provision of goods or services or the performance of any other obligation.

"Management Agreement" means the Management Agreement to be entered into at the Closing between AKD and Fire Lake in the form attached as **Exhibit A**.

"Non-Competition Agreements" means the Non-Competition Agreements to be entered into at the Closing between AKD and the persons specified in **Schedule 7.1(n)** in the form attached as **Exhibit E**.

"Operating Agreement" means the Second Amended and Restated Operating Agreement of AKD to be entered into at the Closing among GCI, Parent, Fire Lake and the AKD Members in the form attached as **Exhibit B**.

"Pacificom" has the meaning given in the Preamble.

"Parent" has the meaning given in the Preamble.

"Party" means, individually or collectively, AKD, any AKD Member, any Denali Member, Parent or GCI.

"Person" means any individual, corporation, partnership, trust, limited liability company, association, governmental authority or any other entity.

"Premises" means the real property and improvements located at 3127 Commercial Drive, Anchorage, Alaska 99501, which are owned by Properties and leased to AKD.

"Properties" means Pacificom Properties, LLC, an Alaska limited liability company.

"Real Property Leases" has the meaning given in Section 3.3.3.

"RCA" means the Regulatory Commission of Alaska.

"Red River" has the meaning given in the Preamble.

"Regulatory Consents" has the meaning given in Section 6.2.

"Sections" has the meaning given in Section 12.7.

"Subscriber Contract" means any Contract pursuant to which AKD provides wireless telephone services to any customer.

"Subsidiary" shall mean, with respect to any Person, any corporation, limited liability company, limited liability partnership or other limited or general partnership, trust, association or other business entity of which an aggregate of at least a majority of the outstanding stock or other interests entitled to vote in the election of the board of directors of such corporation, managers, trustees or other controlling persons, or an equivalent controlling interest therein, of such Person is, at the time, directly or indirectly, owned by such Person and/or one or more subsidiaries of such Person.

"Tax" means any federal, state or local tax or any foreign tax, including, without limitation, any net income, gross income, profits, premium, estimated, excise, sales, value added, services, use, occupancy, gross receipts, franchise, license, ad valorem, severance, capital levy, production, stamp, transfer, withholding, employment, unemployment, social security (including FICA), payroll or property tax, customs duty, or any other governmental charge or assessment, together with any interest, addition to tax or penalty.

"Tax Return" means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"Third Party" means a Person who is not a Party or an Affiliate of any Party.

"Transaction Agreements" means this Agreement, the Operating Agreement, the Management Agreement, the Non-Competition Agreements and all other instruments and agreements executed and delivered pursuant to this Agreement.

SECTION 2

TERMS OF THE REORGANIZATION

2.1. Purchase of Denali.

At the Closing, GCI shall purchase, and the Denali Members shall sell to GCI, all of the outstanding Denali Interests, for aggregate consideration of $6,000,000 in cash or immediately available funds, by wire transfer to accounts designated by each Denali Member in written instructions delivered to GCI not less than five Business Days before the Closing Date. GCI shall pay each Denali Member an amount of cash equal to $6,000,000 multiplied by the Denali Interest owned by such Denali Member (expressed as a percentage of all Denali Interests outstanding as of the Closing Date). Each Denali Member shall transfer, convey and deliver all of the Denali Interest owned by such Denali Member to GCI, with full warranty of title, free and clear of all Encumbrances.

2.2. Contribution to Parent; Conversion to Units.

At or before the Closing, each AKD Member shall contribute 99.95% of such AKD Member's membership interest in AKD to Parent in exchange for a proportionate membership interest in Parent. Immediately thereafter, all of the issued and outstanding membership interests of AKD shall be converted and reclassified into an aggregate of 2,000 AKD Common Units, which shall be allocated among Parent and the AKD Members as follows:

Member	AKD Common Units
Parent	1,999.0000 Units
Pacificom	0.6742 Units
Red River	0.2686 Units
Graystone	0.0572 Units

The capital accounts of Parent and each AKD Member will be adjusted pursuant to Treasury Regulation § 1.704-1(b)(2)(iv)(f)-(g). The Parties agree that such adjustments will result in aggregate capital account balances for Parent and the AKD Members totaling the AKD Net Asset Value (as determined in accordance with Section 2.3). Immediately prior to the Closing, AKD shall distribute to Parent and the AKD Members all cash and cash equivalents of AKD as of the Closing Date. Parent and the AKD Members shall be responsible for any taxes arising from such distributions.

2.3. Contributions by GCI.

At the Closing, GCI shall contribute to AKD (a) $10,000,000 in cash or immediately available funds and (b) all of the Denali Interest purchased by GCI pursuant to Section 2.1, and AKD shall sell and issue to GCI a number of AKD Common Units equal to (x) $36,000,000 minus the AKD Net Asset Value (as determined in accordance with this Section 2.3) divided by (y) $10,000. GCI shall be credited with a capital account balance in AKD of $16,000,000, representing the amount of cash and the agreed value of the Denali Interest contributed by GCI.

2.3.1. AKD Net Asset Value.

The "AKD Net Asset Value" shall be an amount equal to the sum of (i) $20,000,000, plus (ii) the capitalized cost of capital improvements funded with the proceeds of Interim Capital Loans that have been authorized by GCI in accordance with Section 6.10 and capitalized on the books of AKD in accordance with GAAP, plus (iii) the capitalized cost of capital improvements approved by GCI that are funded with the proceeds of any loan other than the Interim Capital Loans and capitalized on the books of AKD in accordance with GAAP, plus (iv) the Capitalized Refinancing Costs; provided, that (a) if the aggregate amount of AKD Interest-Bearing Obligations as of the Closing Date (as determined in accordance with Section 2.3.2) is greater or less than $12,517,725, then the AKD Net Asset Value shall be decreased by the amount of the excess or increased by the positive amount of the deficit, as applicable, and (b) if the amount of AKD Net Working Capital as of the Closing Date (as determined in accordance with Section 2.3.2) is greater or less than $0.00, then the AKD Net Asset Value shall be decreased by the positive amount of the deficit or increased by the amount of the excess, as applicable.

2.3.2. Closing Adjustment Schedule.

(a) Not less than five Business Days before the Closing Date, the AKD Members shall deliver to GCI a schedule signed by AKD and the AKD Members (the "Closing Adjustment Schedule") setting forth in detail the AKD Interest-Bearing Obligations and the AKD Net Working Capital as of the Closing Date. The Closing Adjustment Schedule shall be prepared by AKD and the AKD Members in good faith and in a manner consistent with GAAP and the balance sheets included in the AKD Financial Statements. AKD and the AKD Members shall provide GCI with such other information concerning the Closing Adjustment Schedule as GCI may reasonably request. The Closing Adjustment Schedule will be prepared as of the Closing Date but will be consistent in form with the AKD Interest-Bearing Obligations and the AKD Net Working Capital as of May 31, 2006 set forth on **Schedule 2.3.2** attached hereto and incorporated herein by this reference.

(b) The Closing Adjustment Schedule shall be final and binding upon the Parties hereto for all purposes, unless GCI shall notify the AKD Members' Agent in writing, not later than thirty (30) days from the Closing Date, of a disagreement with the AKD Interest-Bearing Obligations or AKD Net Working Capital reflected in the Closing Adjustment Schedule, in which event the provisions of Section 2.3.2(c) below shall apply. Such notice of disagreement shall specify all items as to which there is disagreement, and an explanation of the basis for any disagreement. During the 30-day review period, GCI shall have full access to the AKD Group's books and records during normal business hours and upon reasonable notice, and to the employees, representatives and agents of AKD who prepared, or assisted in the preparation of, the Closing Adjustment Schedule. GCI's failure to timely notify AKD in writing of the existence of such a disagreement shall be deemed, for all purposes, GCI's acceptance of the Closing Adjustment Schedule.

(c) In the event and to the extent that GCI shall timely notify the AKD Members' Agent in writing, as provided in Section 2.3.2(b) above, of a disagreement with the Closing Adjustment Schedule (the "Disagreement"), GCI and the AKD Members' Agent shall attempt, in good faith, to resolve such Disagreement. In the event that the parties are unable to resolve such Disagreement within ten Business Days from the date of receipt by the AKD Members' Agent of notice from GCI of the Disagreement, GCI and the AKD Members' Agent shall jointly select one of the "Big Four" accounting firms, or any successors thereto, to resolve the Disagreement (the "Accountants"). Each of GCI and the AKD Members' Agent shall submit to the Accountants its proposal concerning what the Closing Adjustment Schedule should be, and the parties shall submit to the Accountants all relevant financial data, and the Disagreement shall be submitted for final and binding arbitration and resolution before representatives of the Accountants. In resolving the Disagreement, the Accountants shall only consider those items or amounts in the Closing Adjustment Schedule as to which GCI has disagreed. After completing their review of the Disagreement, the Accountants shall resolve each item in dispute and confirm their conclusion (and the resulting Closing Adjustment Schedule) in writing to the AKD Members' Agent and GCI, and the decision of the Accountants regarding such adjustment shall be final and binding upon the parties hereto for all purposes and enforceable in any court of competent jurisdiction. The fees and costs of the Accountants, if any, in connection with such arbitration shall be paid by the nonprevailing party (either the AKD Members or GCI), whose identity shall be determined by the Accountants.

(d) Upon determination of the final Closing Adjustment Schedule, appropriate adjustments shall be made to the AKD Net Asset Value, the number of AKD Common Units issued pursuant to Section 2.3 and the capital account balances of Parent and the AKD Members under Section 2.2 to offset any changes from the Closing Adjustment Schedule. Schedule 1.3 of the Operating Agreement will thereafter be amended to reflect the adjusted amount of AKD Common Units issued to GCI and Schedule 4.1 of the Operating Agreement will thereafter be amended to reflect the adjusted capital account balances of Parent and the AKD Members.

2.3.3. Examples. The examples set forth on **Schedule 2.3.3** illustrate the impact of a post-Closing adjustment to the AKD Net Asset Value on the number of AKD Common Units issued to GCI pursuant to this Section 2.3.

2.4. Purchase and Redemption of Units.

At the Closing, GCI shall purchase from AKD 1,350 AKD Common Units, and AKD shall use the proceeds from the sale of such additional AKD Common Units to redeem a like number of AKD Common Units from Parent and the AKD Members in accordance with this Section 2.4. AKD shall first redeem the fractional AKD Common Units issued to the AKD Members pursuant to Section 2.2 and shall use the balance of such proceeds to redeem AKD Common Units from Parent. The price for the purchase and redemption of AKD Common Units pursuant to this Section 2.4 shall be an amount per AKD Common Unit equal to the AKD Net Asset Value (as adjusted pursuant to Section 2.3.2) divided by 2,000 (the "AKD Redemption Price"), payable in cash or immediately available funds to an account designated by AKD (in the case of the purchase by GCI) and by Parent and the AKD Members (in the case of the redemption by AKD) not less than five Business Days before the Closing Date.

2.4.1. Post-Closing Adjustment. If the AKD Redemption Price is increased or decreased as a result of a post-Closing adjustment to the AKD Net Asset Value pursuant to Section 2.3, then the amount of cash paid by GCI to AKD and by AKD to Parent and the AKD Members pursuant to this Section 2.4 shall be proportionately adjusted with appropriate payments to be made by GCI or Parent and the AKD Members within five Business Days after the Closing Adjustment Schedule has been finalized in accordance with Section 2.3.

2.4.2. Examples. The examples set forth on **Schedule 2.3.3** illustrate the impact of a post-Closing adjustment to the AKD Net Asset Value on the AKD Redemption Price paid pursuant to this Section 2.4.

2.4.3. Tax Election. The parties agree to cause AKD to make an election under Section 754 of the Code for its taxable year that includes the Closing Date.

2.5. Management Agreement; Profits Interest.

At the Closing, AKD and Fire Lake shall enter into the Management Agreement. AKD shall grant and issue to Fire Lake a number of AKD Profits Interest Units constituting a 6% interest (as adjusted pursuant to the terms and conditions of the Operating Agreement) in the profits and losses of AKD following the Closing Date, after giving effect to the issuance of AKD Common Units to the AKD Members and GCI pursuant to Sections 2.2 and 2.3. Fire Lake shall execute a counterpart of the Operating Agreement, and Schedule 1.3 of the Operating Agreement shall reflect the AKD Profits Interest Units of Fire Lake and the admission of Fire Lake as a member of AKD. If the number of AKD Common Units issued to GCI is increased or decreased as a result of a post-Closing adjustment to the AKD Net Asset Value pursuant to Section 2.2, then the number of AKD Profits Interest Units issued to Fire Lake pursuant to this Section 2.5 shall be proportionately adjusted. The examples set forth on **Schedule 2.3.3** illustrate the impact of a post-Closing adjustment to the AKD Net Asset Value on the number of AKD Profits Interest Units issued to Fire Lake pursuant to this Section 2.5.

2.6. Operating Agreement.

At the Closing, GCI, Parent, Fire Lake and the AKD Members shall enter into the Operating Agreement. Schedule 1.3 and Schedule 4.1 of the Operating Agreement shall reflect the number of AKD Common Units owned and capital account balances of GCI and Parent and the AKD Profits Interest Units owned by Fire Lake after giving effect to the transactions described in Sections 2.1, 2.2, 2.3, 2.4 and 2.5.

2.7. Closing.

The consummation of the transaction contemplated by this Agreement (the "Closing") will be held by e-mail or facsimile transmission and wire transfer at 10:00 a.m. Alaska time on the third Business Day after the satisfaction or waiver of all of the conditions set forth in Section 8, unless another date or time is agreed by the Parties. At or before the Closing, each Party will deliver to the others by e-mail or facsimile transmission scanned executed originals of each Transaction Agreement to which it is a party and will deliver to the other Parties paper copies, facsimiles or e-mails of scanned copies of all other documents and instruments that it is required to deliver at or before the Closing. The documents and agreements so delivered shall for all purposes be deemed originals thereof and the signatures of the Parties thereon shall be deemed original signatures. Promptly following the Closing, each Party shall deliver by overnight courier to the appropriate other Party or Parties the executed originals of all Transaction Agreements and all other original documents required to be delivered by it at or before the Closing. The failure of any Party to deliver executed originals after the Closing shall not affect the validity of any action taken at the Closing. The date on which the Closing actually occurs shall be the "Closing Date." The transactions described in Sections 2.1, 2.2, 2.3 and 2.4 shall be deemed to occur in immediate succession and shall be effective as of 12:01 a.m., Alaska time, on the Closing Date.

SECTION 3

REPRESENTATIONS AND WARRANTIES OF AKD, PARENT

AND THE AKD MEMBERS

AKD, Parent and the AKD Members jointly and severally represent and warrant to GCI that, except as disclosed in the AKD Disclosure Schedule (which is numbered to correspond to the section numbers in this Section 3):

3.1. Organization; Standing and Capitalization

3.1.1. Organization and Standing of AKD. AKD is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Alaska. AKD is qualified to do business and in good standing as a foreign limited liability company in the jurisdictions listed in **Schedule 3.1.1**, which are all of the jurisdictions where such qualification is required. AKD has the requisite limited liability company power and authority to own its assets and carry on its business as presently being conducted. Complete and correct copies of the articles of organization, operating agreement, minute books and membership records of AKD have been delivered to GCI.

3.1.2. Organization and Standing of Properties. Properties is a limited liability company duly organized, validly

existing and in good standing under the laws of the State of Alaska. Properties is not required to qualify to do business as a foreign limited liability company in any jurisdiction. Properties has the requisite limited liability company power and authority to own its assets and carry on its business as presently being conducted. Complete and correct copies of the articles of organization, operating agreement, minute books and membership records of Properties have been delivered to GCI.

3.1.3. Capitalization. As of the date of this Agreement, all of the issued and outstanding membership interests of AKD are duly authorized, validly issued, fully paid and nonassessable and are owned of record and beneficially by the AKD Members, free and clear of Encumbrances, as follows:

Member	Points	Membership Interest
Pacificom	5,724.39	71.51% Class A Membership Interest
Red River	2,280.61	28.49% Class A Membership Interest
Graystone	1,995.00	100.000% Class B Membership Interest

As of the Closing Date, after giving effect to the reclassification of membership interests contemplated by Section 2.2 but before giving effect to the other transactions contemplated by Article 2, all of the issued and outstanding AKD Common Units will be duly authorized, validly issued, fully paid and nonassessable and owned of record and beneficially by Parent and the AKD Members, free and clean of Encumbrances, as described in Section 2.2. Except as disclosed on **Schedule 3.1.3**, there are no outstanding options, warrants, convertible securities or other rights to acquire any membership interest or any other security from AKD. No membership interests or other securities of AKD have been issued in violation of any preemptive or similar right of any Person or have been transferred in violation of, or are currently subject to, any right of first refusal or similar right of any Person. All of the issued and outstanding ownership interests of AKD were issued in compliance with applicable law, including, without limitation, federal and state securities laws. No securities of AKD are subject to any voting trust or other voting agreement.

3.1.4. Subsidiaries. AKD owns all of the issued and outstanding membership interest of Properties, free and clear of any Encumbrance. There are no outstanding options, warrants, convertible securities or other rights to acquire any membership interest or other security from Properties. Other than Properties, AKD does not own, directly or indirectly, any capital stock of, any partnership, equity or other ownership interest in or any security issued by any other corporation, organization, association, entity, business enterprise or other Person. Properties has no material assets other than its ownership of the Premises, has no material Liabilities other than the AKD Interest-Bearing Obligations and has not conducted any sort of business other than leasing the Premises to AKD.

3.2. The Transaction Agreements.

3.2.1. Execution and Validity. AKD has the requisite power and authority to execute and deliver this Agreement and to perform its obligations hereunder, and the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized and approved by all necessary action of the members and managers of AKD as required by the articles of organization and operating agreement of AKD and the Alaska Limited Liability Company Act. Parent and each AKD Member has the requisite power and authority to execute and deliver each of the Transaction Agreements to which it is a party and to perform its obligations thereunder, and the execution, delivery and performance by Parent or such AKD Member of this Agreement and the other Transaction Agreements to which it is a party and the consummation by Parent or such AKD Member of the transactions contemplated hereby and thereby have been duly and validly authorized and approved by all necessary action of the owners and managers of Parent and such AKD Member as required by applicable documents and law. This Agreement has been duly executed and delivered by AKD, Parent and each AKD Member and constitutes, and each of the other Transaction Agreements to which AKD, Parent or any AKD Member is a party will be duly executed and delivered by AKD, Parent or such AKD Member at Closing and will constitute, the legal, valid and binding obligation of AKD, Parent or such AKD Member, enforceable in accordance with its terms, subject to bankruptcy, insolvency, moratorium, reorganization and similar laws of general applicability affecting the rights and remedies of creditors and to general principles of equity.

3.2.2. No Violation or Approval. The execution, delivery and performance by AKD, Parent and the AKD Members of the Transaction Agreements to which they are parties and the consummation of the transactions contemplated by the Transaction Agreements do not and will not constitute or result in (a) a violation of any order, judgment or decree of any court or governmental agency or body having jurisdiction over any entity in the AKD Group, Parent, any AKD Member, or any of the AKD Business Assets, or (b) a breach of or default under, or the acceleration of any obligation or creation of any Encumbrance under (whether immediately, upon the passage of time or after the giving of notice), or otherwise require a consent or waiver under, any agreement, instrument, lease, contract, mortgage, deed or license to which any entity in the AKD Group, Parent or any AKD Member is a party or by which any entity in the AKD Group, Parent or any AKD Member or any of their assets are bound or affected or (c) a violation of or a conflict with the articles of organization or operating agreement of any entity in the AKD Group, Parent or any AKD Member. Except as described on **Schedule 3.2.2**, no notice to, or consent, approval, order or authorization of, or declaration or filing with, any governmental authority or entity or other Person is required to be obtained or made by any entity in the AKD Group, Parent or any AKD Member in connection with the execution, delivery and performance of or the consummation of the transactions contemplated by any of the Transaction Agreements.

3.3. AKD Business Assets.

3.3.1. Description. The AKD Business Assets and the Leased Real Property constitute all of the assets, properties and rights used by any entity in the AKD Group to conduct its business and necessary to conduct its business as currently conducted. **Schedule 3.3.1** is a true and complete list of all depreciable tangible AKD Business Assets (including tangible AKD Business

Assets leased by any entity in the AKD Group under leases that are required to be capitalized for accounting purposes), that reflects the in-service dates of such tangible AKD Business Assets, the depreciation methods and periods of such tangible AKD Business Assets and the net book value of such tangible AKD Business Assets as of May 31, 2006. Except as described in **Schedule 3.3.1**, neither any AKD Member nor any Affiliate of an AKD Member owns or leases any assets used in AKD's business.

3.3.2. Title. AKD has good and marketable title to all of the AKD Business Assets, free and clear of Encumbrances except Encumbrances securing current Taxes not yet due and payable.

3.3.3. Real Property. **Schedule 3.3.3** contains a true and complete list of all leases and other agreements or arrangements pursuant to which any entity in the AKD Group occupies or uses any real property (the "Real Property Leases") and a description of the real property subject to each. All of the Real Property Leases are in full force and effect, and will continue to be in full force and effect following the consummation of the transactions contemplated hereby, and neither AKD nor, to knowledge of the AKD Members, any other Person is in default under any Real Property Lease. Without limiting the generality of the foregoing, AKD is current in the performance of its maintenance obligations under all Real Property Leases. The Leased Real Property constitutes all of the real property, buildings and improvements used by AKD in its business. Properties has good and marketable title to the Premises, free and clear of all Encumbrances. AKD owns no real property (other than its indirect ownership of the Premises through Properties). Each parcel of Leased Real Property is supplied with utilities and other services necessary for the operation thereof. The Leased Real Property is free from material defects, has been maintained in accordance with normal industry practice, is in good operating condition and repair, subject to ordinary wear and tear reasonably to be expected in a business of the type operated by AKD, and is suitable for the purposes for which it presently is used. The Leased Real Property complies in all material respects with applicable laws, rules and regulations and all applicable declarations and covenants, has received all approvals of governmental authorities (including permits) required in connection with the occupation and operation thereof and has been occupied, operated and maintained in accordance with applicable law. AKD enjoys peaceful and undisturbed possession of all Leased Real Property.

3.3.4. Condition. The tangible AKD Business Assets, taken as a whole, are in good operating condition and repair, subject to ordinary wear and tear reasonably to be expected in a business of the type operated by AKD, and are suitable for the purposes for which they are currently used.

3.3.5. Intellectual Property.

Schedule 3.3.5 contains a true and complete list of all Intellectual Property used in or related to any entity in the AKD Group's business and all registrations or filings with respect thereto. Each entity in the AKD Group owns or possesses adequate licenses or other rights to use, free and clear of any Encumbrance, all Intellectual Property listed in **Schedule 3.3.5**, which includes all Intellectual Property necessary to operate each entity in the AKD Group's business as currently conducted. Any Intellectual Property provided to any entity in the AKD Group by a technology vendor is used under a valid license and AKD is in compliance with such license. Each entity in the AKD Group has taken commercially reasonable actions to maintain and protect each item of Intellectual Property that it owns or uses. No entity in the AKD Group has interfered with, infringed upon, misappropriated or otherwise violated any other Person's Intellectual Property, and, to the knowledge of each entity in the AKD Group and the AKD Members, no Person has any Intellectual Property that interferes or would be likely to interfere with any entity in the AKD Group's use of any of its Intellectual Property. No proceeding is pending or, to the knowledge of any entity in the AKD Group or any AKD Member, threatened, alleging any such interference. No royalty or similar fee of any kind is payable by any entity in the AKD Group for the use of any of the Intellectual Property listed on **Schedule 3.3.5**, and no entity in the AKD Group has granted any Person any interest, as licensee or otherwise, in or to any of such Intellectual Property.

3.4. Financial Matters.

3.4.1. Financial Statements. Attached to this Agreement as **Schedule 3.4.1** are (a) the audited consolidated balance sheet of the AKD Group as of December 31, 2005 (the "AKD Balance Sheet Date"), and the related audited statements of income, members' equity and cash flows for the fiscal year then ended, and (b) the unaudited consolidated balance sheet of the AKD Group as of May 31, 2006, and the related unaudited statements of income, members' equity and cash flows for the period covered thereby (collectively, the "AKD Financial Statements"). The AKD Financial Statements were prepared from the books and records of AKD, which are correct and complete. The AKD Financial Statements present fairly and accurately the financial position of the AKD Group and the results of its operations as of the respective dates and for the periods presented therein and have been prepared in accordance with GAAP.

3.4.2. No Undisclosed Liabilities. The AKD Group have no Liabilities except (i) Liabilities set forth on the balance sheets included in the AKD Financial Statements, and (ii) Liabilities which have arisen after the AKD Balance Sheet Date in the ordinary course of business, consistent with historical practice (none of which Liabilities arises out of or relates to any breach of contract, breach of warranty, tort, infringement or violation of law). No entity in the AKD Group is a guarantor or otherwise liable for any Liability of any other Person.

3.4.3. Absence of Changes. Since the AKD Balance Sheet Date, the AKD Group has not undergone any adverse change in its business, condition (financial or otherwise) or prospects, or suffered any damage, destruction or loss (whether or not covered by insurance). Since the Balance Sheet Date, the AKD Group has operated only in the ordinary course of business, consistent in all respects with historical practice, and no change has been made or transaction entered into in anticipation of the transactions contemplated hereby. Without limiting the generality of the foregoing, since the AKD Balance Sheet Date, the AKD Group has not:

(a) made any loan, advance or other extension of credit to any AKD Member or any officer, director or employee of

any entity in the AKD Group or any Affiliate of any thereof;

(b) increased or experienced any adverse change in any assumption underlying any method of calculating bad debts, contingencies or other reserves from that reflected in the AKD Financial Statements;

(c) cancelled, compromised, written down, written off or waived any claim or right of substantial value;

(d) sold, transferred, distributed or otherwise disposed of any of its assets except for sales of equipment for fair consideration in the ordinary course of business which has either been replaced by comparable equipment or is no longer necessary for the operation of AKD's business;

(e) made any capital expenditure or commitment for additions to property, plant or equipment, except for capital expenditures or commitments (i) set forth on **Schedule 3.4.3(e)** or (ii) approved in advance by GCI, which approval shall not be unreasonably withheld or delayed;

(f) made or agreed to make any increase in the compensation payable or benefits provided to any of the officers or directors of any entity in the AKD Group;

(g) lost any key employee or key sales representative or consultant of AKD;

(h) paid any severance or termination pay to any officer, director or employee of any entity in the AKD Group;

(i) entered into, added to or modified any Plan or any other arrangement or practice relating to employees, other than (A) contributions made in accordance with its normal practice or (B) the extension of coverage to employees who became eligible after the AKD Balance Sheet Date;

(j) changed the methods of accounting or accounting principles or practices of any entity in the AKD Group set forth in or reflected by the AKD Financial Statements;

(k) entered into any contract or received any payment as a result of which any entity in the AKD Group would be required to provide goods or services to any Person after the Closing without receiving full payment for those goods or services at or after the time they are provided;

(l) entered into any transaction or contract, or amended or terminated any transaction or contract, with respect to the business of any entity in the AKD Group, except normal transactions or contracts consistent in nature and scope with prior practices and entered into in the ordinary course of business in arm's-length transactions, none of which transactions or contracts, or amendments or terminations thereof, could reasonably be expected to have a material adverse effect upon the business of any entity in the AKD Group or the financial condition or prospects thereof;

(m) terminated or been advised of the termination of or material reduction in its relationship with any material customer or supplier;

(n) changed in any material respect the business policies or practices of any entity in the AKD Group or failed to operate the business of any entity in the AKD Group in good faith and in the ordinary course; or

(o) agreed, whether in writing or not, to do any of the foregoing.

3.4.4. Taxes. Each entity in the AKD Group has filed all Tax Returns that it has been required to file. All such Tax Returns were correct and complete in all material respects. All Taxes owed by each entity in the AKD Group (whether or not required to be shown on a Tax Return) have been paid. No entity in the AKD Group is currently the beneficiary of any extension of time within which to file any Tax Return. No entity in the AKD Group has received notice from an authority in a jurisdiction where it does not file Tax Returns that it may be subject to taxation by that jurisdiction. Each entity in the AKD Group has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder or other Person. **Schedule 3.4.4** lists all Tax Returns filed by each entity in the AKD Group since January 1, 1999 (complete copies of which have been delivered to GCI) and indicates those Tax Returns that have been audited or are currently being audited or for which any member of the AKD Group has received notice of a proposed audit. No entity in the AKD Group has waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency. No entity in the AKD Group has any liability for the Taxes of any Person under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign law), as a transferee or successor, by contract, or otherwise. No entity in the AKD Group has been a member of an affiliated group filing a consolidated federal income Tax Return (or any other consolidated, combined or unitary income Tax Return). The reserves for Taxes in the AKD Financial Statements are adequate. No entity in the AKD Group is subject to any agreements that could result in any "excess parachute payments" under Code Section 280G. No entity in the AKD Group has agreed to or is otherwise required to make any adjustments pursuant to Code Section 481(a) or any similar provision of state, local or foreign law by reason of a change in accounting method. No taxing authority has proposed any such adjustment or change in accounting method with respect to any entity in the AKD Group. There is no application pending with any taxing authority requesting permission for any change in accounting method of any entity in the AKD Group. No entity in the AKD Group has participated in any investment or transaction that (i) constituted a "tax shelter" within the meaning of Section 6111(c)(1) of the Code; or (ii) would constitute a "reportable transaction" within the meaning of Treasury Regulation Section 1.6011-4, whether entered into before or after the effective date of such Treasury Regulation. None of the assets of any entity in the AKD Group are subject to any liens in respect of Taxes,

except liens that are expressly permitted under the terms of this Agreement.

3.4.5. Accounts Receivable. The accounts receivable of each entity in the AKD Group (i) are validly existing, (ii) are enforceable by the AKD Group in accordance with the terms of the instruments or documents creating them, subject to bankruptcy, insolvency, moratorium, reorganization and similar laws of general applicability affecting the rights and remedies of creditors and to general principles of equity, (iii) are owned by the applicable entity in the AKD Group free and clear of all Encumbrances, (iv) represent monies due for, and have arisen solely out of, bona fide performance of services and other business transactions in the ordinary course of business consistent with past practices and (v) are collectible within one year after the Closing Date at the full recorded amount thereof less any allowance for uncollectible accounts receivable that is reflected in the Final Closing Adjustment Schedule. There are no refunds, discounts or other adjustments payable with respect to any such accounts receivable, and there are no defenses, rights of set-off, counterclaims, assignments, restrictions, encumbrances, or conditions enforceable by third parties on or affecting any account receivable.

3.5. Operational Matters.

3.5.1. Compliance With Law. Each entity in the AKD Group has conducted its operations in material compliance with applicable laws. The AKD Members have no knowledge of and the AKD Group has not received notice of any violations of law relating to any entity in the AKD Group, AKD's operations or the AKD Business Assets. Neither any AKD Member, any entity in the AKD Group nor, to the knowledge of AKD, Parent and the AKD Members any officer, employee or agent of any entity in the AKD Group has directly or indirectly given or agreed to give any gift, contribution, payment or similar benefit to any supplier, customer, governmental official or employee or other Person who was, is or may be in a position to help or hinder any entity in the AKD Group or made or agreed to make any contribution, or reimbursed any political gift or contribution made by any other Person, to any candidate for United States federal, state, local or foreign public office, in any case, which would subject any entity in the AKD Group to any Liability or the failure to make which in the future could adversely affect the business or prospects of any entity in the AKD Group.

3.5.2. Litigation. There are no actions, claims, suits, audits, examinations, investigations or proceedings pending or, to the knowledge of AKD or any of the AKD Members, threatened against any entity in the AKD Group, whether by a private Person or a governmental agency or body, nor is there any reasonable basis for any such action, claim, suit, audit, examination, proceeding or investigation. No judgments, orders, decrees, citations, fines or penalties have been entered or assessed against any entity in the AKD Group.

3.5.3. Contracts. Schedule 3.5.3 contains a true and complete list of all Contracts to which or by which any entity in the AKD Group is a party or otherwise bound (other than the Real Property Leases and Subscriber Contracts) that: (a) have a duration of twelve (12) months or more and that are not terminable without penalty upon 30 days or less prior written notice; (b) require or could reasonably be expected to require any party thereto to pay $5,000 or more; (c) are between any entity in the AKD Group and any Governmental Entity; (d) have or may have the effect of prohibiting or impairing any business practice of any entity in the AKD Group; (e) under which any entity in the AKD Group is restricted from providing services to customers or potential customers in any geographic area, during any period of time or in any segment of a market; or (f) contain any restrictive covenant or confidential or secrecy agreement other than such an agreement relating solely to information about a customer's business or any entity in the AKD Group's services to such customer (Contracts described in (a) through (f) above are referred to collectively as the "AKD Contracts"). The AKD Members have made available to GCI a true and complete copy of each AKD Contract. Neither AKD nor, to the knowledge of AKD or any AKD Member, any other party is in default under or in breach or violation of any AKD Contract, nor has an event occurred that (with or without notice, lapse of time or both) would constitute a default or breach or violation by AKD, or to the knowledge of AKD or any AKD Member, any other party, under any AKD Contract. Subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws affecting the enforcement of creditors rights generally and to general principles of equity, each AKD Contract is legal, valid, binding, enforceable and in full force and effect, and subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws affecting the enforcement of creditors rights generally and to general principles of equity, will continue to be legal, valid, binding, enforceable and in full force and effect following the consummation of the transactions contemplated hereby.

3.5.4. Subscriber Contracts. As of May 31, 2006, AKD had legal, valid, binding and enforceable Subscriber Contracts with 26,696 customers to provide wireless telephone services (of which Subscriber Contracts, 9,783 were for pre-paid wireless services and 16,913 were for post-paid wireless services). As of the Closing Date, AKD will have legal, valid, binding and enforceable Subscriber Contracts with no less than 26,696 customers to provide wireless telephone services (of which Subscriber Contracts, at least 9,783 will be for pre-paid wireless services and 16,913 will be for post-paid wireless services). The consummation of the transactions contemplated hereby will have no effect on whether each such Subscriber Contract in effect as of the Closing Date will continue to be legal, valid, binding, enforceable and in full force and effect following the Closing Date. The AKD Members have made available to GCI a true and complete copy of each general form of Subscriber Contract used by AKD (and not each Subscriber Contract with every individual customer). At the Closing, AKD shall deliver a certificate signed on behalf of AKD by an authorized person stating (i) the total number of wireless telephone subscribers of AKD, (ii) the number of subscribers for pre-paid wireless services and (iii) the number of subscribers for post-paid wireless services, in each case, as of the end of the month immediately preceding the Closing Date.

3.5.5. Transactions With Affiliates. Except as disclosed on **Schedule 3.5.5**, no AKD Member, no director, officer or employee of any entity in the AKD Group and no Affiliate of any thereof is currently a party to any AKD Contract or has been a party to any material transaction with any entity in the AKD Group since December 31, 2004.

3.5.6. Insurance. Schedule 3.5.6 is a true and complete list of all insurance policies (including self-insurance arrangements) maintained by any entity in the AKD Group (including coverage limits, deductibles, named insureds and policy periods), all of which policies are in full force and effect. No insurance company with which any entity in the AKD Group has had a policy has ever terminated or declined to renew such insurance.

3.5.7. Books and Records. The AKD Members have made available to GCI true and correct copies of all books and records of each entity in the AKD Group.

3.5.8. Bank Accounts; Powers of Attorney. Schedule 3.5.8 is a true and complete list of all bank accounts, securities accounts and other financial accounts maintained by or for the benefit of any entity in the AKD Group, including the name of the institution at which the account is maintained, the name and number of the account, the purpose of the account and the names and capacities of all persons authorized to sign on the account. **Schedule 3.5.8** also lists all powers of attorney or similar instruments signed by any entity in the AKD Group authorizing any person to act on its behalf with respect to any matter.

3.6. Employee Matters.

3.6.1. AKD Plans. Schedule 3.6.1 is a true and complete list of all of the following that are now or have ever been maintained or contributed to by AKD or any entity in the AKD Group or any other entity that is a member of a "controlled group" with AKD, as determined under ERISA Section 4001(a)(14) (collectively, the "AKD Plans"): (a) any nonqualified deferred compensation or retirement plan or arrangement which is an "Employee Pension Benefit Plan" as defined in Section 3(2) of ERISA; (b) any qualified defined contribution retirement plan or arrangement which is an Employee Pension Benefit Plan; (c) any qualified defined benefit retirement plan or arrangement which is an Employee Pension Benefit Plan (including any "Multiemployer Plan", as defined in Section 3(37) of ERISA); or (d) any "Employee Welfare Benefit Plan" as defined in Section 3(1) of ERISA. No AKD Plan is a Multiemployer Plan, and no AKD Plan is subject to the provisions of Title IV of ERISA. No AKD Plan is maintained in connection with any trust described in Code Section 501(c)(9). There have been no prohibited transactions with respect to any AKD Plan. No "Fiduciary" (as defined in ERISA Section 3(21)) has any Liability for breach of fiduciary duty or any other failure to act or comply in connection with the administration or investment of the assets of any such AKD Plan. No entity in the AKD Group currently maintains or contributes to any AKD Plan providing health or medical benefits for current or future retired or terminated employees, their spouses or their dependents (other than in accordance with Code Section 4980B). Each AKD Plan has been maintained and administered in compliance with its terms and with all applicable legal requirements, including but not limited to ERISA, the Code, and the Consolidated Omnibus Budget Reconciliation Act of 1985. Nothing done or omitted to be done and no transaction or holding of any asset under or in connection with any AKD Plan has made or will make any entity in the AKD Group, or any employee, officer or director of any entity in the AKD Group, or any fiduciary with respect to such AKD Plan, subject to any Liability under Title I of ERISA or any Liability for any tax under Code Section 4972 or Code Sections 4975 through 4980B, inclusive. No condition exists that would prevent any entity in the AKD Group from amending or terminating any AKD Plan to the extent permitted by applicable law. To the knowledge of the AKD Members and based upon the requirements of Code Section 409A and the guidance issued by the Internal Revenue Service, including Notice 2005-1 and the proposed regulations published on October 4, 2005, each AKD Plan that is a "nonqualified deferred compensation plan" as defined in Code Section 409A(d)(1) has been operated in material compliance with Code Section 409A. Each entity in the AKD Group has established and implemented such policies, programs, procedures, contracts and systems as are necessary to bring each entity in the AKD Group into compliance with HIPAA; Title II, Subtitle F, Sections 261-264, Public Law 104-91; and the Standards for Privacy of Individually Identifiable Health Information, 45 C.F.R. Parts 160-164 as of the effective dates of such laws, except where the failure to do so would not reasonably be expected to have a material adverse effect.

3.6.2. Employees. Schedule 3.6.2 is a true and complete list of all employees of any entity in the AKD Group and shows for each such employee: (i) his or her position and title; (ii) his or her date of hire; (iii) his or her salary; (iv) his or her unpaid wages, accrued vacation time and accrued personal time as of May 31, 2006; and (v) any bonuses paid to him or her with respect to the fiscal year ended December 31, 2005 or earned by or promised to him or her with respect to the current fiscal year.

3.6.3. Labor Relations. There is no dispute or controversy between any entity in the AKD Group and any of its employees. No entity in the AKD Group is a party to any collective bargaining agreement with respect to any of its employees, none of its employees is represented by a labor union and, to the knowledge of AKD and the AKD Members, there is no labor union organizing activity by or among its employees.

3.6.4. Certain Agreements. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will (a) result in any payment (including, without limitation, severance, unemployment compensation, parachute payment, bonus or otherwise) becoming due to any employee or any other Person from any entity in the AKD Group under any AKD Plan, agreement or otherwise, (b) increase any benefits otherwise payable to any employee under any AKD Plan or agreement, or (c) result in the acceleration of the time of payment or vesting of any such benefits. None of the employees of any entity in the AKD Group is subject to any covenant against competition or similar agreement that would limit his or her ability to participate in all aspects of any entity in the AKD Group's business at any present or future location.

3.7. Environmental Matters.

3.7.1. Compliance. Each entity in the AKD Group is conducting and at all times has conducted its business and operations, and has occupied, used and operated all real property and facilities presently or previously owned, occupied, used or operated by any entity in the AKD Group, in compliance (in all material respects) with all Environmental Laws and so as not to give rise to Liability under any Environmental Laws or to any adverse impact on any entity in the AKD Group's business or activities. Neither any entity in the AKD Group nor the AKD Members have any knowledge of pending or proposed changes to any Environmental Laws that would require any changes in any of any entity in the AKD Group's premises, facilities, equipment, operations or procedures or affect any entity in the AKD Group's business or its cost of conducting its business as now conducted. To the knowledge of AKD, Parent and the AKD Members, no conditions, circumstances or activities have existed or currently exist (including, without limitation, off-site disposal or treatment of Hazardous Substances) which could give rise to any Liability pursuant to any Environmental Laws. Other than the Leased Real Property, neither any entity in the AKD Group nor its predecessors have at any time owned, occupied, used or operated any real property or facilities.

3.7.2. Waste Materials. Any chemicals and chemical compounds and mixtures which are included among the assets of any entity in the AKD Group are required for the conduct of any entity in the AKD Group's business, have not been and are not intended to be discarded or abandoned, and are not waste or waste materials. No entity in the AKD Group has generated, handled, used, transported or disposed of Hazardous Substances. All waste materials which are generated as part of the business of any entity in the AKD Group are handled, stored, treated and disposed of in accordance with applicable Environmental Laws.

3.7.3. Tanks; Asbestos. Any underground storage tanks ever located at the Leased Real Property have been removed in compliance with all applicable Environmental Laws, all remediation required in connection with such removal has been completed in accordance with applicable Environmental Laws and all governmental agencies having jurisdictions have approved such removal and remediation and issued appropriate certificates reflecting that no further action is required. All above ground storage tanks located at the Leased Real Property comply with applicable Environmental Laws and are appropriate and adequate for the conduct of each entity in the AKD Group's business. No real properties or facilities presently or previously owned, occupied, used or operated by any entity in the AKD Group or any predecessor have been used at any time as a gasoline service station or as a facility for storing, pumping, dispensing or producing gasoline or any other petroleum products or any other Hazardous Substances. No building or other structure on any of the real property owned, occupied, used or operated by any entity in the AKD Group contains asbestos or asbestos-containing materials. There are not nor have there been any incinerators, septic tanks, leach fields, cesspools or wells (including without limitation dry, drinking, industrial, agricultural and monitoring wells) on any real property owned, occupied, used or operated by any entity in the AKD Group.

3.7.4. Environmental Assessments. The AKD Members have delivered to GCI correct and complete copies of all documents, correspondence, reports or other materials in their possession or control concerning the environmental condition of any real property currently or formerly used or occupied by any entity in the AKD Group, including, without limitation, all environmental site assessments.

3.8. Communications Regulatory Matters.

3.8.1. AKD Licenses. AKD is fully qualified under the Communications Laws to be an FCC licensee. **Schedule 3.8.1** lists all licenses and authorizations issued by the FCC or the RCA to any entity in the AKD Group (the "AKD Licenses"), together with the name of the licensee or authorization holder, the expiration date of the AKD Licenses and, where applicable, the relevant FCC market designation. AKD validly holds the AKD Licenses which represent all the FCC authorizations required in connection with the ownership and operation of the AKD wireless telecommunications business as it is presently being conducted. The AKD Licenses are not subject to any conditions outside of the ordinary course. No person other than AKD has any right, title or interest (legal or beneficial) in or to, or any right or license to use, the AKD Licenses. The AKD Licenses have been granted to AKD by Final Order and are in full force and effect.

3.8.2. Compliance. Except as disclosed in **Schedule 3.8.2**, AKD is in material compliance with the Communications Laws, including without limitation those relating to: (i) the Communications Assistance for Law Enforcement Act (CALEA); (ii) E-911 Phase I and Phase II compliance; (iii) number porting, number pooling and related number usage and utilization reports; (iv) Telecommunications Relay Service obligations; (v) universal service obligations; (vi) the payment of regulatory fees; (vii) Text Telephone Devices (TTY); (viii) the submission of quarterly, semi-annual, annual or other periodic reports or filings with the FCC or other Governmental Entity or administrative body (e.g. the National Exchange Carrier Association (NECA) and the Universal Service Administrative Company (USAC)); (ix) compliance with the National Environmental Protection Act (NEPA) provisions applicable to telecommunications carriers; (x) compliance with any spectrum clearing or incumbent relocation cost sharing obligations; and (xi) compliance with FCC and FAA antenna registration and painting and lighting requirements.

3.8.3. Proceedings. There are no objections, petitions to deny, complaints (formal or informal) competing applications or other proceedings pending before the FCC or any other Governmental Entity having jurisdiction over AKD or the AKD Licenses relating to AKD or the AKD Licenses. AKD has not received any notice of any claim of default with respect to any of the AKD Licenses. Except for proceedings affecting the wireless industry generally, and except as disclosed on **Schedule 3.8.3**, there is not pending or, to the knowledge of AKD, threatened against AKD or the AKD Licenses any action, petition, objection or other pleading, or any proceeding with the FCC or any other Governmental Entity, which contests the validity of, or seeks the revocation, forfeiture, non-renewal modification or suspension of, the AKD Licenses, or which would adversely affect the ability of AKD to consummate the transactions contemplated by this Agreement.

3.8.4. Filings. All documents required to be filed during the ownership of the AKD Licenses by AKD with the FCC or any other Governmental Entity have been timely filed or the time period for such filing has not lapsed, except where such failure to timely file would not reasonably be expected to result in the revocation, cancellation, forfeiture, non-renewal or suspension of any authorization or license or the imposition of any monetary forfeiture. All of such filings were complete and correct in all material respects when filed.

3.8.5. Build-Out. AKD is not in breach or otherwise in violation of any FCC build-out requirements with respect to any FCC authorization held by it. Each FCC licensed station has been built out at least to the minimum extent required by the Communications Laws. Any and all FCC notifications or filings associated with the build-out were timely filed and were true complete and correct when filed. There has been no discontinuance of service subsequent to the completion of construction and certification that would cause the AKD Licenses to be deemed forfeited or automatically cancelled by the FCC.

3.9. Transactional Matters.

3.9.1. Brokers, Finders, etc. All negotiations relating to this Agreement and the transactions contemplated hereby have been carried on without the intervention of any Person acting on behalf of any entity in the AKD Group or any AKD Member in such manner as to give rise to any valid claim against any entity in the AKD Group, any AKD Member or GCI for any brokerage or finder's commission, fee or similar compensation.

3.9.2. Disclosure. The representations and warranties of each entity in the AKD Group and the AKD Members in this Agreement, including the **Schedules** hereto, taken as a whole, do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained not misleading.

SECTION 4

REPRESENTATIONS AND WARRANTIES OF THE DENALI MEMBERS

The Denali Members jointly and severally represent and warrant to GCI that, except as disclosed in the Denali Disclosure Schedule (which is numbered to correspond to the section numbers in this Section 4):

4.1. Organization and Standing; Capitalization.

4.1.1. Organization and Standing of Denali. Denali is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Alaska. Denali is qualified to do business and in good standing as a foreign limited liability company in the jurisdictions listed in **Schedule 4.1.1**, which are all of the jurisdictions where such qualification is required. Denali has the requisite limited liability company power and authority to own its assets and carry on its business as presently being conducted. Complete and correct copies of the articles of organization, operating agreement and membership records of Denali have been delivered to GCI.

4.1.2. Subsidiaries. Denali does not own, directly or indirectly, any capital stock of, any partnership, equity or other ownership interest in or any security issued by any other corporation, organization, association, entity, business enterprise or other Person.

4.1.3. Capitalization. All of the issued and outstanding Denali Interests are duly authorized, validly issued, fully paid and nonassessable and are owned of record and beneficially by the Denali Members, free and clear of Encumbrances, as follows:

Member	Percentage Interest
Pacificom	71.35%
Red River	28.65%

There are no outstanding options, warrants, convertible securities or other rights to acquire any membership interest or any other security from Denali. No membership interests or other securities of Denali have been issued in violation of any preemptive or similar right of any Person or have been transferred in violation of, or are currently subject to, any right of first refusal or similar right of any Person. All of the issued and outstanding ownership interests of Denali were issued in compliance with applicable law, including, without limitation, federal and state securities laws. No securities of Denali are subject to any voting trust or other voting agreement.

4.2. The Transaction Agreements.

4.2.1. Execution and Validity. Each Denali Member has the requisite power and authority to execute and deliver each of the Transaction Agreements to which it is a party and to perform its obligations thereunder, and the execution, delivery and performance by such Denali Member of this Agreement and the other Transaction Agreements to which it is a party and the consummation by such Denali Member of the transactions contemplated hereby and thereby have been duly and validly authorized and approved by all necessary action of the owners and managers of such Denali Member as required by applicable documents and law. This Agreement has been duly executed and delivered by each Denali Member and constitutes, and each of the other Transaction Agreements to which any Denali Member is a party will be duly executed and delivered by such Denali Member at Closing and will constitute, the legal, valid and binding obligation of such Denali Member, enforceable in accordance with its terms, subject to bankruptcy, insolvency, moratorium, reorganization and similar laws of general applicability affecting the rights and remedies of creditors and to general principles of equity.

4.2.2. No Violation or Approval. The execution, delivery and performance by each Denali Member of the Transaction Agreements to which such Denali Member is a party and the consummation of the transactions contemplated by the Transaction Agreements do not and will not constitute or result in (a) a violation of any order, judgment or decree of any court or governmental agency or body having jurisdiction over Denali, any Denali Member, or any of their respective assets, or (b) a breach of or default under, or the acceleration of any obligation or creation of any Encumbrance under (whether immediately, upon the passage of time or after the giving of notice), or otherwise require a consent or waiver under, any agreement, instrument, lease, contract, mortgage, deed or license to which Denali or any Denali Member is a party or by which Denali or any Denali Member or any of their assets are bound or affected or (c) a violation of or a conflict with the articles of organization or operating agreement of Denali. Except as described on **Schedule 4.2.2**, no notice to, or consent, approval, order or authorization of, or declaration or filing with, any governmental authority or entity or other Person is

required to be obtained or made by Denali or any Denali Member in connection with the execution, delivery and performance of or the consummation of the transactions contemplated by any of the Transaction Agreements.

4.3. No Assets.

Denali does not own, lease or use any assets or properties other than the Denali Contracts and the Denali Licenses.

4.4. Financial Matters.

4.4.1. Financial Statements. Attached to this Agreement as **Schedule 4.4.1** are (a) the unaudited balance sheet of Denali as of December 31, 2005 (the "Denali Balance Sheet Date"), and the related audited statements of income, members' equity and cash flows for the fiscal year then ended, and (b) the unaudited balance sheets of Denali as of May 31, 2006, and the related audited statement of income, members' equity and cash flows for the quarter then ended (collectively, the "Denali Financial Statements"). The Denali Financial Statements were prepared from the books and records of Denali, which are correct and complete. The Denali Financial Statements present fairly and accurately the financial position of Denali and the results of its operations as of the respective dates and for the periods presented therein and have been prepared in accordance with GAAP.

4.4.2. No Undisclosed Liabilities. Denali has no Liabilities except (i) Liabilities set forth on the balance sheet included in the Denali Financial Statements, and (ii) Liabilities which have arisen after the Denali Balance Sheet Date in the ordinary course of business, consistent with historical practice (none of which Liabilities arises out of or relates to any breach of contract, breach of warranty, tort, infringement or violation of law). Denali is not a guarantor or otherwise liable for any Liability of any other Person.

4.4.3. Absence of Changes. Since the Denali Balance Sheet Date, Denali has not undergone any adverse change in its business, condition (financial or otherwise) or prospects, or suffered any damage, destruction or loss (whether or not covered by insurance). Since the Denali Balance Sheet Date, Denali has operated only in the ordinary course of business, consistent in all respects with historical practice, and no change has been made or transaction entered into in anticipation of the transactions contemplated hereby. Without limiting the generality of the foregoing, since the Denali Balance Sheet Date, Denali has not:

(a) made any loan, advance or other extension of credit to any Denali Member or any officer, director or employee of Denali or any Affiliate of any thereof;

(b) increased or experienced any adverse change in any assumption underlying any method of calculating bad debts, contingencies or other reserves from that reflected in the Denali Financial Statements;

(c) cancelled, compromised, written down, written off or waived any claim or right of substantial value;

(d) sold, transferred, distributed or otherwise disposed of any of its assets except for sales of equipment for fair consideration in the ordinary course of business which has either been replaced by comparable equipment or is no longer necessary for the operation of Denali's business;

(e) made any capital expenditure or commitment for additions to property, plant or equipment;

(f) made or agreed to make any increase in the compensation payable or benefits provided to any of the officers or directors of Denali;

(g) paid any severance or termination pay to any officer, director or employee of Denali;

(h) changed the methods of accounting or accounting principles or practices of Denali set forth in or reflected by the Financial Statements;

(i) entered into any contract or received any payment as a result of which Denali would be required to provide goods or services to any Person after the Closing without receiving full payment for those goods or services at or after the time they are provided;

(j) entered into any transaction or contract, or amended or terminated any transaction or contract, with respect to the business of Denali, except normal transactions or contracts consistent in nature and scope with prior practices and entered into in the ordinary course of business in arm's-length transactions, none of which transactions or contracts, or amendments or terminations thereof, could reasonably be expected to have a material adverse effect upon the business of Denali or the financial condition or prospects thereof;

(k) terminated or been advised of the termination of or material reduction in its relationship with any material customer or supplier;

(l) changed in any material respect the business policies or practices of Denali or failed to operate the business of Denali in good faith and in the ordinary course; or

(m) agreed, whether in writing or not, to do any of the foregoing.

4.4.4. Taxes. Denali has filed all Tax Returns that it has been required to file. All such Tax Returns were correct and complete in all material respects. All Taxes owed by Denali (whether or not required to be shown on a Tax Return) have been

paid. Denali is not currently the beneficiary of any extension of time within which to file any Tax Return. Denali has not received notice from an authority in a jurisdiction where it does not file Tax Returns that it may be subject to taxation by that jurisdiction. Denali has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder or other Person. **Schedule 4.4.4** lists all Tax Returns filed by Denali since January 1, 1999 (complete copies of which have been delivered to GCI) and indicates those Tax Returns that have been audited or are currently being audited or for which Denali has received notice of a proposed audit. Denali has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency. Denali has no liability for the Taxes of any Person under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign law), as a transferee or successor, by contract, or otherwise. Denali has never been a member of an affiliated group filing a consolidated federal income Tax Return (or any other consolidated, combined or unitary income Tax Return). The reserves for Taxes in the Denali Financial Statements are adequate. Denali is not subject to any agreements that could result in any "excess parachute payments" under Code Section 280G. Denali has not agreed to and is not otherwise required to make any adjustments pursuant to Code Section 481(a) or any similar provision of state, local or foreign law by reason of a change in accounting method. No taxing authority has proposed any such adjustment or change in accounting method with respect to Denali. There is no application pending with any taxing authority requesting permission for any change in accounting method of Denali. Denali has not participated in any investment or transaction that (i) constituted a "tax shelter" within the meaning of Section 6111(c)(1) of the Code; or (ii) would constitute a "reportable transaction" within the meaning of Treasury Regulation Section 1.6011-4, whether entered into before or after the effective date of such Treasury Regulation. None of Denali's assets are subject to any liens in respect of Taxes, except liens that are expressly permitted under the terms of this Agreement.

4.4.5. Accounts Receivable. The accounts receivable of Denali (i) are validly existing, (ii) are enforceable by Denali in accordance with the terms of the instruments or documents creating them, (iii) are owned by Denali free and clear of all Encumbrances, (iv) represent monies due for, and have arisen solely out of, bona fide performance of services and other business transactions in the ordinary course of business consistent with past practices and (v) are collectible within one year after the Closing Date at the full recorded amount thereof less any allowance for uncollectible accounts receivable that is reflected in the Final Closing Adjustment Schedule. There are no refunds, discounts or other adjustments payable with respect to any such accounts receivable, and there are no defenses, rights of set-off, counterclaims, assignments, restrictions, encumbrances, or conditions enforceable by third parties on or affecting any account receivable.

4.5. Operational Matters.

4.5.1. Compliance With Law. Denali has conducted its operations in material compliance with applicable laws. The Denali Members have no knowledge of and Denali has not received notice of any violations of law relating to Denali, Denali's operations or the Denali Contributed Assets. Neither any Denali Member, Denali nor any officer, employee or agent of Denali has directly or indirectly given or agreed to give any gift, contribution, payment or similar benefit to any supplier, customer, governmental official or employee or other Person who was, is or may be in a position to help or hinder Denali or made or agreed to make any contribution, or reimbursed any political gift or contribution made by any other Person, to any candidate for United States federal, state, local or foreign public office, in any case, which would subject Denali to any Liability or the failure to make which in the future could adversely affect the business or prospects of Denali.

4.5.2. Litigation. There are no actions, claims, suits, audits, examinations, investigations or proceedings pending or, to the knowledge of Denali or the Denali Members, threatened against Denali, whether by a private Person or a governmental agency or body, nor is there any reasonable basis for any such action, claim, suit, audit, examination, proceeding or investigation. No judgments, orders, decrees, citations, fines or penalties have been entered or assessed against Denali.

4.5.3. Contracts. Schedule 4.5.3 contains a true and complete list of all Contracts to which or by which Denali is a party or otherwise bound that: (a) have a duration of twelve (12) months or more and that are not terminable without penalty upon 30 days or less prior written notice; (b) require or could reasonably be expected to require any party thereto to pay $5,000 or more; (c) are between Denali and any Governmental Entity; (d) have or may have the effect of prohibiting or impairing any business practice of Denali or any entity in the AKD Group; (e) under which Denali or any entity in the AKD Group is restricted from providing services to customers or potential customers in any geographic area, during any period of time or in any segment of a market; or (f) contain any restrictive covenant or confidential or secrecy agreement other than such an agreement relating solely to information about a customer's business or Denali or any entity in the AKD Group's services to such customer (Contracts described in (a) through (f) above are referred to collectively as the "Denali Contracts"). The Denali Members have made available to GCI a true and complete copy of each Contract. Neither Denali nor, to the knowledge of Denali or any Denali Member, any other party is in default under or in breach or violation of any Denali Contract, nor has an event occurred that (with or without notice, lapse of time or both) would constitute a default or breach or violation by Denali, or to the knowledge of Denali or any Denali Members, any other party, under any Denali Contract. Subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or such laws affecting the enforcement of creditors rights generally and to general principles of equity, each Denali Contract is legal, valid, binding, enforceable and in full force and effect, and subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws affecting the enforcement of creditors rights generally and to general principles of equity, will continue to be legal, valid, binding, enforceable and in full force and effect following the consummation of the transactions contemplated hereby.

4.5.4. Transactions With Affiliates. No Denali Member, no director, officer, manager or employee of Denali and no Affiliate of any thereof is currently a party to any Denali Contract or has been a party to any material transaction with Denali since December 31, 2004.

4.5.5. Insurance. Schedule 4.5.5 is a true and complete list of all insurance policies (including self-insurance arrangements) maintained by Denali (including coverage limits, deductibles, named insureds and policy periods), all of which policies are in

full force and effect. No insurance company with which Denali has had a policy has ever terminated or declined to renew such insurance

4.5.6. Books and Records. The Denali Members have made available to GCI true and correct copies of all books and records of Denali.

4.5.7. Bank Accounts; Powers of Attorney. Schedule 4.5.7 is a true and complete list of all bank accounts, securities accounts and other financial accounts maintained by or for the benefit of Denali, including the name of the institution at which the account is maintained, the name and number of the account, the purpose of the account and the names and capacities of all persons authorized to sign on the account. **Schedule 4.5.7** also lists all powers of attorney or similar instruments signed by Denali authorizing any person to act on its behalf with respect to any matter.

4.6. Employee Matters.

Denali has no employees and has never had any employees since its inception. Neither Denali nor any other entity that is a member of a controlled group with Denali, as determined under ERISA Section 4001(a)(14), has ever maintained or contributed to any of the following: (a) any nonqualified deferred compensation or retirement plan or arrangement which is an "Employee Pension Benefit Plan" as defined in Section 3(2) of ERISA; (b) any qualified defined contribution retirement plan or arrangement which is an Employee Pension Benefit Plan; (c) any qualified defined benefit retirement plan or arrangement which is an Employee Pension Benefit Plan (including any "Multiemployer Plan", as defined in Section 3(37) of ERISA); or (d) any "Employee Welfare Benefit Plan" as defined in Section 3(1) of ERISA.

4.7. Environmental Matters.

Denali is conducting and at all times has conducted its business and operations, and has occupied, used and operated all real property and facilities presently or previously owned, occupied, used or operated by Denali, in compliance (in all material respects) with all Environmental Laws and so as not to give rise to Liability under any Environmental Laws or to any adverse impact on Denali's business or activities. Neither Denali nor any Denali Members have any knowledge of pending or proposed changes to any Environmental Laws that would require any changes in any of Denali's premises, facilities, equipment, operations or procedures or affect Denali's business or its cost of conducting its business as now conducted. No conditions, circumstances or activities have existed or currently exist (including, without limitation, off-site disposal or treatment of Hazardous Substances) which could give rise to any Liability pursuant to any Environmental Laws. Neither Denali nor its predecessors have at any time owned, occupied, used or operated any real property or facilities.

4.8. Communications Regulatory Matters.

4.8.1. Denali Licenses. Denali is fully qualified under the Communications Laws to be an FCC licensee. **Schedule 4.8.1** lists all licenses and authorizations issued by the FCC or the RCA to Denali (the "Denali Licenses"), together with the name of the licensee or authorization holder, the expiration date of the Denali Licenses and, where applicable, the relevant FCC market designation. Denali validly holds the Denali Licenses which represent all the FCC authorizations required in connection with the ownership and operation of the Denali wireless telecommunications business as it is presently being conducted. The Denali Licenses are not subject to any conditions outside of the ordinary course. No person other than Denali has any right, title or interest (legal or beneficial) in or to, or any right or license to use, the Denali Licenses. The Denali Licenses have been granted to Denali by Final Order and are in full force and effect.

4.8.2. Compliance. Denali is in material compliance with the Communications Laws, including without limitation those relating to: (i) the Communications Assistance for Law Enforcement Act (CALEA); (ii) E-911 Phase I and Phase II compliance; (iii) number porting, number pooling and related number usage and utilization reports; (iv) Telecommunications Relay Service obligations; (v) universal service obligations; (vi) the payment of regulatory fees; (vii) Text Telephone Devices (TTY); (viii) the submission of quarterly, semi-annual, annual or other periodic reports or filings with the FCC or other Governmental Entity or administrative body (e.g. the National Exchange Carrier Association (NECA) and the Universal Service Administrative Company (USAC)); (ix) compliance with the National Environmental Protection Act (NEPA) provisions applicable to telecommunications carriers; (x) compliance with any spectrum clearing or incumbent relocation cost sharing obligations; and (xi) compliance with FCC and FAA antenna registration and painting and lighting requirements.

4.8.3. Proceedings. There are no objections, petitions to deny, complaints (formal or informal) competing applications or other proceedings pending before the FCC or any other Governmental Entity having jurisdiction over Denali or the Denali Licenses relating to Denali or the Denali Licenses. Denali has not received any notice of any claim of default with respect to any of the Denali Licenses. Except for proceedings affecting the wireless industry generally, and except as disclosed on **Schedule 4.8.3**, there is not pending or, to the knowledge of Denali, threatened against Denali or the Denali Licenses any action, petition, objection or other pleading, or any proceeding with the FCC or any other Governmental Entity, which contests the validity of, or seeks the revocation, forfeiture, non-renewal modification or suspension of, the Denali Licenses, or which would adversely affect the ability of Denali to consummate the transactions contemplated by this Agreement.

4.8.4. Filings. All documents required to be filed during the ownership of the Denali Licenses by Denali with the FCC or any other Governmental Entity have been timely filed or the time period for such filing has not lapsed, except where such failure to timely file would not reasonably be expected to result in the revocation, cancellation, forfeiture, non-renewal or suspension of any authorization or license or the imposition of any monetary forfeiture. All of such filings were complete and correct in all material respects

when filed.

4.8.5. Build-Out. Denali is not in breach or otherwise in violation of any FCC build-out requirements with respect to any FCC authorization held by it. Each FCC licensed station has been built out at least to the minimum extent required by the Communications Laws. Any and all FCC notifications or filings associated with the build-out were timely filed and were true complete and correct when filed. There has been no discontinuance of service subsequent to the completion of construction and certification that would cause the Denali Licenses to be deemed forfeited or automatically cancelled by the FCC.

4.9. Transactional Matters.

4.9.1. Brokers, Finders, etc. All negotiations relating to this Agreement and the transactions contemplated hereby have been carried on without the intervention of any Person acting on behalf of Denali or any Denali Member in such manner as to give rise to any valid claim against Denali, any Denali Member or GCI for any brokerage or finder's commission, fee or similar compensation.

4.9.2. Disclosure. The representations and warranties of the Denali Members in this Agreement, including the **Schedules** hereto, taken as a whole, do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained not misleading.

SECTION 5

REPRESENTATIONS AND WARRANTIES OF GCI

GCI represents and warrants to AKD, Parent, the AKD Members and the Denali Members that:

5.1. Organization and Standing.

GCI is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Alaska. GCI has the requisite corporate power and authority to execute and deliver each of the Transaction Agreements to which it is a party and to perform its obligations thereunder. The execution, delivery and performance by GCI of this Agreement and the other Transaction Agreements to which it is a party, and the consummation by GCI of the transactions contemplated hereby and thereby, have been duly and validly authorized and approved by all necessary corporate action on the part of GCI.

5.2. Execution and Validity of Agreements.

This Agreement has been duly executed and delivered by GCI and constitutes, and each of the other Transaction Agreements to which GCI is a party will be duly executed and delivered at Closing and will constitute, the legal, valid and binding obligation of GCI, enforceable in accordance with its terms, subject to bankruptcy, insolvency, moratorium, reorganization and similar laws of general applicability affecting the rights and remedies of creditors and to general principles of equity, regardless of whether enforcement is sought in proceedings in equity or at law.

5.3. No Violation or Approval.

The execution, delivery and performance by GCI of each of the Transaction Agreements to which it is a party and the consummation of the transactions contemplated thereby does not and will not result in (a) a violation of any law, rule or regulation, order, judgment or decree applicable to GCI or any order, judgment or decree of any court or any governmental agency or body having jurisdiction over GCI or its properties or assets, (b) a breach or a default under (whether immediately, upon the passage of time or after giving notice), or the acceleration of any payment under any material agreement, instrument, lease, contract, mortgage, or license to which GCI is a party or by which it or any of its properties or assets is bound, or (c) a violation of or a conflict with its charter or bylaws. No consent, approval, order or authorization of, or declaration or filing with, any governmental authority or entity or other party is required to be, and has not been, obtained or made by GCI in connection with the execution, delivery and performance of or the consummation of the transactions contemplated by any of the Transaction Agreements.

5.4. Brokers, Finders, etc.

All negotiations relating to this Agreement and the transactions contemplated hereby have been carried on without the intervention of any Person acting on behalf of GCI in such manner as to give rise to any valid claim against any AKD, the AKD Members or the Denali Members for any brokerage or finder's commission, fee or similar compensation.

5.5. No Oral Warranties.

Except for the warranties and representations expressly set forth in this Agreement, GCI is relying solely on its own expertise and that of its consultants, employees, agents, servants and representatives in connection with its acquisition of the Denali Interests and the AKD

Common Units (collectively, the "Interests"). GCI has or will conduct such investigation, analysis and inspection of AKD, Denali and their respective businesses as it deems necessary or appropriate and shall rely upon such investigation, analysis and inspection in connection with the acquisition of the Interests. GCI acknowledges and agrees that neither Denali, AKD, Parent, the AKD Members and/or the Denali Members, on the one hand, nor their respective officers, directors, members, employees, servants, agents, attorneys or representatives have made any oral agreements, warranties or representations, and that none of Denali, AKD, Parent, the AKD Members and/or the Denali Members are liable or bound by any oral or written statement, agreement, information, warranty or representation with respect to the Interests, AKD, Denali of the business or assts of AKD or Denali made by any Person whatsoever, unless such statement, agreement, information, warranty or representation is expressly set forth in this Agreement. In connection with its acquisition of the Interests, GCI is not relying on any oral statements or representations made or given by any Person whomsoever. The parties agree that this Section 5.5 shall in no way diminish or otherwise impair GCI's ability (a) to seek indemnification for any breach of any representation or warranty herein or (b) to enforce its rights under this Agreement or the documents and instruments delivered pursuant to this Agreement.

SECTION 6

COVENANTS

6.1. Exclusivity; Acquisition Proposals.

Unless and until this Agreement shall have been terminated pursuant to Section 11, none of any entity in the AKD Group, Parent, the AKD Members or the Denali Members shall take or cause or permit to be taken, directly or indirectly, any of the following actions with any Person other than GCI and its designees or agents: (a) solicit, encourage, initiate or participate in any negotiations, inquiries or discussions with respect to any offer or proposal to acquire the business or assets of any entity in the AKD Group or Denali, whether by merger, consolidation, other business combination, purchase of assets or stock, tender or exchange offer or otherwise (each of the foregoing an "Acquisition Transaction"); (b) disclose any information not customarily disclosed to any Person who is or may be requesting such information for purposes of a possible Acquisition Transaction; (c) agree to or execute any letter of intent, terms sheet or agreement relating to an Acquisition Transaction; or (d) make or authorize any public statement or solicitation with respect to any Acquisition Transaction or any offer or proposal relating to an Acquisition Transaction other than with respect to the transactions contemplated hereby.

6.2. Notices and Consents.

(a) Each entity in the AKD Group, Parent, the AKD Members and the Denali Members shall cooperate with each other and use, and shall cause their respective Affiliates to use, their respective reasonable best efforts to prepare and file as promptly as reasonably practicable all documentation to effect all necessary notices, reports and other filings (including all applications required to be filed with the FCC and the RCA) and to obtain as promptly as reasonably practicable all consents, registrations, approvals, permits and authorizations necessary or advisable to be obtained from any Third Party and/or any Governmental Entity in order to consummate the transactions contemplated by this Agreement (collectively, the "Regulatory Consents"). GCI will provide reasonable cooperation to the forgoing Parties to obtain such Regulatory Consents. None of GCI, any entity in the AKD Group, Parent, the AKD Members or the Denali Members shall agree to participate in any substantive meeting or discussion with any such Governmental Entity in respect of any filing, investigation or inquiry concerning this Agreement or the transactions contemplated by this Agreement unless it consults with the other Parties reasonably in advance and, to the extent permitted by such Governmental Entity, gives the other Parties the opportunity to attend and participate.

(b) GCI, each entity in the AKD Group, Parent, the AKD Members and the Denali Members each shall, upon request by the other, furnish the other with all information concerning itself, its Subsidiaries, directors, officers, members and members and such other matters as may be reasonably necessary or advisable in connection with any statement, filing, notice or application made by or on behalf of any entity in the AKD Group or Denali to any Governmental Entity in connection with the transactions contemplated by this Agreement.

(c) Subject to applicable Law and the instructions of any Governmental Entity, GCI, each entity in the AKD Group, Parent, the AKD Members and the Denali Members each shall keep the others apprised of the status of matters relating to completion of the transactions contemplated hereby, including promptly furnishing the other with copies of notices or other communications received by such Person from any Governmental Entity with respect to such transactions.

6.3. Preparation for Closing.

Each of the Parties will use commercially reasonable efforts to take all actions necessary, proper or advisable in order to consummate and make effective the transactions contemplated by this Agreement (including the satisfaction, but not the waiver, of the conditions precedent set forth in Section 7) and the other Transaction Agreements.

6.4. Notification of Certain Matters.

Between the date of this Agreement and the Closing Date, each Party shall give prompt notice in writing to the other Parties of: (a) any information that indicates that any of such Party's representations or warranties contained herein was not true and correct in all material

respects as of the date hereof or will not be true and correct in all material respects at and as of the Closing Date (except for changes permitted or contemplated by this Agreement), (b) the occurrence of any event that will result, or has a reasonable prospect of resulting, in the failure of any condition specified in Section 8 hereof to be satisfied, (c) any notice or other communication from any Person indicating that such Person will not or may not grant any consent or approval required in connection with the transactions contemplated by this Agreement or that such transactions otherwise may violate the rights of or confer remedies upon such Person and (d) any other material development that occurs after the date of this Agreement and affects the accuracy of the representations, warranties, covenants or Disclosure Schedule contained herein. No notice given under this Section 6.4 will be deemed to amend or supplement any Disclosure Schedule or to prevent or cure any misrepresentation, breach of warranty or breach of covenant of any Party.

6.5. Other Limitations on Conduct of AKD's and Properties' Businesses.

AKD, Parent and the AKD Members hereby covenant and agree with GCI that, prior to the earlier of the termination of this Agreement pursuant to Section 11 or the Closing Date, unless the prior written consent of GCI shall have been obtained and except as otherwise contemplated herein, they shall operate the business of each entity in the AKD Group only in the usual, regular and ordinary course of business consistent with historical practice, incurring only ordinary and necessary business expenses consistent with historical practice. Without limiting the foregoing, unless the prior written consent of GCI shall have been obtained and except as otherwise contemplated herein, prior to the earlier of the termination of this Agreement pursuant to Section 11 or the Closing Date AKD, Parent and the AKD Members shall: (a) use commercially reasonable efforts to preserve intact the business and assets of each entity in the AKD Group, including present operations, facilities, employee relationships and relationships with lessors, licensors, suppliers and customers; (b) comply with all applicable laws and regulations, and maintain the licenses, registrations, rights and franchises of each entity in the AKD Group; (c) not declare, set aside or pay any dividend or make any distribution with respect to the membership interests of any entity in the AKD Group or redeem, purchase, or otherwise acquire any such membership interests, except for the distributions contemplated by Section 2.2; (d) not enter into any material contracts, obligations, commitments or agreements (including without limitation any material modification or amendment to any such contract, commitment or agreement) other than in the ordinary course of business; (e) not sell, dispose of or otherwise transfer or encumber any assets, except in the ordinary course of business consistent with past practice; (f) not increase the compensation, benefits or any other form of remuneration to officers or employees, other than in connection with promotions and performance reviews in accordance with past practice, and not award any bonuses or other extraordinary compensation to any officers or employees, except such as are paid in full in cash prior to the Closing; (g) not modify, alter or amend the terms or provisions of any AKD Plan; (h) maintain in full force and effect all insurance policies in effect on the date hereof or replacement policies providing comparable coverage if available on commercially reasonable terms; (i) not authorize for issuance, issue or obligate any entity in the AKD Group to issue any membership interests or any options, warrants, convertible securities or other rights to acquire any membership interests; (j) cause any entity in the AKD Group to pay and discharge all liabilities when due and not cause any entity in the AKD Group to accelerate the collections of receivables beyond their normal, stated terms; (k) not allow any entity in the AKD Group to hire additional management employees; and (l) not knowingly take any action that would (i) adversely affect the ability of any entity in the AKD Group to obtain any necessary approvals of any third parties or any governmental authorities required for the transactions contemplated hereby or materially increase the period of time necessary to obtain such approvals, or (ii) adversely affect any entity in the AKD Group's ability to perform its covenants and agreements under this Agreement or any other Transaction Agreement. Prior to Closing, AKD intends to acquire the interest of all Persons who are participants under that certain Profits Participation Plan and to terminate such Profit Participation Plan, and nothing contained in this Section 6.5 shall restrict the right of AKD to take such actions or require the consent of GCI prior to taking such actions.

6.6. Other Limitations on Conduct of Denali's Business.

The Denali Members hereby covenant and agree with GCI that, prior to the earlier of the termination of this Agreement pursuant to Section 11 or the Closing Date, unless the prior written consent of GCI shall have been obtained and except as otherwise contemplated herein, they shall cause Denali to operate its business only in the usual, regular and ordinary course of business consistent with historical practice, incurring only ordinary and necessary business expenses consistent with historical practice. Without limiting the foregoing, unless the prior written consent of GCI shall have been obtained and except as otherwise contemplated herein, prior to the earlier of the termination of this Agreement pursuant to Section 11 or the Closing Date the Denali Members shall cause Denali to: (a) use commercially reasonable efforts to preserve intact its business and assets, including present operations, facilities, employee relationships and relationships with lessors, licensors, suppliers and customers; (b) comply with all applicable laws and regulations, and maintain its licenses, registrations, rights and franchises; (c) not declare, set aside or pay any dividend or make any distribution with respect to its membership interests or redeem, purchase, or otherwise acquire any such membership interests; (d) not enter into any material contracts, obligations, commitments or agreements (including without limitation any material modification or amendment to any such contract, commitment or agreement) other than in the ordinary course of business; (e) not sell, dispose of or otherwise transfer or encumber any assets, except in the ordinary course of business consistent with past practice; (f) not increase the compensation, benefits or any other form of remuneration to its officers or employees, other than in connection with promotions and performance reviews in accordance with past practice, and not award any bonuses or other extraordinary compensation to any officers or employees, except such as are paid in full in cash prior to the Closing; (g) maintain in full force and effect all insurance policies in effect on the date hereof or replacement policies providing comparable coverage if available on commercially reasonable terms; (h) not authorize for issuance, issue or obligate itself to issue any membership interests or any options, warrants, convertible securities or other rights to acquire any membership interests; (i) pay and discharge all liabilities when due and not

accelerate the collections of receivables beyond their normal, stated terms; and (j) not knowingly take any action that would (i) adversely affect its ability to obtain any necessary approvals of any third parties or any governmental authorities required for the transactions contemplated hereby or materially increase the period of time necessary to obtain such approvals, or (ii) adversely affect its ability to perform its covenants and agreements under this Agreement or any other Transaction Agreement.

6.7. Access to Information.

Each entity in the AKD Group shall afford, and the Denali Members shall cause Denali to afford, GCI and its accountants, counsel and other representatives reasonable access during normal business hours prior to the Closing Date to (a) all of their financial statements, properties, books, contracts, commitments and records and (b) all other information concerning their business and assets as GCI may reasonably request. No information or knowledge obtained after the date hereof in any investigation pursuant to this Section 6.7 shall affect or be deemed to modify any representation or warranty contained herein or the conditions to the obligations of the Parties to consummate the transactions contemplated hereby.

6.8. Cooperation.

Each of the Parties, upon the reasonable request from time to time of any other Party, shall take and cooperate with the other Parties in taking such actions as may be reasonably necessary or desirable to consummate the transactions contemplated hereby and to comply with the terms of this Agreement.

6.9. Announcements.

Prior to the Closing, except as may be required by law or applicable stock exchange rules, no Party to this Agreement shall issue any press release or make any public announcement relating to the subject matter of this Agreement without the prior written approval of the other Parties, which approval will not be unreasonably withheld or delayed. If GCI believes that it is required by law or applicable stock exchange rules to make such a public announcement, it shall promptly advise the other Parties and use reasonable efforts, consistent with its legal obligations or obligations under stock exchange rules, to allow the other Parties an opportunity to review and comment upon the announcement before the announcement is made.

6.10 Use of Proceeds of Interim Capital Loans.

All proceeds from the Interim Capital Loans will be used by AKD for capital improvements to be made by AKD as approved by GCI, which approval is not to be unreasonably withheld or delayed. AKD will not make any additional draws on the Interim Capital Loans following the Closing without GCI's approval.

SECTION 7

CLOSING DELIVERIES

7.1. Of AKD, Parent and the AKD Members.

At the Closing, AKD, Parent and the AKD Members shall make the following deliveries, unless waived by GCI:

(a) Parent and each AKD Member shall deliver a counterpart of the Operating Agreement, duly executed by such Person and duly executed by Fire Lake.

(b) AKD shall deliver to GCI an amended version of Schedule 1.3 and Schedule 4.1 of the Operating Agreement reflecting the AKD Common Units issued to GCI pursuant to Sections 2.3 and 2.4.

(c) Parent and each AKD Member shall deliver instruments of assignment in form and substance reasonably satisfactory to GCI transferring to AKD the number of AKD Common Units to be redeemed by AKD from Parent or such AKD Member pursuant to Section 2.4, with full warranty of title, duly executed by such Person.

(d) AKD shall deliver to Parent and the AKD Members cash or immediately available funds, by wire transfer as contemplated by Section 2.4

(e) The AKD Members shall cause Fire Lake to deliver a counterpart of the Management Agreement, duly executed by Fire Lake.

(f) AKD shall deliver evidence in form and substance reasonably satisfactory to GCI that the Management Agreement between AKD and Poplar Associates LLC has been terminated effective as of the Closing Date, without Liability or further obligation of AKD.

(g) AKD shall deliver a counterpart of the Management Agreement, duly executed by AKD.

(h) AKD shall deliver payoff letters in form and substance reasonably satisfactory to GCI with respect to any Liabilities of AKD that are to be paid off at the Closing with the GCI capital contributions made pursuant to Section 2.3.

(i) AKD, Parent and the AKD Members shall deliver counterparts of any other Transaction Agreements to which AKD, Parent or the AKD Members are a party, duly executed by such Party.

(j) AKD shall deliver an opinion of The Bogatin Law Firm, PLC, counsel to AKD, the AKD Members and the Denali Members, covering the matters set forth on the attached **Exhibit C**. Such opinion shall be dated as of the Closing Date and shall be in form and substance reasonably satisfactory to GCI and its counsel.

(k) AKD shall deliver an opinion of Lukas, Nace, Gutierrez & Sachs, Chartered, counsel to AKD, the AKD Members and the Denali Members, covering the matters set forth on the attached **Exhibit D**. Such opinion shall be dated as of the Closing Date and shall be in form and substance reasonably satisfactory to GCI and its counsel.

(l) AKD, Parent and each AKD Member shall deliver a certificate signed on behalf of AKD, Parent or such AKD Member by an authorized person, confirming that the conditions precedent to the obligations of GCI under Section 8.2.2 have been fulfilled, insofar as those conditions relate to the representations and warranties made by or to the obligations and covenants of AKD, Parent or such AKD Member.

(m) AKD shall deliver the certificate regarding wireless telephone subscribers contemplated by Section 3.5.4.

(n) AKD shall deliver a Non-Competition Agreement executed by each of the persons specified in **Schedule 7.1(n)** in the form attached as **Exhibit E**.

(o) AKD shall deliver such certificates or other documents as may be reasonably requested by GCI, including without limitation certificates of legal existence, good standing and certified charter documents from the Alaska Department of Commerce, Community, and Economic Development and certificates of officers or member AKD with respect to minutes, resolutions, bylaws and any other relevant matters concerning the authorization of the transactions contemplated hereby.

7.2. Of the Denali Members.

At the Closing, each Denali Member shall make the following deliveries, unless waived by GCI:

(a) Each Denali Member shall deliver instruments of assignment in form and substance reasonably satisfactory to GCI transferring to GCI such Denali Member's Denali Interest, with full warranty of title, duly executed by such Denali Member.

(b) The Denali Members shall cause Denali to deliver instruments of assignment in form and substance reasonably satisfactory to GCI transferring to AKD the Denali Licenses, with full warranty of title, duly executed by Denali.

(c) Each Denali Member shall deliver counterparts of any other Transaction Agreements to which such Denali Member is a party, duly executed by such Denali Member.

(d) Each Denali Member shall deliver a certificate signed by such Denali Member on behalf of such Denali Member by an authorized person, confirming that the conditions precedent to the obligations of GCI under Section 8.2.3 have been fulfilled, insofar as those conditions relate to the representations and warranties made by or to the obligations and covenants of such Denali Member.

(e) The Denali Members shall deliver such certificates or other documents as may be reasonably requested by GCI, including without limitation certificates of legal existence, good standing and certified charter documents from the Alaska Department of Commerce, Community, and Economic Development and certificates of officers or member Denali with respect to minutes, resolutions, bylaws and any other relevant matters concerning the authorization of the transactions contemplated hereby.

7.3. Of GCI.

At the Closing, GCI shall make the following deliveries, unless waived by the AKD Members' Agent and the Denali Members' Agent:

(a) GCI shall deliver to the Denali Members cash or immediately available funds, by wire transfer as contemplated by Section 2.1.

(b) GCI shall deliver to AKD cash or immediately available funds, by wire transfer as contemplated by Section 2.3.

(c) GCI shall deliver to AKD instruments of assignment in form and substance reasonably satisfactory to the AKD Members' Agent transferring to AKD the Denali Interest purchased by GCI pursuant to Section 2.1, with full warranty of title, duly executed by GCI.

(d) GCI shall deliver to AKD cash or immediately available funds, by wire transfer as contemplated by Section 2.4.

(e) GCI shall deliver counterparts of any other Transaction Agreements to which GCI a party, duly executed by GCI.

(f) GCI shall deliver a certificate signed by GCI by an authorized officer, confirming that the conditions precedent to the obligations of AKD, the AKD Members and the Denali Members under Section 8.1.2 have been fulfilled.

(g) GCI shall deliver such certificates or other documents as may be reasonably requested by the AKD Members' Agent or the Denali Members' Agent, including without limitation certificates of legal existence, good standing and certified charter documents from the Alaska Department of Commerce, Community, and Economic Development and certificates of officers of GCI with respect to minutes, resolutions, bylaws and any other relevant matters concerning the authorization of the transactions contemplated hereby.

SECTION 8

CONDITIONS PRECEDENT

8.1. Conditions to Obligations of AKD, Parent, the AKD Members and the Denali Members

The obligations of AKD, Parent, the AKD Members and the Denali Members to consummate the transactions contemplated by this Agreement are subject to the satisfaction, prior to or contemporaneously with the Closing, of the following conditions, which may be waived in whole or in part by a written instrument signed by the AKD Members' Agent and the Denali Members' Agent:

8.1.1. Closing Deliveries by GCI. GCI shall have tendered delivery of all items required to be delivered by GCI under Section 7.

8.1.2. Representations; Covenants; Closing Certificates. The representations and warranties of GCI contained in Section 5, if qualified by reference to materiality, shall be correct and complete, and if not so qualified, shall be correct and complete in all material respects, as of the Closing Date. GCI shall have complied with all covenants required by this Agreement to be performed or complied with by it on or prior to the Closing Date.

8.1.3. General. All instruments and legal and corporate proceedings on the part of GCI in connection with the transactions contemplated by this Agreement and the other Transaction Agreements shall be reasonably satisfactory in form and substance to AKD, the AKD Members and the Denali Members.

8.2. Conditions to Obligations of GCI.

The obligations of GCI to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction, prior to or contemporaneously with the Closing, of the following conditions, which may be waived in whole or in part by GCI in writing:

8.2.1. Closing Deliveries by AKD, Parent, the AKD Members and the Denali Members. AKD, Parent, the AKD Members and the Denali Members shall have tendered delivery of all items required to be delivered by them under Section 7.

8.2.2. Representations and Covenants of AKD, Parent and the AKD Members. The representations and warranties of AKD, Parent and the AKD Members contained in Section 3, if qualified by reference to materiality, shall be correct and complete, and if not so qualified, shall be correct and complete in all material respects, as of the Closing Date. AKD, Parent and each AKD Member shall have complied with all covenants required by this Agreement to be performed or complied with by it on or prior to the Closing Date.

8.2.3. Representations and Covenants of the Denali Members. The representations and warranties of the Denali Members contained in Section 4, if qualified by reference to materiality, shall be correct and complete, and if not so qualified, shall be correct and complete in all material respects, as of the Closing Date. Each Denali Member shall have complied with all covenants required by this Agreement to be performed or complied with by it on or prior to the Closing Date.

8.2.4. General. All instruments and legal and limited liability company proceedings on the part of AKD, Parent, the AKD Members and the Denali Members in connection with the transactions contemplated by this Agreement and the other Transaction Agreements shall be reasonably satisfactory in form and substance to GCI.

8.3. Conditions to the Obligations of Each Party.

The obligations of each of the Parties to consummate the transactions contemplated by this Agreement shall be subject to the following additional conditions:

8.3.1. Regulatory Consents. All Regulatory Consents shall have been granted without the imposition of any adverse condition on GCI, any entity in the AKD Group, Denali or any of their Affiliates and all such Regulatory Consents shall be in full force and effect as of the Closing Date.

8.3.2. Other Consents. Each entity in the AKD Group, Parent, the AKD Members and the Denali Members shall

have given, made or obtained all notices, consents, approvals, orders, authorizations, declarations or filings to, of or with any Person required to be given, made or obtained by any such Party in connection with the execution, delivery and performance of, or consummation of the transactions contemplated by, any of the Transaction Agreements.

8.3.3. No Litigation. No temporary restraining order, preliminary or permanent injunction or other order by any federal or state court or governmental body prohibiting, preventing or materially restraining the consummation of the transactions contemplated by this Agreement shall have been issued and shall not have expired or been withdrawn or reversed and there shall be no pending or threatened litigation or other proceeding seeking to prohibit, prevent or materially restrict or impose any material limitations on the consummation of such transactions. The Parties hereto shall use their commercially reasonable efforts to cause any such temporary restraining order, preliminary or permanent injunction or other order to be vacated or lifted as promptly as possible.

SECTION 9

POST-CLOSING COVENANTS

9.1. Further Assurances.

Each of the Parties, before, at and after the Closing Date, upon the reasonable request from time to time of any other Party and without further consideration, shall do each and every act and thing as may be necessary or reasonably desirable to fully and effectively consummate, evidence and confirm the transactions contemplated hereby, including: (a) executing, acknowledging and delivering assurances, assignments, powers of attorney and other documents and instruments; (b) furnishing information and copies of documents, books and records; (c) filing reports, returns, applications, filings and other documents and instruments with governmental authorities; (d) assisting in responding to any inquiry or claim of any Person with respect to a transaction occurring prior to the Closing; (e) assisting in good faith in any litigation, threatened litigation or claim and cooperating therein with other Parties and their advisors and representatives, including providing relevant documents and evidence and maintaining confidentiality in connection with such litigation or threatened litigation or claims, in each case, other than litigation, threatened litigation or claims in which the Party requesting such cooperation is adverse to the Party from whom such cooperation is requested; and (f) cooperating with the other Parties (at such other Parties' expense except as provided in this Agreement) in exercising any right or pursuing any claim, whether by litigation or otherwise, other than rights and claims running against the Party from which such cooperation is requested.

9.2. Announcements.

Following the Closing, except as may be required by law, no Party to this Agreement shall issue any press release or make any public announcement relating to the subject matter of this Agreement without the prior written approval of the other Parties, which approval will not be unreasonably withheld or delayed. If GCI believes that it is required by law to make such a public announcement, it shall promptly advise the other Parties and use reasonable efforts, consistent with its legal obligations, to allow the other Parties an opportunity to review and comment upon the announcement before the announcement is made.

SECTION 10

INDEMNIFICATION

10.1. Indemnification by AKD, Parent and the AKD Members.

Subject to the limitations set forth in this Section 10, AKD, Parent and the AKD Members hereby agree, jointly and severally, to indemnify and hold harmless GCI, AKD, any employee benefit plan of GCI or AKD and each of their respective officers, directors, employees and Affiliates (each, in such capacity, a "GCI Indemnitee"), from, against and in respect of any and all Adverse Consequences arising from, or otherwise related to, directly or indirectly, any of the following:

(a) Any breach of any representation or warranty made by AKD, Parent or the AKD Members in this Agreement or any other Transaction Agreement (as each such representation or warranty would be read if all qualifications as to materiality or knowledge or words of similar import were deleted therefrom); and

(b) Any breach or default in performance by AKD, Parent or any AKD Member of any covenant or other agreement in this Agreement or any other Transaction Agreement.

10.2. Indemnification by the Denali Members.

Subject to the limitations set forth in this Section 10, the Denali Members hereby agree, jointly and severally, to indemnify and hold harmless each GCI Indemnitee from, against and in respect of any and all Adverse Consequences arising from, or otherwise related to, directly or indirectly, any of the following:

(a) Any breach of any representation or warranty made by the Denali Members in this Agreement or any other

Transaction Agreement (as each such representation or warranty would be read if all qualifications as to materiality or knowledge or words of similar import were deleted therefrom); and

(b) Any breach or default in performance by any Denali Member of any covenant or other agreement in this Agreement or any other Transaction Agreement.

10.3. Indemnification by GCI.

Subject to the limitations set forth in this Section 10, GCI hereby agrees to indemnify and hold harmless AKD, Parent, the AKD Members and the Denali Members, and each of their respective officers, directors, employees and Affiliates, from, against and in respect of any and all Adverse Consequences arising from, or otherwise related to, directly or indirectly, any of the following:

(a) Any breach of any representation or warranty made by GCI in this Agreement or any other Transaction Agreement (as each such representation or warranty would be read if all qualifications as to materiality or knowledge or words of similar import were deleted therefrom); and

(b) Any breach or default in performance by GCI of any covenant or other agreement in this Agreement or any other Transaction Agreement.

10.4. Survival; Time Limits for Indemnification.

The representations and warranties made in this Agreement, or in any certificate or other document delivered pursuant to this Agreement or in connection with this Agreement, will survive the Closing Date as follows (even if the damaged party knew or had reason to know of any misrepresentation or breach of warranty at the time of Closing): (a) the representations and warranties contained in Sections 3.1, 3.2, 3.3.2, 3.9.2, 4.1, 4.2, 4.3 and 4.9.2 hereof shall not terminate and shall survive the Closing Date indefinitely; (b) the representations and warranties contained in Sections 3.4.4, 3.6, 3.7, 3.8, 4.4.4, 4.6, 4.7 and 4.8 hereof shall survive the Closing Date for a period of three years and shall terminate on the third anniversary of the Closing Date; and (c) all other representations and warranties in this Agreement or in any certificate or other document delivered pursuant to this Agreement or in connection with this Agreement survive the Closing Date for a period of two years and shall terminate on the second anniversary of the Closing Date. The covenants of the Parties made in this Agreement will survive the Closing Date indefinitely. Each Party shall promptly notify the others of any facts or other circumstances of which such Party becomes aware or has any knowledge that could give rise to a claim for indemnification under this Agreement by any Party. No Party will have any obligation to indemnify any Person pursuant to this Agreement with respect to any breach of a representation or warranty unless a notice of such breach is given to the Party against whom indemnification is sought on or prior to the last day of the applicable survival period, except that if a Party has a reasonable basis to believe that an indemnifiable claim will arise and gives notice to the other Party concerning such matter within the survival period, then all rights of such Party to seek indemnification with respect to such matter will survive the expiration of such period for a period of 180 days. If an indemnifiable claim has not arisen prior to the expiration of that 180-day period but the Party continues to have a reasonable basis to believe that an indemnifiable claim will arise and gives notice to such effect to the other party prior to the end of such 180-day period, then all rights of the Party to seek indemnification with respect to such matter will survive for one additional period of 180 days. If an indemnifiable claim does not arise prior to the end of the second 180-day period, the rights of the Party to seek indemnification will terminate at the expiration thereof. If a Party is obligated to indemnify another Party against a particular breach, the indemnity obligation shall extend to all Adverse Consequences, whether occurring before or after the survival period.

10.5. Basket and Cap.

10.5.1. Tipping Basket. AKD, Parent, the AKD Members and the Denali Members (as a group) will have no obligation to indemnify any GCI Indemnitee from and against any Adverse Consequences under Section 10.1 or 10.2 until the GCI Indemnitees (as a group) have suffered Adverse Consequences in the aggregate amount of $100,000 or more arising from, or otherwise related to, directly or indirectly, any of the items set forth in Section 10.1 or 10.2. If and when the aggregate of such Adverse Consequences exceeds $100,000, the GCI Indemnitees shall be entitled to indemnification against all Adverse Consequences incurred under Section 10.1 or 10.2, including the initial $100,000 of Adverse Consequences.

10.5.2. Indemnification Cap. The aggregate indemnification obligations of AKD, Parent, the AKD Members and the Denali Members under Sections 10.1 and 10.2 shall not exceed the sum of (x) $16,000,000 plus (y) the aggregate purchase price for the AKD Common Units purchased by GCI from AKD pursuant to Section 2.4.

10.5.3. Exceptions. Notwithstanding anything to the contrary in this Agreement, there shall be no limitation on any GCI Indemnitee's right to indemnification from and against any Adverse Consequences arising directly or indirectly out of (a) any breach of any representation, warranty or covenant of AKD, Parent, an AKD Member or a Denali Member that involves an intentional misrepresentation or the commission of fraud by AKD, Parent or such AKD Member or Denali Member or (b) any act or omission or other matter arising prior to Closing that involves a claim by a third party for material misrepresentation, fraud, gross negligence or intentional misconduct, and each GCI Indemnitee shall have all remedies available to it at law and in equity with respect to any such breach, act, omission or matter.

10.6. Defense of Claims.

The procedures to be followed with respect to the defense and settlement of any claim made by a Third Party which, if true, would give rise to a right on the part of a Party to be indemnified against resulting Adverse Consequences (an "Indemnitee"), in whole or in part, under this Section 10 (a "Claim") shall be as follows:

(a) Unless in the reasonable judgment of the Party seeking indemnification under this Section 10 (i) there is a conflict between the positions of the Party against whom indemnification is sought under this Section 10 (the "Indemnifying Party") and the Indemnitee in conducting the defense of such Claim or (ii) legitimate legal or business considerations would require the Indemnitee to defend or respond to such Claim in a manner different from the Indemnifying Party, the Indemnifying Party shall, by giving notice thereof to the Indemnitee confirming the Indemnifying Party's obligation under this Section 10 to indemnify the Indemnitee in respect of such Claim, be entitled to assume and control such defense with counsel chosen by it. The Indemnitee shall be entitled to participate therein after such assumption, but the costs of such participation (other than the costs of providing witnesses or documents at the request of the Indemnifying Party or in response to legal process) following such assumption shall be at the expense of the Indemnitee. Upon assuming such defense, the Indemnifying Party shall have full right to enter into any compromise or settlement which is dispositive of the matter involved; provided that, except for the settlement of a Claim that involves no obligation of the Indemnitee other than the payment of money for which full indemnification is provided hereunder, the Indemnifying Party shall not settle or compromise any Claim without the prior written consent of the Indemnitee, which consent will not be unreasonably withheld or delayed; and provided, further, that the Indemnifying Party may not consent to entry of any judgment or enter into any settlement in respect of a Claim which does not include an unconditional release of the Indemnitee from all liability in respect of such Claim.

(b) With respect to a Claim as to which the Indemnifying Party does not have the right to assume the defense under Section 10.6(a) or shall not have exercised its right to assume the defense, the Indemnitee shall assume and control the defense of such Claim with counsel chosen by it and the Indemnifying Party shall be obligated to pay all reasonable attorneys' fees and expenses of the Indemnitee incurred in connection with such defense. The Indemnifying Party shall be entitled to participate in the defense of such Claim at its own expense. Notwithstanding the foregoing, the Indemnitee shall not be required to defend any Claim under this Section 10.6(b) unless (i) the Indemnifying Party confirms its obligation under this Section 10 to indemnify the Indemnitee in respect of such Claim by written notice to the Indemnitee and (ii) if requested by the Indemnitee, the Indemnifying Party provides reasonable assurance to the Indemnitee of the Indemnifying Party's financial ability to indemnify the Indemnitee against the costs of defense and any liability that may result from such Claim, including providing a bond or other security therefor if reasonably requested by the Indemnitee. If the Indemnitee is not required to defend any Claim under the immediately preceding sentence, it shall owe no duties to the Indemnifying Party with respect to such Claim, and may defend, fail to defend or settle such Claim without affecting its right to indemnity hereunder. If the Indemnitee is required to defend any such Claims under this Section 10.6(b), it shall not settle or compromise the Claim without the prior written consent of the Indemnifying Party, which consent will not be unreasonably withheld or delayed.

(c) If in the reasonable judgment of the Indemnitee it would be materially harmed or otherwise prejudiced by not entering into a proposed settlement or compromise as to which the Indemnifying Party withholds consent, the Indemnitee may enter into such settlement or compromise, but such settlement or compromise shall not be conclusive as to the existence or amount of the liability of the Indemnifying Party to the Indemnitee or any Third Party.

(d) Both the Indemnifying Party and the Indemnitee shall cooperate fully with one another in connection with the defense, compromise or settlement of any Claim, including without limitation making available to the other all pertinent information and witnesses within its control at reasonable intervals during normal business hours.

SECTION 11

TERMINATION

11.1. Right to Terminate.

The parties may terminate this Agreement as provided below:

(a) GCI, the AKD Members' Agent and the Denali Members' Agent may terminate this Agreement by mutual written consent at any time prior to the Closing.

(b) GCI may terminate this Agreement by giving written notice to the AKD Members' Agent and the Denali Members' Agent at any time prior to the Closing (i) in the event AKD, any AKD Member or any Denali Member has breached any representation, warranty or covenant contained in this Agreement in a way that would result in the nonfulfillment of the conditions to the obligations of GCI hereunder, GCI has notified such Party of the breach, and the breach has not been cured within 10 days after the notice of breach or such longer period as agreed by the parties or (ii) if the Closing has not occurred on or before June 1, 2007 because of the failure of any condition precedent to the obligations of GCI to consummate the Closing (unless the failure results primarily from GCI breaching any representation, warranty or covenant contained in this Agreement).

(c) The AKD Members' Agent or the Denali Members' Agent may terminate this Agreement by giving written notice to GCI at any time prior to the Closing (i) in the event GCI has breached any representation, warranty or covenant contained in this Agreement in a way that would result in the nonfulfillment of the conditions to the obligations of AKD, the AKD Members and the Denali Members hereunder, the AKD Members' Agent or the Denali Members' Agent has notified GCI of the breach, and the breach has not been

cured within 10 days after the notice of breach or such longer period as agreed by the parties or (ii) if the Closing has not occurred on or before June 1, 2007 because of the failure of any condition precedent to the obligations of AKD, Parent, the AKD Members or the Denali Members to consummate the Closing (unless the failure results primarily from AKD, any AKD Member or any Denali Member breaching any representation, warranty or covenant contained in this Agreement).

11.2. Effect of Termination.

The termination of this Agreement by a party pursuant to Section 11.1(b) or (c) will in no way limit any obligation or liability of any other Party based on or arising from a breach or default by such other Party with respect to any of its representations, warranties, covenants or agreements contained in this Agreement prior to the termination, and the terminating party will be entitled to seek all relief to which it is entitled under applicable law.

11.3. Specific Performance.

In view of (a) the complexities and uncertainties in measuring actual damages to be sustained by reason of the failure of a Party to perform this Agreement strictly in accordance with the specific terms hereof, and (b) the uniqueness of the transactions contemplated herein, each of the Parties acknowledges and agrees that: (i) the remedy at law for a breach of this Agreement would be inadequate, and (ii) the other Parties would be irreparably damaged if any Party fails to perform the provisions of this Agreement strictly in accordance with their specific terms. Therefore, it is expressly agreed that, in addition to any other remedy to which a nonbreaching Party may be entitled, at law or in equity, the nonbreaching Parties shall be entitled to injunctive relief to prevent breaches of the provisions of this Agreement and to specifically enforce the terms and provisions hereof in any action instituted in any court of the United States or any state thereof having subject matter jurisdiction thereof.

SECTION 12

MISCELLANEOUS

12.1. Arbitration.

The Parties will attempt in good faith to resolve any controversy or claim arising out of or relating to this Agreement or any other Transaction Agreement through discussions between the senior management of the Parties. If these discussions are unsuccessful, the Parties agree that any action asserting a claim by one Party against any other Party or Parties hereto (collectively, the "Disputing Parties") arising out of or relating to this Agreement or any other Transaction Agreement shall, on the written notice by one Disputing Party to the others, be submitted to binding arbitration to be held in Seattle, Washington. The arbitration shall be conducted by and in accordance with the Commercial Arbitration Rules of the American Arbitration Association. The Disputing Parties shall hold an initial meeting within thirty (30) days from receipt of notice from the requesting Party of a request for arbitration. Unless otherwise agreed in writing, they will jointly appoint a mutually acceptable arbitrator not affiliated with any of the Disputing Parties. If they are unable to agree upon such appointment within thirty (30) days of the initial meeting, the Disputing Parties shall obtain an odd numbered list of not less than five (5) potential arbitrators from the Superior Court for the Third Judicial District, State of Alaska. Each Disputing Party shall alternatively strike a single name from the list until only one name remains, with such person to be the arbitrator. The Disputing Party requesting the arbitration shall strike the first name. Each Disputing Party shall pay an equal share of the costs related to the arbitration, unless the arbitrator's decision provides otherwise. Each Disputing Party shall bear its own costs to prepare for and participate in the arbitration. Each Disputing Party shall produce at the request of any other Disputing Party, at least thirty (30) days in advance of the hearing, all documents to be submitted at the hearing and such other documents as are relevant to the issues or likely to lead to relevant information. The arbitrator shall promptly render a written decision, in accordance with Alaska law and supported by substantial evidence in the record. The prevailing Party shall be entitled to recover reasonable attorneys' fees, costs, charges and expended or incurred therein, if the arbitrator's decision so provides. Failure to apply Alaska law, or entry of a decision that is not based on substantial evidence in the record, shall be additional grounds for modifying or vacating an arbitration decision. Judgment on any arbitration award shall be entered in any court of competent jurisdiction. In any subsequent arbitration, the decision in any prior arbitration of this Agreement shall not be deemed conclusive of the rights among the parties hereunder.

12.2. Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the State of Alaska without giving effect to any choice or conflict of laws rule or provision that would cause the application of the domestic substantive laws of any other jurisdiction.

12.3. Notices.

All notices and other communications required or permitted hereunder shall be in writing (including any facsimile transmission or similar writing), and may be given by any means selected by the sender. Each such notice or other communication shall be effective (i) if sent by facsimile to the recipient's fax number given below, when such facsimile is transmitted and the sender's facsimile machine confirms transmission, (ii) if sent by reputable overnight courier to the recipient's address given below, one Business Day after being delivered to such

courier or (iii) if sent by any other means, when actually received.

To GCI:

General Communication, Inc.
2550 Denali Street, Suite 1000
Anchorage, AK 99503
Attention : Corporate Counsel
Fax No. : (907) 868-5676

With a copy to:

General Communication, Inc.
2550 Denali Street, Suite 1000
Anchorage, AK 99503
Attention : General Manager & Executive Vice President
Fax No. : (907) 868-5676

To AKD, Parent or any AKD Member:

Pacificom Holdings, LLC
c/o Wireless Partners
5350 Poplar Avenue, Suite 875
Memphis, TN 38117
Attention: Stephen M. Roberts
Fax No.: (901) 763-3369

With a copy to:

The Bogatin Law Firm, PLC
1661 International Place Drive, Suite 300
Memphis, Tennessee 38120-1431
Attention: Jack S. Magids
Fax No. (901) 767-2803

To any Denali Member:

Pacificom Holdings, LLC
c/o Wireless Partners
5350 Poplar Avenue, Suite 875
Memphis, TN 38117
Attention: Stephen M. Roberts
Fax No.: (901) 763-3369

With a copy to:

The Bogatin Law Firm, PLC
1661 International Place Drive, Suite 300
Memphis, Tennessee 38120-1431
Attention: Jack S. Magids
Fax No. (901) 767-2803

Any Party may change its address or facsimile number to be used for purposes of this Section 12.3 by notice to the other Parties; provided that no such change shall require any Party to give any notice to any AKD Member other than to the AKD Members' Agent or to any Denali Member other than to the Denali Members' Agent.

12.4. Entire Agreement, Assignability, Etc.

This Agreement (including the **Schedules** and **Exhibits** attached hereto) (i) constitutes the entire agreement, and supersedes all other

prior agreements and understandings, both written and oral, among the Parties, or any of them, with respect to the transactions and matters contemplated hereby, including the Amended and Restated Memorandum of Understanding dated January 26, 2006 among GCI, AKD and Denali, as amended, and (ii) is not intended to confer upon any Person other than the Parties hereto any rights or remedies hereunder. No Party may assign its rights or delegate its duties under this Agreement without the consent of the other Parties, and any purported assignment or delegation without such consent shall be null and void.

12.5. Counterparts.

This Agreement may be executed in any number of counterparts, no one of which need be signed by all Parties, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. This Agreement may be executed or delivered by facsimile.

12.6. Representations as to Knowledge.

Whenever any statement in this Agreement is made "to its knowledge" or words of similar intent or effect, (a) an individual will be deemed to have knowledge of a particular fact or other matter if (i) that individual is actually aware of that fact or matter, or (ii) a prudent individual could be expected to discover or otherwise become aware of that fact or matter in the course of conducting a reasonably comprehensive investigation regarding the accuracy of any representation or warranty contained in this Agreement; and (b) a Person (other than an individual) will be deemed to have knowledge of a particular fact or other matter if any individual who is serving, or who has at any time served, as a director, officer, general partner, registered agent, general manager, director of engineering, executor or trustee of that Person (or in any similar capacity) has, or at any time had, knowledge of that fact or other matter (as set forth in (i) and (ii) above), and any such individual (and any Party to this Agreement) will be deemed to have conducted a reasonably comprehensive investigation regarding the accuracy of the representations and warranties made herein by that Person or individual.

12.7. Headings, Terms.

The section headings contained in this Agreement are inserted for convenience only and will not affect in any way the meaning or interpretation of this Agreement. Defined terms are applicable to both singular and plural forms. All pronouns will be deemed to refer to the masculine, feminine or neuter, as the identity of the Person may require. The singular or plural includes the other, as the context requires or permits. The word include (and any variation) is used in an illustrative sense rather than a limiting sense. The word day means a calendar day. All references to "Sections" are to sections of this Agreement unless indicated otherwise.

12.8. Amendments.

This Agreement may be amended only by a written instrument signed by GCI, the AKD Members' Agent and the Denali Members' Agent.

12.9. Waivers.

No waiver by any Party of any default, misrepresentation or breach of warranty or covenant hereunder, whether intentional or not, will be deemed to extend to any prior or subsequent default, misrepresentation or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence, and no waiver will be effective unless set forth in writing and signed by the Party against whom such waiver is asserted.

12.10. Severability.

The invalidity or unenforceability of any term or provision of this Agreement shall not affect the validity or enforceability of the remaining terms and provisions hereof.

12.11. Remedies Cumulative.

Subject to Section 12.1, all remedies of the Parties under this Agreement or any other Transaction Agreement are cumulative with each other and with any other remedies available at law, in equity or by contract. Any decision to pursue one remedy shall not prevent a Party from pursuing any other remedy at the same or any subsequent time.

12.12. Expenses.

Except as otherwise provided in this Agreement, each Party will bear all costs and expenses (including all legal, accounting ad tax related fees and expenses) incurred by it in connection with this Agreement and the transactions contemplated hereby.

12.13. Construction.

The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or

interpretation arises, this Agreement will be construed as if drafted jointly by the Parties and no presumption or burden of proof will arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. The Parties intend that each representation, warranty and covenant contained herein will have independent significance. If any Party breaches any representation, warranty or covenant contained herein in any respect, the fact that there exists another representation, warranty or covenant relating to the same subject matter (regardless of the relative levels of specificity) which the Party has not breached will not detract from or mitigate the fact that the Party is in breach of the first representation, warranty or covenant.

12.14. AKD Members' Agent and Denali Members' Agent.

Pacificom shall act as the "AKD Members' Agent," and Pacificom shall act as the Denali Members' Agent under this Agreement. Parent and each AKD Member hereby authorizes and appoints the AKD Members' Agent, and each Denali Member hereby authorizes and appoints the Denali Members' Agent, as his or its exclusive agent and attorney-in-fact to act on behalf of such Person with respect to all matters which are the subject of this Agreement, including, without limitation, (a) receiving or giving all notices, instructions, other communications, consents or agreements that may be necessary, required or given hereunder, (b) agreeing to any amendment of this Agreement or any other Transaction Agreement or waiving any right or remedy of Parent and the AKD Members or the Denali Members (as the case may be) hereunder or thereunder, and (c) asserting, settling, compromising, waiving or defending, or determining not to assert, settle, compromise or defend, (i) any claim which Parent or any AKD Member or Denali Member (as the case may be) may assert, or have the right to assert, against GCI, or (ii) any claim which GCI may assert, or have the right to assert, against Parent or any AKD Member or any Denali Member (as the case may be). Neither Parent nor any AKD Member shall act with respect to any of the matters which are the subject of this Agreement except through the AKD Members' Agent, and no Denali Member shall act with respect to any of the matters which are the subject of this Agreement except though the Denali Members' Agent.

12.15. Incorporation of Exhibits.

The **Exhibits** and **Schedules** identified in this Agreement are incorporated herein by reference and made a part hereof.

12.16. No Tax Advice.

Each Party hereby acknowledges that any tax advice express or implicit in the provisions of this Agreement is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on any taxpayer by the Internal Revenue Service. Each Party should seek advice based on its particular circumstances from an independent tax advisor.

IN WITNESS WHEREOF, the Parties have duly executed this Reorganization Agreement as of the date first above written.

GENERAL COMMUNICATION, INC.

By: /s/ William C. Behnke
Name: William C. Behnke
Title: Senior Vice President

ALASKA DIGITEL, LLC

By: /s/ William M Yardell, III
Name: William M Yardell, III
Title: President

AKD HOLDINGS, LLC

By: /s/ William M Yardell, III
Name: William M Yardell, III
Title: President

PACIFICOM HOLDINGS, LLC

By: /s/ William M Yardell, III
Name: William M Yardell, III
Title: Chief Manager

RED RIVER WIRELESS, LLC

By: /s/ William M Yardell, III
Name: William M Yardell, III
Title: Chief Manager

GRAYSTONE HOLDINGS, LLC

By: /s/ J. Michael Keenan
Name: J. Michael Keenan
Title: Exec V.P.

SECOND AMENDED AND RESTATED
OPERATING AGREEMENT

OF

ALASKA DIGITEL, LLC

January 1, 2007

THE UNITS IN THIS LIMITED LIABILITY COMPANY HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR STATE SECURITIES AUTHORITIES AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND ANY APPLICABLE STATE SECURITIES LAWS OR AN OPINION OF COUNSEL ACCEPTABLE TO THE COMPANY THAT REGISTRATION IS NOT REQUIRED. THE SALE OR OTHER TRANSFER OF THE UNITS IS ALSO RESTRICTED BY PROVISIONS OF THIS AGREEMENT.

TABLE OF CONTENTS

SECOND AMENDED AND RESTATED OPERATING AGREEMENT

OF

ALASKA DIGITEL, LLC

This Second Amended and Restated Operating Agreement is made as of the 1st day of January, 2007 (the "Effective Date"), by and among General Communication, Inc., an Alaska corporation ("GCI"), Pacificom Holdings II, LLC, a Delaware limited liability company and the successor-in-interest by merger to Pacificom Holdings, L.L.C. ("Pacificom"), Red River Wireless, LLC, a Delaware limited liability company ("Red River"), AKD Holdings, LLC, a Delaware limited liability company ("AKD Holdings") and Fire Lake Partners, L.L.C., an Alaska limited liability company ("Fire Lake"), such parties being all of the Members of Alaska Digitel, LLC, an Alaska limited liability company (the "Company"), on the Effective Date.

In consideration of the mutual covenants contained in this Agreement and intending to be legally bound, the parties agree as follows:

ARTICLE 1. FORMATION AND DEFINITIONS

1.1 Formation.

The Company was formed on September 17, 1996 by filing Articles of Organization with the Alaska Department of Commerce, Community, and Economic Development under the Act.

1.2 Name.

The name of the Company is Alaska Digitel, LLC. The business of the Company will be conducted under such name, and any other name or names as the Company may from time to time determine.

1.3 Members and Units.

The name and address of each Member and its number of Units held as of the Effective Date are set forth in Schedule 1.3.

1.4 Office and Agent.

[a] The registered office of the Company in Alaska is 508 West 2nd Avenue, Third Floor, Anchorage, Alaska 99501 and its registered agent is John H. Tindall. The Company may change its registered office or registered agent in Alaska in accordance with the Act.

[b] The principal office of the Company is at 3127 Commercial Drive, Anchorage, Alaska 99501. The Company may change its principal office upon the affirmative Vote of Members owning more than 50% of the outstanding Units.

1.5 Foreign Qualification.

The Company will apply for a certificate of authority to do business in any other state or jurisdiction, as required or appropriate from time to time, and will file such other certificates and instruments as may be required or appropriate from time to time in connection with its formation, existence and operation.

1.6 Term.

The Company became effective as a limited liability company on the date its Articles of Organization were filed with the Alaska Department of Commerce, Community, and Economic Development and will continue in effect, unless and until a Dissolution occurs and Articles of Dissolution are filed in accordance with the Act.

1.7 Effective Date; Amendment and Restatement.

This Agreement will become effective on the Effective Date and as of such date, amends and restates in its entirety the Amended and Restated Operating Agreement of the Company dated March 31, 2004, as amended by amendments dated April 7, 2004, January 9, 2006 and [ ], 2006 (as amended, the "Former Operating Agreement"), which shall be null, void and of no further force or effect.

1.8 Definitions.

The following terms used in this Agreement have the corresponding meanings set forth below:

Act:	**the Alaska Revised Limited Liability Company Act, as amended from time to time.**
Additional Contribution:	**a capital contribution (other than the Initial Contribution) that a Member makes to the Company with respect to any Units issued to such Member, as described in Section 4.2.**
Adjusted Capital Account Deficit:	**as to any Member, the deficit balance (if any) in such Member's Capital Account as of the end of the Fiscal Year, after [a] crediting to such Capital Account any amount that such Member is obligated to restore pursuant to this Agreement or is deemed obligated to restore pursuant to the minimum gain chargeback provisions of the § 704(b) Regulations and [b] charging to such Capital Account any adjustments, allocations or distributions described in the qualified income offset provisions of the § 704(b) Regulations that are required to be charged to such Capital Account pursuant to this Agreement.**
Adjusted Initial Capital Account:	**as defined in Section 14.1[a].**
Affiliate:	**with respect to any Person, any Person that directly or indirectly Controls, is Controlled by, or is under common Control with, such Person. Notwithstanding the foregoing, for purposes of this Agreement (except for purposes of the definition of Third Party), neither the Company nor any of its direct or indirect subsidiaries will be deemed to be an Affiliate of any Member.**
Agreement:	**this Operating Agreement, also known as a limited liability company agreement, as amended from time to time.**
AKD Call Period:	**as defined in Section 14.1[d].**
AKD Holdings:	**as defined in the preamble.**
AKD Holdings Contribution Agreement:	**as defined in Section 4.1.**
AKD Holdings Member:	**AKD Holdings and any successor to or Transferee of Units from AKD Holdings who is admitted as a Member pursuant to Article 13. If at any time there is more than one AKD Holdings Member, any allocations and Distributions to the AKD Holdings Member under this Agreement or any other rights or obligations of the AKD Holdings Member under this Agreement will be allocated among such AKD Holdings Members based upon the number of Units owned by each AKD Holdings Member as a percentage of the total number of Units owned by all AKD Holdings Members.**
AKD Net Asset Value	**as defined in the Reorganization Agreement.**
AKD Redemption Price:	**as defined in the Reorganization Agreement.**
Annual Budget:	**shall mean, as at any time, the Company's then-effective annual operating and capital budget approved or otherwise in effect pursuant to Section 7.5.**
Appraised Unit Value	**as defined in Section 14.3.**
Articles:	**the Articles of Organization referred to in Section 1.1, as amended from time to time.**
Authorized Valuation Methodology:	**as defined in Section 14.3[a].**
Available Cash:	**as of any relevant date, the aggregate cash or cash equivalents of the Company on hand or on deposit with banks or financial institutions or held in any other form by the Company, less [i] the current portion of indebtedness of the Company, [ii] payments required to be paid by the Company within one year after the date of calculation, and [iii] reasonable reserves for working capital and contingent liabilities of the Company as reasonably determined by the Board of Managers.**
Bankruptcy:	**a Person will be deemed bankrupt if: [a] any proceeding is commenced against such Person as "debtor" for any relief under bankruptcy or insolvency laws, or laws relating to the relief of debtors, reorganizations, civil rehabilitations, arrangements, compositions, or extensions, or such Person becomes subject to procedures for provisional or final attachment in respect of all or a material portion of its assets, and [i] such proceeding is not dismissed or stayed within 120 days after such proceeding has commenced, or [ii] an order for relief against such Person is granted, or [b] such Person commences any proceeding for relief under bankruptcy or insolvency laws or laws relating to the relief of debtors, reorganizations, civil rehabilitations, arrangements, compositions, or extensions.**
Board of Managers:	**the governing body of the Company that has the power and authority set forth in Section 7.1, comprised of all of the Managers, as and when acting in their capacity as the Board of Managers of the Company as provided in this Agreement.**
Budget Committee:	**as defined in Section 7.5.**
Business Day:	**any day other than a Saturday, a Sunday or a day on which banking institutions in Anchorage, Alaska are required or authorized to be closed.**
Call Notice:	**as defined in Section 14.1[a].**
Capital Account:	**the capital account of a Member established and maintained in accordance with Section 4.3.**

Capital Contribution:	**any contribution (or deemed contribution) of money or property by a Member to the Company that is either an Initial Contribution or an Additional Contribution.**
Change of Control:	**with respect to any subject Person means the first to occur of the following events: [i] any sale, lease, exchange, or other transfer (in one or a series of related transactions) of all or substantially all of the assets of the subject Person to any Person or group of related Persons as determined pursuant to Section 13(d) of the Securities Exchange Act of 1934, other than to one or more of its Affiliates; or [ii] any event pursuant to which any Person other than any Affiliates of the subject Person acquires beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act of 1934) of more than 50% of the combined voting power of the then-outstanding voting securities of the subject Person; provided that no Change of Control with respect to the Company shall occur as a result of any of the transactions contemplated by the Reorganization Agreement.**
Code:	**The Internal Revenue Code of 1986, as amended from time to time, and the corresponding provisions of any subsequent revenue laws.**
Commercially Reasonable Efforts:	**reasonable efforts made by any party that will not require such party to undertake extraordinary or unreasonable measures to obtain any consents, approvals or other authorizations or to achieve other desired results, including requiring such party to make any material expenditures (other than normal filing fees or the like) or to accept any material changes in the terms of a contract, license or other instrument for which a consent, approval or authorization is sought.**
Common Units:	**Units denominated as such and having the rights set forth in Section 3.2.**
Company:	**as defined in the preamble.**
Confidential Information:	**as defined in Section 15.3[b].**
Control:	**including with correlative meanings, the terms "controlling", "controlled by" and "under common control with", as used with respect to any Person 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.**
Damages:	**as defined in Section 9.1.**
Dissolution:	**the happening of any of the events described in Section 11.1.**
Distribution:	**the amount of any money or the Fair Market Value of any property distributed by the Company to a Member as an operating or liquidating Distribution in accordance with this Agreement, reduced by the amount of any Company liabilities assumed by the distributee or to which the distributed property is subject.**
EBITDA Multiplier:	**as defined in the Management Agreement and as adjusted from time to time pursuant to Section 5.1(d) of the Management Agreement.**
Effective Date:	**as defined in the preamble.**
Fair Market Value:	**the cash price at which a willing seller would sell and a willing buyer would buy, both having full knowledge of the relevant facts and being under no compulsion to buy or sell, in an arm's-length transaction without time constraints. The Fair Market Value any asset will be the fair market value thereof as determined in good faith by the Board of Managers or, if requested by Notice given by any Member, as determined in accordance with the valuation procedure set forth in Section 14.3, which determination will be conclusive and binding; provided that any determination of the Fair Market Value of Units for purposes of determining the Appraised Unit Value of such Units will be governed in all respects by the provisions of Article 14.**
15% Coupon:	**as defined in Section 14.1[a].**
Fire Lake:	**as defined in the preamble.**
Fire Lake Member:	**Fire Lake and any successor to or Transferee of Units from Fire Lake who is admitted as a Member pursuant to Article 13. If at any time there is more than one Fire Lake Member, any allocations and Distributions to the Fire Lake Member under this Agreement or any other rights or obligations of the Fire Lake Member under this Agreement will be allocated among such Fire Lake Members based upon the number of Units owned by each Fire Lake Member as a percentage of the total number of Units owned by all Fire Lake Members.**
First GCI Call Period:	**as defined in Section 14.1[a].**
Fiscal Year:	**the fiscal and taxable year of the Company, including both 12-month and short fiscal or taxable years; until changed as provided in this Agreement, each Fiscal Year will begin on January 1 of each year and end on December 31 of such year, provided that the first Fiscal Year will begin on the Effective Date and the last Fiscal Year will end on the date on which Liquidation of the Company is completed.**
Former Operating Agreement:	**as defined in Section 1.7.**

GAAP:	**generally accepted accounting principles as in effect from time to time in the United States of America, consistently applied.**
GCI:	**as defined in the preamble.**
GCI Member:	**GCI and any successor to or Transferee of Units from GCI who is admitted as a Member pursuant to Article 13. If at any time there is more than one GCI Member, any allocations and Distributions to the GCI Member under this Agreement or any other rights or obligations of the GCI Member under this Agreement will be allocated among such GCI Members based upon the number of Units owned by each GCI Member as a percentage of the total number of Units owned by all GCI Members.**
GCI Requested Financial Information:	**as defined in Section 10.5.**
Governmental Approvals:	**any consent, approval or authorization of, notice to, declaration of, or filing with, any Governmental Authority.**
Governmental Authority:	**any foreign, domestic, federal, territorial, state or local governmental authority, quasi-governmental authority, court, government or self-regulatory organization, commission, tribunal, organization or any regulatory, administrative or other agency, or any political or other subdivision, department or branch of any of the foregoing.**
Indemnified Persons:	**as defined in Section 9.1.**
Initial Contribution:	**the initial Capital Contribution made (or deemed made) by a Member to the Company with respect to any Units issued to such Member, as described in Schedule 4.1.**
IRS Notice:	**as defined in Section 3.4[b].**
Lien:	**a mortgage, lien, pledge, collateral assignment, charge, title retention agreement, levy, execution, attachment, garnishment, security interest or other encumbrance.**
Limited Owner:	**as defined in Section 11.3.**
Liquidation:	**the process of winding up and terminating the Company after its Dissolution.**
Losses:	**as defined in Section 5.1.**
Management Agreement:	**The Management Agreement entered into by and between the Company and Fire Lake as of the date hereof in the form attached hereto as Exhibit C.**
Manager:	**an individual appointed to serve on the Board of Managers in accordance with Section 7.2.**
Members:	**each of the GCI Member, the Pacificom Member, the Red River Member, the Fire Lake Member and any other Person admitted as a Member pursuant to Article 13.**
Non-GCI Members:	**each of the AKD Holdings Member, the Pacificom Member and the Red River Member.**
Notice:	**any written notice actually delivered pursuant to Section 16.12 or deemed delivered pursuant to Section 16.13.**
Original Profits Interest Units:	**as defined in Section 3.3[a].**
Pacificom:	**as defined in the preamble.**
Pacificom Member:	**Pacificom and any successor to or Transferee of Units from Pacificom who is admitted as a Member pursuant to Article 13. If at any time there is more than one Pacificom Member, any allocations and Distributions to the Pacificom Member under this Agreement or any other rights or obligations of the Pacificom Member under this Agreement will be allocated among such Pacificom Members based upon the number of Units owned by each Pacificom Member as a percentage of the total number of Units owned by all Pacificom Members.**
Person:	**an individual, corporation, partnership, limited liability company, trust, unincorporated organization or other entity.**
Presumed Tax Liability:	**for any Member for a Fiscal Year and any Fiscal Year prior thereto, an amount equal to the product of [a] the amount of taxable income allocated to such Member for that Fiscal Year and all Fiscal Years prior thereto and [b] the Presumed Tax Rate.**
Presumed Tax Rate:	**the highest combined federal and state income tax rate applicable during such Fiscal Year to a natural person residing in Alaska, taxable at the highest marginal federal income tax rate and the highest marginal Alaska income tax rates, determined without regard to the adjustments provided for in Sections 67 and 68 of the Code.**
Proceeding:	**any threatened, pending, ongoing or completed action, suit or proceeding, whether formal or informal, and whether civil, administrative, investigative or criminal.**
Profits:	**as defined in Section 5.1.**
Profits Interest Units:	**Units denominated as such and having the rights set forth in Section 3.3.**
Put Notice:	**as defined in Section 14.2[a].**

Qualified Appraiser	**as defined in Section 14.3[a].**
Red River:	**as defined in the preamble.**
Red River Member:	**Red River and any successor to or Transferee of Units from Red River who is admitted as a Member pursuant to Article 13. If at any time there is more than one Red River Member, any allocations and Distributions to the Red River Member under this Agreement or any other rights or obligations of the Red River Member under this Agreement will be allocated among such Red River Members based upon the number of Units owned by each Red River Member as a percentage of the total number of Units owned by all Red River Members.**
Regulations:	**the Treasury Regulations (including temporary or proposed regulations) promulgated under the Code, as amended from time to time (including corresponding provisions of succeeding regulations).**
Regulatory Allocations:	**as defined in Section 5.12.**
Reorganization Agreement:	**the Reorganization Agreement dated as of June 16, 2006 among the initial Members, the Company, and the members of Denali PCS, LLC.**
Representatives:	**as defined in Section 15.3[a].**
Safe Harbor Units:	**as defined in Section 3.4[b].**
Second GCI Call Period:	**as defined in Section 14.1[b].**
Tax Distribution:	**as defined in Section 6.5.**
Tax Matters Partner:	**as defined in Section 10.9.**
Third Party:	**means, with respect to any Person, any other Person that is not an Affiliate of such Person.**
Transfer:	**a direct or indirect sale, exchange, assignment, transfer or other disposition of a Unit or any interest therein (including the creation of a Lien on all or any part of a Unit), whether voluntary, involuntary or by operation of law.**
Transferee:	**a Person to whom a Unit is Transferred in compliance with this Agreement.**
Transferor:	**a Person who Transfers a Unit in compliance with this Agreement.**
Unit:	**as defined in Section 3.1.**
Vote:	**the action of the Members made in accordance with the voting requirements set forth in Article 7 or any other applicable provision of this Agreement, either at a meeting or by written consent without a meeting.**
Withdrawal:	**the occurrence of an event which terminates membership in the Company, as provided in Section 11.2.**

ARTICLE 2. PURPOSES AND POWERS

2.1 Principal Purposes.

Subject to the provisions of this Agreement, the purpose of the Company is [a] to provide wireless communication services; and [b] to do any and all other acts or things that may be incidental, advisable or necessary to carry on the business of the Company as contemplated by this Agreement.

2.2 Other Purposes.

The Company may engage in activities related or incidental to its principal purpose, as well as any other lawful business or investment activity as may be approved by the unanimous Vote of the Members.

2.3 Powers.

Subject to the provisions of this Agreement, the Company has all the powers granted to a limited liability company under the Act, as well as all powers necessary or convenient to or for the furtherance of the purpose specified in Section 2.1 that are not expressly prohibited to the Company by applicable law.

ARTICLE 3. UNITS

3.1 Classes of Units.

The ownership of the Company shall be divided into and represented by Units. There shall be two classes of Units: Common Units and Profits Interest Units. References in this Agreement to "Units" shall include all Units outstanding as of the relevant date, without regard to class. The Company shall be authorized to issue a total of 3,830 Units, consisting of 3,600 Common Units and 230 Profits Interest Units, subject to the adjustments provided for in Sections 3.2 and 3.3 below. The Units owned by each Member are set forth in Schedule 1.3

(subject to the adjustments contemplated by Section 3.2 and 3.3 below). Each time Units are issued, cancelled, forfeited or transferred in accordance with the terms and conditions of this Agreement, the Company shall attach a revised Schedule 1.3 to this Agreement and send a copy thereof to all Members. No consent of any Member shall be needed to make such revisions to Schedule 1.3.

3.2 Common Units.

[a] Issuance. The Company has issued on the Effective Date 1,600 Common Units to the GCI Member, 1,999 Common Units to AKD Holdings, 0.7152 Common Units to the Pacificom Member and 0.2848 Common Units to the Red River Member for the Capital Contributions set forth in Section 4.1; provided that Section 2.3 of the Reorganization Agreement provides for an adjustment to the number of Common Units issued on the Effective Date to the GCI Member based on the value of the Company as of the Effective Date as determined in accordance with the terms and conditions of the Reorganization Agreement (such value is referred to in the Reorganization Agreement as the AKD Net Asset Value); and provided further that Section 2.4 of the Reorganization Agreement provides that at the closing of the transactions contemplated by the Reorganization Agreement, GCI shall purchase from the Company an additional 1,350 Common Units, with the proceeds from the sale of such additional Common Units to be used by the Company to redeem a like number of Common Units first from the Pacificom Member and the Red River Member and then from the AKD Holdings Member. The number of Common Units held by the Non-GCI Members and the GCI Member following the transactions and adjustments contemplated by Sections 2.2, 2.3 and 2.4 of the Reorganization Agreement shall automatically be adjusted as appropriate to reflect that total number of Common Units finally determined to be held by the Non-GCI Members and the GCI Member pursuant to the terms and conditions of Sections 2.2, 2.3 and 2.4 of the Reorganization Agreement. The adjustments to the number of Common Units issued to the GCI Member based on the AKD Net Asset Value pursuant to Section 2.3 of the Reorganization Agreement shall be made to be effective retroactively as of the date of the original issuance. The Company shall make appropriate revisions to Schedule 1.3 to reflect the number of Common Units held by the Non-GCI Members or the GCI Member following the transactions contemplated by Sections 2.2, 2.3 and 2.4 of the Reorganization Agreement, which revisions do not need to be approved by the Members. Exhibit D provides some examples of the operation of the Sections 2.2, 2.3 and 2.4 of the Reorganization Agreement and the accompanying adjustments to the total number of Common Units held by each Member. Except as set forth above, the Company shall have no authority to issue additional Common Units.

[b] Rights. The holders of the Common Units shall have the voting and economic rights set forth in the other Articles of this Agreement.

3.3 Profits Interest Units.

[a] Issuance. The Company has issued on the Effective Date a total of 230 Profits Interest Units to Fire Lake (the " Original Profits Interest Units"); provided that if the transactions and adjustments contemplated by Sections 2.2, 2.3 and 2.4 of the Reorganization Agreement result in the Company having more or less than 3,600 Common Units issued and outstanding, then the number of the Original Profits Interest Units shall be automatically adjusted to equal a number of Profits Interest Units equal to [i] the total adjusted number of Common Units issued and outstanding divided by .94 (rounded to two decimal places), minus [ii] the total adjusted number of Common Units issued and outstanding. Exhibit D provides some examples of the operation of the Sections 2.2, 2.3 and 2.4 of the Reorganization Agreement and the accompanying adjustments to the number of Original Profits Interest Units. Except for the adjustment contemplated by Section 3.3[c] below, the Company shall have no authority to grant additional Profits Interest Units.

[b] Rights**.** Profits Interest Units shall constitute an interest in the future Profits and Losses of the Company and shall not entitle the holder thereof to any portion of the value of the Company as of the date that the Profits Interest Units are issued. The holders of Profits Interest Units shall have the voting and economic rights set forth in the other Articles of this Agreement. It is the intent of the Members and the Company that Profits Interest Units shall represent an interest in the Company that qualifies as a "profits interest" within the meaning of IRS Revenue Procedure 93-27, 1993-2 C.B. 343, or any successor authority thereto, and such profits interest shall have no Capital Account as of the date that any such Profits Interest Units are issued.

[c] Adjustment of Profits Interest Units. In the event that the Management Agreement terminates for any reason, GCI exercises its rights to purchase the Units of the Non-GCI Members and the Fire Lake Member pursuant to Section 14.1 below or if there is a Change of Control transaction with respect to the Company, then subject to any forfeiture provisions contained in Section 14.1 below, the number of Profits Interest Units issued to Fire Lake pursuant to Section 3.3[a] shall be deemed to have been retroactively adjusted as of the date of the original issuance to equal the amount of the Original Profits Interest Units multiplied by the applicable EBITDA Multiplier. By way of example, assuming that the number of Original Profits Interest Units remains at 230 pursuant to Section 3.3[a], then if there is an adjusting event and the EBITDA Multiplier is equal to 1.5, then Fire Lake will be deemed to have owned 345 Profits Interest Units from the Effective Date. The Company will then make appropriate adjustments to the Capital Accounts of the Members to reflect this adjustment, which adjustments will not need to be approved by the Members. The Company shall also make appropriate revisions to Schedule 1.3, which revisions will not need to be approved by the Members.

3.4 Code Section 83(b) Election and Safe Harbor.

[a] General. Each Member that acquires an interest in the Company that is subject to vesting agrees that within 30 days after such Person becomes a Member, the Person who is performing the services to which the vesting requirement relates shall file an election with the Internal Revenue Service under Section 83(b) of the Code and the regulations promulgated thereunder with respect to that

interest (and with respect to any other interest in the Company that is subject to vesting based upon services to be performed by that Person).

[b] Safe Harbor Election. By executing this Agreement, each Member authorizes and directs the Company to elect to have the "Safe Harbor" described in the proposed Revenue Procedure set forth in Internal Revenue Service Notice 2005-43 (the " IRS Notice") apply to any Units transferred to a service provider by the Company on or after the effective date of such Revenue Procedure (or any substantially similar Revenue Procedure or other guidance issued by the Internal Revenue Service) in connection with services provided to the Company. For purposes of making such Safe Harbor election, the Board of Managers is hereby designated as the "partner who has responsibility for federal income tax reporting" by the Company and, accordingly, that execution of such Safe Harbor election by the Board of Managers constitutes execution of a "Safe Harbor Election" in accordance with Section 3.03(1) of the IRS Notice with respect to such Units ("Safe Harbor Units"). The Company and each Member hereby agree to comply with all requirements of the Safe Harbor described in the IRS Notice (and any substantially similar Revenue Procedure or other guidance issued by the Internal Revenue Service), including, without limitation, the requirement that each Member shall prepare and file all federal income tax returns reporting the income tax effects of each Safe Harbor Units issued by the Company in a manner consistent with the requirements of the IRS Notice (an any substantially similar Revenue Procedure or other guidance issued by the Internal Revenue Service).

[c] Failure to Comply. Any Member or former Member that fails to comply with the requirements set forth in Section 3.4[a] or Section 3.4[b] shall indemnify and hold harmless the Company and each adversely affected Member and former Member from and against any and all losses, liabilities, taxes, damages, judgments, fines, costs, penalties, amounts paid in settlement and reasonable out-of-pocket costs and expenses incurred in connection therewith (including, without limitation, costs and expenses of suits and proceedings, and reasonable fees and disbursements of counsel), in each case resulting from such Member's or former Member's failure to comply with such requirements. The Board of Managers may offset distributions to which a Person is otherwise entitled under this Agreement against such Person's obligation to indemnify the Company and any other Person under this Section 3.4[c] (and any amount so offset with respect to such Person's obligation to indemnify a Person other than the Company shall be paid over to such other Person by the Company). A Member's obligations to comply with the requirements of Section 3.4[a] or Section 3.4[b] and to indemnify the Company and any Member or former Member under this Section 3.4[c] shall survive such Member's ceasing to be a Member of the Company and/or the termination, dissolution, liquidation and winding up of the Company, and, for purposes of this Section 3.4[c], the Company shall be treated as continuing in existence. The Company and any Member or former Member may pursue and enforce all rights and remedies it may have against each Member or former Member under this Section 3.4[c], including [i] instituting a lawsuit to collect such indemnification and contribution, with interest calculated at a rate equal to the prime rate plus three percentage points per annum (but not in excess of the highest rate per annum permitted by law), compounded on the last day of each fiscal quarter and [ii] specific performance and/or immediate injunctive or other equitable relief from any court of competent jurisdiction (without the necessity of showing actual money damages, or posting any bond or other security) in order to enforce or prevent any violation of the provisions of Section 3.4[a] or Section 3.4[b].

[d] Certain Amendments. Each Member authorizes the Board of Managers to amend Section 3.4[a] and Section 3.4[b] to the extent necessary to achieve substantially the same tax treatment with respect to any interest in the Company transferred by the Company to a service provider in connection with services provided to the Company as set forth in Section 4 of the IRS Notice (e.g., to reflect changes from the rules set forth in the IRS Notice in subsequent Internal Revenue Service guidance), provided that such amendment is not materially adverse to any Member (as compared with the after-tax consequences that would result if the provisions of the IRS Notice applied to all interests in the Company transferred to a service provider by the Company in connection with services provided to the Company).

3.5 Reacquired Units.

Any Units reacquired by the Company shall automatically be cancelled and shall not be deemed issued or outstanding. Units reacquired by the Company shall not be available for reissuance.

3.6 Certificates.

The Company may issue certificates representing any or all of the outstanding Units, in the discretion of the Board of Managers.

ARTICLE 4. CAPITAL OF THE COMPANY

4.1 Initial Contributions.

By execution of this Agreement: [a] AKD Holdings acknowledges and agrees that all of the Class A Membership Interest and Class B Membership Interest and accompanying Class A Points, Class B Points and Voting Points (as such terms are defined in the Former Operating Agreement) granted to Pacificom, Red River and Graystone Holdings, LLC, an Alaska limited liability company pursuant to the Former Operating Agreement and transferred to AKD Holdings pursuant to that certain Transfer and Contribution Agreement dated as of December 28, 2006 by and among the Non-GCI Members (the " AKD Holdings Contribution Agreement") are hereby converted and reclassified into the 1,999 Common Units (and accompanying voting and economic rights set forth in this Agreement) issued to AKD Holdings pursuant to Section 3.2[a]; [b] Red River acknowledges and agrees that all of its Class A Membership Interest and accompanying Class A Points and Voting Points (as such terms are defined in the Former Operating Agreement) granted pursuant to the Former Operating Agreement and not transferred to AKD Holdings pursuant to the AKD Holdings Contribution Agreement are hereby converted and reclassified

into the 0.2848 Common Units (and accompanying voting and economic rights set forth in this Agreement) issued to Red River pursuant to Section 3.2[a]; [c] Pacificom acknowledges and agrees that all of its Class A Membership Interest and accompanying Class A Points and Voting Points (as such terms are defined in the Former Operating Agreement) granted pursuant to the Former Operating Agreement and not transferred to AKD Holdings pursuant to the AKD Holdings Contribution Agreement are hereby converted and reclassified into the 0.7152 Common Units (and accompanying voting and economic rights set forth in this Agreement) issued to Pacificom pursuant to Section 3.2[a]; and [d] the Members acknowledge and agree that Graystone Holdings, LLC, an Alaska limited liability company shall have no membership or other interest whatsoever in the Company since all of its Class B Membership Interest and accompanying Class B Points and Voting Points (as such terms are defined in the Former Operating Agreement) granted pursuant to the Former Operating Agreement were transferred to AKD Holdings pursuant to the AKD Holdings Contribution Agreement. Contemporaneously with or prior to the execution of this Agreement, GCI will make or will have made the Capital Contribution to the Company contemplated to be made by GCI with respect to its Units pursuant to Section 2.3 of the Reorganization Agreement. The agreed Fair Market Value of GCI's contribution as specified in Schedule 4.1 will be credited to GCI's Capital Account with respect to such Units, and such agreed Fair Market Value will be deemed to be the amount of GCI's Initial Capital Contribution. The Capital Account of the Non-GCI Members will be adjusted as of the Effective Date pursuant to Treasury Regulation § 1.704-1(b)(2)(iv)(f)-(g) which will result in the Capital Account balances specified in Schedule 4.1, and such agreed amounts will be deemed to be the amount of such Non-GCI Member's Initial Capital Contribution. Notwithstanding the forgoing, Schedule 4.1 shall be amended as appropriate to adjust the Non-GCI Members' and the GCI Member's Capital Account as appropriate to reflect [i] the adjustments made to the AKD Net Asset Value pursuant to Section 2.3 of the Reorganization Agreement and the resulting change in the number of Common Units owned by the GCI Member pursuant to the terms and conditions of Section 2.3 of the Reorganization Agreement and [ii] the issuance of Common Units and accompanying redemptions pursuant to Section 2.4 of the Reorganization Agreement and any adjustments made to the AKD Redemption Price (as defined in the Reorganization Agreement) pursuant to Section 2.4 of the Reorganization Agreement and any resulting change in the number of Common Units owned by the Members. Exhibit D provides some examples of the operation of Sections 2.2, 2.3 and 2.4 of the Reorganization Agreement and the accompanying adjustments to the Capital Accounts of each Member.

4.2 Additional Contributions

Except as required by law and except for the adjustments contemplated by Section 4.1 above, no Additional Contributions will be required or permitted to be made by any Member except upon the unanimous Vote of the Members.

4.3 Capital Accounts.

A Capital Account will be maintained for each Member and credited, charged and otherwise adjusted as required by § 704(b) of the Code and the § 704(b) Regulations. Each Member's Capital Account will be:

[a] Credited with [i] the amount of money contributed by the Member as an Initial Contribution or an Additional Contribution, [ii] the Fair Market Value of assets contributed by the Member as an Initial Contribution or Additional Contribution (net of liabilities that the Company assumes or takes subject to that were not taken into account in determining the Fair Market Value of such assets), [iii] the Member's allocable share of Profits and [iv] all other items properly credited to such Capital Account as required by the § 704(b) Regulations;

[b] Charged with [i] the amount of money distributed to the Member by the Company, [ii] the Fair Market Value of assets distributed to the Member by the Company (net of liabilities that the Member assumes or takes subject to that were not taken into account in determining the Fair Market Value of such assets), [iii] the Member's allocable share of Losses and [iv] all other items properly charged to such Capital Account as required by the § 704(b) Regulations; and

[c] Otherwise adjusted as required by the § 704(b) Regulations.

Any unrealized appreciation or depreciation with respect to any asset distributed in kind will be allocated among the Members in accordance with the provisions of Article 4 as though such asset had been sold for its Fair Market Value on the date of Distribution and the Members' Capital Accounts will be adjusted to reflect both the deemed realization of such appreciation or depreciation and the Distribution of such property.

The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with the § 704(b) Regulations and will be interpreted and applied in a manner consistent with such Regulations and any amendment or successor provision thereto. The Members will cause appropriate modifications to be made if unanticipated events might otherwise cause this Agreement not to comply with the § 704(b) Regulations, so long as such modifications do not cause a material change in the relative economic benefits of the Members under this Agreement.

4.4 Adjustments.

The Members intend to comply with the § 704(b) Regulations in all respects, and the Capital Accounts of the Members will be adjusted to the full extent that the § 704(b) Regulations may apply (including applying the concepts of qualified income offsets and minimum gain chargebacks).

4.5 Transfer.

If any Units are Transferred in accordance with this Agreement, the Capital Account of the Transferor that is attributable to the Transferred Units will carry over to the Transferee.

4.6 Market Value Adjustments.

Appropriate Capital Account adjustments will be made upon any Transfer of any Units, including those that apply upon the constructive liquidation of the Company under § 708(b) of the Code, all in accordance with the § 704(b) Regulations. Similarly, if optional basis adjustments are made under § 734 or § 743 of the Code, appropriate Capital Account adjustments will be made as required by the § 704(b) Regulations.

4.7 No Withdrawal of Capital.

Except as specifically provided in this Agreement, no Member will be entitled to withdraw all or any part of its Capital Contribution from the Company prior to the Company's Dissolution and Liquidation or, when such withdrawal of capital is permitted, to demand a Distribution of property other than money or as otherwise provided in this Agreement.

4.8 No Interest on Capital.

No Member will be entitled to receive interest on such Member's Capital Account or Capital Contribution.

4.9 No Drawing Accounts.

The Company will not maintain a drawing account for any Member. All Distributions to Members will be governed by Article 6 (relating to Distributions not in Liquidation of the Company) and by Article 12 (relating to Liquidation).

ARTICLE 5. PROFITS AND LOSSES

5.1 Determination.

The terms "Profits" and "Losses" mean, respectively, the net profits and losses of the Company determined for each Fiscal Year in accordance with the method of accounting adopted by the Company for federal income tax purposes, except that such net profit or loss will be determined [a] by including as an item of income any income that is exempt from taxation, [b] by deducting as an expense any expenditure of the Company not deductible in computing its taxable income and not properly chargeable to any Capital Account, or deemed not deductible in computing its taxable income and not properly chargeable to any Capital Account in accordance with the § 704(b) Regulations and [c] by calculating the gain, loss, depreciation and amortization on property that is reflected in the Capital Accounts at a book basis different from the basis of such property for federal income tax purposes based on the book basis of such property in accordance with the § 704(b) Regulations. Any allocation of Profits or Losses will be considered a pro rata allocation of each item entering into the computation of Profits and Losses.

5.2 Allocation of Profits and Losses Generally.

Except as otherwise provided in this Agreement, the Profits or Losses of the Company, including items of income, gain, loss and deduction for each Fiscal Year, will be allocated to the Members in proportion to their Units, without distinction as to class or series; provided that [a] no portion of the Profits or Losses attributable to the realization of the value of the Company as of the date that a Profits Interest Unit is issued shall be allocated to that Profits Interest Unit and [b] no portion of any item of income, gain, loss or deduction recognized prior to the issuance of a Unit shall be allocated to that Unit. The intent of the foregoing is to provide that each Profits Interest Unit shall participate to the same extent as a Common Unit in Profits and Losses attributable to operations of the Company after the date that the Profits Interest Unit is issued, but that a Profits Interest Unit shall participate to the same extent as a Common Unit in gain from the disposition of all or substantially all assets of the Company only to the extent that such gain reflects an increase in the fair market value of the assets of the Company from the date of the issuance of the Profits Interest Unit.

5.3 Nonrecourse Deductions.

Losses attributable to any Company nonrecourse liability (for which no Member or related Person (within the meaning of the § 752 Regulations) bears the economic risk of loss) will be allocated in the same manner as Losses are allocated pursuant to Section 5.2, and

Losses of the Company attributable to any Member nonrecourse liability (that is nonrecourse to the Company, but for which one or more Members or related Persons bear the economic risk of loss) will be allocated in accordance with the § 704(b) Regulations to those Members bearing (or who, because of their relationship to Persons who bear such economic risk of loss, are deemed to bear) the economic risk of loss for the liability. The allocation of liabilities to a property, the determination of nonrecourse deductions, the effect of property revaluations and all other issues affecting the allocation of nonrecourse deductions will be determined in accordance with the § 704(b) Regulations.

5.4 Minimum Gain Chargeback.

2. Notwithstanding the general rule on allocation of Profits stated in Section 5.2, if there is a net decrease in Company minimum gain for any Fiscal Year, each Member will be allocated items of Profits for such year equal to such Member's share of the net decrease in Company minimum gain. If there is a net decrease in Member nonrecourse debt minimum gain for any Fiscal Year, each Member having a share of such minimum gain will be allocated items of Profits equal to such Member's share of such net decrease in Company nonrecourse debt minimum gain. The determination of net decreases in Company minimum gain and Member nonrecourse debt minimum gain, allocations of such net decreases, exceptions to minimum gain chargebacks and all other issues affecting the minimum gain chargeback requirements will be determined in accordance with the § 704(b) Regulations.

5.5 Tax Allocations.

Allocation of items of income, gain, loss and deduction of the Company for federal income tax purposes for a Fiscal Year will be allocated, as nearly as is practicable, in accordance with the manner in which such items are reflected in the allocations of Profits and Losses among the Members for such Fiscal Year. To the extent possible, principles identical to those that apply to allocations for federal income tax purposes will apply for state and local income tax purposes.

5.6 Qualified Income Offset.

Notwithstanding any other provision of this Agreement to the contrary (except Section 5.4, which will be applied first), if in any Fiscal Year or other period a Member unexpectedly receives an adjustment, allocation or Distribution described in the qualified income offset provisions of the § 704(b) Regulations, such Member will be specially allocated items of income in an amount and manner sufficient to eliminate, to the extent required by the § 704(b) Regulations, the Adjusted Capital Account Deficit of such Member as quickly as possible.

5.7 Limit on Loss Allocations.

Notwithstanding the provisions of Section 5.2 or any other provision of this Agreement to the contrary, Losses (or items thereof) will not be allocated to a Member if such allocation would cause or increase a Member's Adjusted Capital Account Deficit and will be reallocated to the Members (other than any such Member to which the limitations of this Section 5.7 apply), subject to the limitations of this Section 5.7.

5.8 § 754 Adjustments.

To the extent an adjustment to the adjusted tax basis of any Company asset under § 734(b) or § 743(b) of the Code is required to be taken into account in determining Capital Accounts under the § 704(b) Regulations, the amount of the adjustment to the Capital Accounts will be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases the basis), and the gain or loss will be specially allocated to the Members in a manner consistent with the manner in which their Capital Accounts are required to be adjusted under the § 704(b) Regulations.

5.9 Contributed Property.

All items of gain, loss and deduction with respect to property that is reflected in the Capital Accounts of the Members at a basis different from such property's adjusted tax basis will be allocated, solely for tax purposes, among the Members to take into account the variation between the adjusted tax basis of the property and the basis reflected in the Member's Capital Account according to the principles of the § 704(c) Regulations. For example, if there is built-in gain with respect to certain property at the time of such property's contribution to the Company, upon the Company's sale of that property the pre-contribution taxable gain (as subsequently adjusted under the § 704(c) Regulations during the period such property was held by the Company) would be allocated to the contributing Member (and such pre-contribution gain would not again create a Capital Account adjustment because the property was credited to Capital Account upon contribution at its Fair Market Value). Except as limited by the following sentence, the allocation of tax items with respect to § 704(c) property to Members that do not reflect a basis difference with respect to such property in their Capital Accounts will, to the extent possible, be equal to the allocation of the corresponding book items made to such Members with respect to such property. All tax allocations made under this Section 5.9 will be made in accordance with § 704(c) of the Code, and the method of making such allocations will be determined by the Members, acting together.

5.10 Tax Credits.

To the extent that the federal income tax basis of an asset is allocated to the Members in accordance with the Regulations promulgated under § 46 of the Code, any tax credit attributable to such tax basis will be allocated to the Members in the same ratio as such tax

basis. With respect to any other tax credit, to the extent that a Company expenditure gives rise to an allocation of loss or deduction, any tax credit attributable to such expenditure will be allocated to the Members in the same ratio as such loss or deduction. Consistent principles will apply in determining the Members' interests in tax credits that arise from taxable or non-taxable receipts of the Company. All allocations of tax credits will be made as of the time such credit arises. Any recapture of a tax credit will be allocated, to the extent possible, to the Members in the same manner as the tax credit was allocated to them. Except as otherwise specifically provided in the § 704(b) Regulations (such as the adjustments required when there is an upward or downward adjustment in the tax basis of investment credit property), allocations of tax credits and their recapture will not be reflected by any adjustment to Capital Accounts.

5.11 Gross Income Allocation.

In the event any Member has a deficit Capital Account at the end of any Company Fiscal Year that is in excess of the sum of [i] the amount such Member is obligated to restore to the Company pursuant to any provision of this Agreement, [ii] the amount such Member is deemed to be obligated to restore pursuant to the penultimate sentence of Treasury Regulations Section 1.704-2(g)(1) and [iii] the amount such Member is deemed to be obligated to restore pursuant to the penultimate sentence of Treasury Regulations Section 1.704-2(i)(5), each such Member shall be specially allocated items of Company income and gain in the amount of such excess as quickly as possible; provided, however, that an allocation pursuant to this Section 5.11 shall be made only if and to the extent that such Member would have a deficit Capital Account in excess of such sum after all other allocations provided for in this Article 5 have been tentatively made as if Section 5.6 and this Section 5.11 were not in the Agreement.

5.12 Curative Allocations.

The allocations set forth in Sections 5.3, 5.4, 5.6, 5.8 and 5.11 (the "Regulatory Allocations") are intended to comply with certain requirements of the Treasury Regulations. It is the intent of the Members that, to the extent possible, all Regulatory Allocations shall be offset either with other Regulatory Allocations or with special allocations of other items of Company income, gain, loss or deduction pursuant to this Section 5.12. Therefore, notwithstanding, any other provision of this Article 5 (other than the Regulatory Allocations), the Board of Managers shall make such offsetting special allocations of Company income, gain, loss or deduction in whatever manner it determines appropriate so that, after such offsetting allocations are made, each Member's Capital Account balance is, to the extent possible, equal to the Capital Account balance such Member would have had if the Regulatory Allocations were not part of the Agreement and all Company items were allocated pursuant to Section 5.2. In exercising its discretion under this Section 5.12, the Board of Managers shall take into account any future Regulatory Allocations under Section 5.4 that, although not yet made, are likely to offset Regulatory Allocations made under Section 5.3.

5.13 Allocation on Transfer. If any Unit is Transferred during any Fiscal Year of the Company (whether by liquidation or Transfer of a Unit or otherwise), the books of the Company will be closed as of the effective date of Transfer. The Profits or Losses attributed to the period from the first day of such Fiscal Year through the effective date of Transfer will be allocated to the Transferor and the Profits or Losses attributed to the period commencing on the day after the effective date of Transfer will be allocated to the Transferee. In lieu of an interim closing of the books of the Company and with the agreement of the Transferor and the Transferee, the Company may allocate Profits and Losses for such Fiscal Year between the Transferor and the Transferee based on a daily proration of items for such Fiscal Year or any other reasonable method of allocation (including an allocation of extraordinary Company items, as determined by the Company, based on when such items are recognized for federal income tax purposes).

ARTICLE 6. DISTRIBUTIONS

6.1 Distributions Generally.

Except for liquidating Distributions under Section 12.3 and except as otherwise provided by Section 6.5, the Company will make all Distributions of Available Cash to the Members in proportion to their Units, without distinction as to class, subject to the limitation that Distributions in respect of Profits Interest Units shall relate only to Profits earned and increases in value of the Company after the date that such Profits Interest Units are issued. Except as provided by Section 6.5, the timing and amount of Distributions shall be determined by the Board of Managers.

6.2 Payment.

All Distributions will be made to Members owning Units on the date of record, such date being the Business Day immediately preceding the date of Distribution, as reflected on the books of the Company.

6.3 Withholding.

If required by the Code or by state or local law, the Company will withhold any required amount from Distributions to a Member for payment to the appropriate taxing authority. Any amount so withheld from a Member will be treated as a Distribution by the Company to such Member. Each Member will timely file any agreement that is required by any taxing authority in order to avoid any withholding obligation

that otherwise would be imposed on the Company.

6.4 Distribution Limitations.

Notwithstanding any other provision of this Agreement, the Company will not make any Distribution to the Members if, after the Distribution, the liabilities of the Company (other than liabilities to Members on account of their Units) would exceed the Fair Market Value of the Company's assets. With respect to any property that is subject to a liability for which the recourse of creditors is limited to the specific property, such property will be included in assets only to the extent the property's Fair Market Value exceeds its associated liability, and such liability will be excluded from the Company's liabilities. Notwithstanding any other provision of this Agreement, the Company will not make a Distribution to any Member if such Distribution would cause or increase any Member's Adjusted Capital Account Deficit.

6.5 Tax Distribution.

For each Fiscal Year the Company will, during such Fiscal Year or the immediately subsequent Fiscal Year, but not later than 90 days following the end of each Fiscal Year, to the extent that there is Available Cash distribute to each Member, with respect to such Fiscal Year, a distribution in an amount equal to such Member's Presumed Tax Liability for such Fiscal Year (a "Tax Distribution"). Any amount distributed pursuant to this Section 6.5 will be deemed to be an advance distribution of amounts otherwise distributable to the Members pursuant to Sections 6.1 and will reduce the amounts that would subsequently otherwise be distributable to the Members pursuant to such provisions in the order they would otherwise have been distributable. The Board of Managers may distribute Tax Distributions quarterly on an estimated basis prior to the end of a Fiscal Year, but if the amounts so distributed as estimated Tax Distributions exceed the amount of Tax Distributions to which such Member is entitled to for such Fiscal Year, the Member will promptly after the end of the Fiscal Year return such excess to the Company and the excess will be treated as a distribution to such Member pursuant to Section 6.1, as applicable until it is returned.

ARTICLE 7. MANAGEMENT

7.1 Management.

Management of the Company will be vested exclusively in the Board of Managers. Except as otherwise provided in this Agreement: [a] the Board of Managers has complete and unrestricted power and authority to manage the business, properties and activities of the Company in its sole and exclusive discretion, [b] no Person dealing with the Company will be required to inquire into the authority of the Board of Managers (or any designee of the Board of Managers) to take any action or make any decision, [c] notwithstanding any powers granted to members of a limited liability company under the Act, no Member will take part in the operations, management or control of the Company's business, transact any business in the Company's name, or have the power to sign documents for or otherwise bind the Company except for such actions that are specifically authorized by the Board of Managers or as otherwise provided by this Agreement, and [d] the Board of Managers has the rights, authority and powers of a "manager" under the Act with respect to the Company business and assets as provided in the Act as in effect on the Effective Date. Without limiting the foregoing, the Board of Managers has all of the responsibilities and authority of the board of directors of an Alaska business corporation, subject to the express provisions of this Agreement; provided, that the reference to Alaska business corporations is not intended and will not be construed to subject the Company to any restriction or limitation or to subject the Managers to any duty or liability applicable to Alaska corporations or their directors that is not otherwise applicable to an Alaska limited liability company or its managers or agents. Concurrently with the execution of this Agreement, the Company shall enter into the Management Agreement, pursuant to which Fire Lake will perform certain management duties for the Company as described therein. Notwithstanding any other provision of this Agreement to the contrary, the Company will not take any of the following actions, and neither the Board of Managers nor Fire Lake acting under the Management Agreement shall have any authority to take any of the following actions on behalf of the Company, without the written consent of the GCI Member: [i] cause or permit the Company to engage in any business other than the business described in Section 2.1; [ii] except as provided in the current Annual Budget, cause or permit the Company to purchase or otherwise acquire additional assets having an aggregate cost of $250,000 or more in any transaction or series of related transactions; [iii] cause or permit the Company to merge or consolidate with any Person; [iv] except as provided in the current Annual Budget, cause or permit the Company to sell, lease or otherwise dispose of assets having an aggregate value of $250,000 or more in any transaction or series of related transactions; [v] cause or permit the Company to engage in, enter into or amend any contract, arrangement or transaction in which any Member or any Affiliate of a Member has a direct or indirect interest; [vi] cause or permit the Company to authorize, issue or enter into any agreement providing for any issuance (contingent or otherwise) of any additional Units or other securities, except as contemplated by Article 3 above; [vii] cause or permit the Company to authorize or permit any mandatory or permissive Additional Contributions or to admit any additional Members (other than in connection with a Transfer of Units made in accordance with the provisions of Article 13, which will be governed in all respects by the provisions of Article 13); [viii] cause or permit the Company to redeem any Units or make any other extraordinary distributions not contemplated by Article 6, except as contemplated by Article 3 above; [ix] cause or permit the Company to incur or guarantee any indebtedness (other than the incurrence of trade payables in the ordinary course of business) or incur or guarantee any Lien, except for indebtedness or Liens provided in the Annual Budget and except for indebtedness or Liens contemplated by the Reorganization Agreement; [x] cause or permit the Company to approve any deviation from the Annual Budget then in effect of 10% or greater from an approved line item or budget category or to engage in any transaction which has not been budgeted for in the Annual Budget then in effect; [xi] cause or permit the Company to liquidate, wind up, dissolve, or cease to continue as an ongoing business concern (other

than in connection with any events of Dissolution specified in Section 11.1, which will be governed in all respects by the provisions of Section 11.1), effect a recapitalization or reorganization in any form of transaction, commence any bankruptcy or insolvency proceeding, acquiesce to the appointment of a receiver, trustee, custodian or liquidator or admit the material allegations of a petition filed against the Company in any bankruptcy or insolvency proceeding; [xii] cause or permit the Company to change from a limited liability company to a different organizational form; [xiii] cause or permit any direct or indirect subsidiary of the Company to do any of the foregoing in respect of the subsidiary; or [xiv] enter into an agreement or otherwise commit to do any of the foregoing.

7.2 Appointment of Board of Managers.

The Board of Managers will initially consist of five (5) Managers. The number of Managers on the Board of Managers shall be fixed from time to time by the Board of Managers, but shall not be less than four Managers or more than eight Managers. The GCI Member shall at all times have the sole right to appoint and remove one Manager and the AKD Holdings Member shall have the sole right to appoint and remove the remaining members of the Board of Managers. The AKD Holdings Member may not appoint as a Manager, any Person who serves on the board of directors or comparable governing body of a communications company that competes with GCI. The AKD Holdings Member will elect a sufficient number of Managers deemed independent from GCI under applicable laws, regulations or stock exchange rules to allow GCI to comply with any such applicable laws, regulations or stock exchange rules. The name of the initial Manager appointed by GCI Member will be John M. Lowber and the names of the initial Managers appointed by the AKD Holdings Member will be Stephen Roberts, William M. Yandell III, James D. Lackie and John Tindall. Each Manager is entitled to appoint an alternate to serve in his or her absence at any meeting of the Board of Managers. Each Manager will serve on the Board of Managers until his or her resignation or removal by the Member that appointed such Manager. Either the GCI Member or the AKD Holdings Member may, at any time, remove a Manager appointed by such Member and appoint a substitute Manager by delivering Notice of such removal and appointment to the other Members. Any vacancy on the Board of Managers resulting from the death, disability or resignation of a Manager will be filled by the Member that appointed such Manager. No compensation will be paid to any Manager for serving in such capacity, except that Managers will be entitled to reimbursement for reasonable expenses incurred in connection with such service.

7.3 Procedural Requirements -- Meetings Of Members and the Board of Managers.

[a] Action by Members. Except as otherwise expressly provided in this Agreement, [i] all actions requiring the approval of the Members will be deemed approved if Members owning more than 50% of the outstanding Units as of the record date for the meeting or written consent Vote in favor of approval, [ii] all Units will vote together as a single voting group, and [iii] each Unit will have one vote.

[b] Action by Board of Managers. Except as otherwise expressly provided in this Agreement, the act of the majority of the Managers present at a meeting at which a quorum is present shall be the act of the Board of Managers.

[c] Meetings of Members and the Board of Managers.

[i] Annual Meeting of Members. An annual meeting of the Members will be held on such date and at time as may be determined by the Board of Managers. The purpose of the annual meeting is to review the Company's operations for the preceding Fiscal Year and to transact such other business as may come before the meeting. The failure to hold any annual meeting has no adverse effect on the continuance of the Company.

[ii] Special Meetings. Special meetings of the Members, for any purpose or purposes, may be called by the Board of Managers or by any Member or Members owning at least 10% of the Units then outstanding.

[iii] Meetings of the Board of Managers. The Board of Managers will meet from time to time at the request of any Manager.

[iv] Place. The person calling a meeting of Members or of the Board of Managers may designate the place of the meeting. If the place so designated for a meeting of Members is not in the Anchorage, Alaska metropolitan area and for a meeting of the Board of Managers is not in the Anchorage, Alaska or Memphis, Tennessee metropolitan area, then such location must be agreed in the case of a Member meeting, by Members who own more than 50% of the Units then outstanding, and in the case of a Board of Managers meeting, by all of the Managers. If no designation is made by a person calling a meeting of Members or the Board of Managers, the place of meeting will be the Company's principal place of business.

[v] Notice. Notice of any Board of Managers or Members meeting must be given not less than three Business Days nor more than 30 days before the date of the meeting. Such Notice must state the place, day and hour of the meeting and, in the case of a special Members meeting, the purpose for which the meeting is called.

[vi] Waiver of Notice. Any Member or Manager may waive, in writing, any Notice required to be given to such Member or Manager, whether before or after the meeting or other event to which such Notice relates. Attendance by a Member or Manager at a meeting will constitute a waiver of notice of the meeting, unless the Member or Manager attends the meeting for the sole and express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called.

[vii] Record Date. For the purpose of determining Members entitled to Notice of and to vote at any meeting of Members, or

to sign any written consent, the last Business Day before the day on which such Notice or consent is first transmitted to the Members will be the record date. Any such determination of Members entitled to vote at any meeting of Members will apply to any adjournment of a meeting.

[viii] Quorum. A quorum at any meeting of Members will consist of Members who own more than 90% of the outstanding Units on the record date for the meeting (which Members may be in attendance in person, by proxy, by telephone or by video conference). A quorum at any meeting of the Board of Managers will consist of a majority of the number of directors fixed by the Board of Managers pursuant to Section 7.2 (which Managers may be in attendance in person, by proxy, by telephone or by video conference). Any Board of Managers or Members meeting at which a quorum is not present may be adjourned to a specified place, day and hour without further Notice.

[ix] Proxies. At any meeting of Members or the Board of Managers, a Member or a Manager may vote in person or by written proxy given to another Member or Manager. Such proxy must be signed by the Member or Manager, or by a duly authorized attorney-in-fact, and must be filed with the Company before or at the time of the meeting. No proxy will be valid after eleven months from the date of its signing unless otherwise provided in the proxy. Attendance at the meeting by the Member or Manager giving the proxy will revoke the proxy during the period of attendance.

[x] Meetings by Telephone or Video. The Members and the Managers may participate in a meeting by means of conference telephone or video or similar communications equipment by which all Members or Managers participating in the meeting can hear each other at the same time. Such participation will constitute presence in person at the meeting and waiver of any required Notice. The Company will take all reasonable steps to ensure that Members and Managers are able to participate by telephone or video conference in meetings of Members and meetings of the Board of Managers, respectively.

[xi] Observers. The Board of Managers will permit any individuals designated by the GCI Member or the AKD Holdings Member to be observers at any meetings of the Board of Managers, except that the AKD Holdings Member can not designate any person to be an observer if such person serves on the board of directors or comparable governing body of a communications company that competes with GCI.

[d] Action Without a Meeting. Any action required or permitted to be taken at a meeting of Members may be taken without a meeting if the action is evidenced by one or more written consents describing the action taken, signed by Members whose aggregate Units would enable them to approve the action at a meeting of the Members at which all Members were present and voted. Any action required or permitted to be taken at a meeting of Managers may be taken without a meeting if, and will be effective when, the action is evidenced by one or more written consents describing the action taken, signed by all Managers. Action so taken is effective when sufficient Members or Managers approving the action have signed the consent, unless the consent specifies a different effective date. If any action is taken by a written consent that is not signed by all Members, Notice of the action, accompanied by a copy of the written consent, will be sent to each Member who did not sign.

7.4 Officers.

The Board of Managers may from time to time appoint executive officers of the Company and designate their authority and duties to manage the day-to-day operations of the Company. Unless otherwise determined by the Board of Managers, if the title of an officer is one commonly used for officers of a business corporation formed under the Alaska Corporation Code, the assignment of such title will constitute the delegation to such person of the authorities and duties that are normally associated with that office. Such officers will take all actions which are necessary and appropriate to conduct the day-to-day operations of the Company's business, subject to the supervision of the Board of Managers and the provisions of this Agreement. No compensation will be paid to any officers for serving in such capacity, unless such compensation is paid pursuant to an employment agreement approved by all members of the Board of Managers.

7.5 Annual Budget.

The Board of Managers or a committee duly appointed by the Board of Managers, which committee must include the Manager appointed by the GCI Member under Section 7.2 (the "Budget Committee") will require the appropriate officers, employees and representatives of the Company to prepare and present an Annual Budget for the Company and its subsidiaries at least ninety (90) calendar days in advance of the beginning of the applicable Fiscal Year.

[a] Each Annual Budget shall cover a one-year period corresponding to a Fiscal Year, provided that the first Annual Budget shall cover the 12-month period commencing January 1, 2007. Each Annual Budget shall include an income statement prepared on an accrual basis which shall show in reasonable detail the revenues and expenses projected for the operations of the Company and its subsidiaries for the forthcoming Fiscal Year and a cash flow statement which shall show in reasonable detail the receipts and disbursements projected for the operations of Company and its subsidiaries for the forthcoming Fiscal Year, the amount of any corresponding cash deficiency or surplus, and contemplated borrowings under credit facilities, if any.

[b] Such Annual Budget shall be prepared on a basis consistent with the financial statements of the Company and its subsidiaries and GAAP. The Board of Managers or the Budget Committee shall review and discuss the proposed Annual Budget in consultation with the appropriate officers, employees and representatives of the Company. The proposed Annual Budget shall be deemed approved if a majority of the Managers then in office approve the Annual Budget, or if approved by a majority of the members of the Budget

Committee. If such approval is obtained, then such Annual Budget shall for all purposes of this Agreement constitute the Annual Budget and shall supersede any previously approved Annual Budget. If such approval is not obtained, then, until a new budget is approved, the Annual Budget for the Company for the immediately preceding Fiscal Year will remain in effect, adjusted (without duplication) to reflect the following increases or decreases: [i] the operation of escalation or de-escalation provisions in contracts then in effect solely as a result of the passage of time or contracts entered into pursuant to an approved Annual Budget or the occurrence of events beyond the control of the Company, to the extent such contracts are still in effect; [ii] elections made in any prior year under contracts contemplated by the Annual Budget for the prior year regardless of which party to such contracts makes such election; [iii] the effect of the existence of any multi-year contract entered into in accordance with a previous budget to the extent not fully reflected in the prior year's Annual Budget; [iv] increases or decreases in expenses attributable to the annualized effect of employee additions or reductions during the prior year contemplated by the Annual Budget for the prior year; [v] interest expense attributable to any loans; [vi] increases or decreases in overhead expenses in an amount equal to the total of overhead expenses reflected in the Annual Budget for the prior year (excluding non-recurring items) multiplied by the percentage increase or decrease in the U.S. Department of Labor Bureau of Labor Statistics Consumer Price Index for all Urban Consumers or a successor index for the prior Fiscal Year (but in no event will such change be more than 10% of the corresponding items in the prior Annual Budget); and [vii] decreases in expenses attributable to non-recurring items reflected in the prior year's Annual Budget.

[c] The initial Annual Budget shall be attached hereto as Exhibit E.

7.6 Curative Provision.

To the extent the GCI Member's management rights in the Company exceed any allowable control requirements for ownership of wireless communications carriers under any agreement or understanding to which GCI may be bound or under any law or regulation of any Governmental Authority to which GCI may be subject, the Members will negotiate in good faith an amendment to this Agreement that will contain curative provisions regarding voting interests in the Company.

ARTICLE 8. LIABILITY OF A MEMBER

8.1 Limited Liability.

Except as otherwise provided in the Act, the debts, obligations and liabilities of the Company (whether arising in contract, tort or otherwise) will be solely the debts, obligations and liabilities of the Company, and no Member (or former Member) of the Company is liable or will be obligated personally for any such debt, obligation or liability of the Company solely by reason of such status. No Manager or Officer of the Company nor any officer, director, employee or agent of any Member will have any personal liability for the performance of any obligation of any Member under this Agreement.

8.2 Capital Contribution.

Each Member is liable to the Company for [a] the Initial Contribution deemed to be made under Section 4.1 and [b] subject to Section 8.3, any Capital Contribution or Distribution that has been wrongfully or erroneously returned or made to such Person in violation of the Act, the Articles or this Agreement.

8.3 Capital Return.

Any Member who has received the return of all or any part of such Member's Capital Contribution will have no liability to return such Distribution to the Company after the expiration of the applicable period of time specified by the Act or other applicable law unless Notice of an obligation to return is given to such Person within such time period; provided that if such return of capital has occurred without violation of the Act, the Articles or this Agreement, such obligation to return capital will apply only to the extent necessary to discharge the Company's liability to its creditors who reasonably relied on such obligation in extending credit prior to such return of capital.

8.4 Reliance.

Any Member will be fully protected in relying in good faith upon the records of the Company and upon such information, opinions, reports or statements by [a] any of the Company's other Members, Board of Managers or Officers or [b] any other Person who has been selected with reasonable care as to matters such Member reasonably believes are within such other Person's professional or expert competence. Matters as to which such reliance may be made include the value and amount of assets, liabilities, Profits and Losses of the Company, as well as other facts pertinent to the existence and amount of assets from which Distributions to Members might properly be made.

ARTICLE 9. INDEMNIFICATION

9.1 General.

To the full extent permitted by law, the Company will indemnify, defend and hold harmless each Member (and each such Member's

shareholders, directors, officers, partners, members, employees, Affiliates and agents), Manager and each Officer of the Company (collectively, "Indemnified Persons") from and against any and all claims, damages, causes of action, losses, expenses (including reasonable fees and expenses of attorneys and other advisors and any court costs incurred by such Indemnified Person) and liabilities (collectively, "Damages") arising from or in connection with the business or affairs of the Company, the preservation of the business and property of the Company or the defense or disposition of any claim, demand or Proceeding in which such Indemnified Person may be involved or with which such Indemnified Person may be threatened to be involved, as a party or otherwise because such Person was a Member, Manager or Officer (or was a shareholder, director, officer, partner, member, employee, Affiliate or agent of a Member) or acted or failed to act with respect to the business or affairs of the Company if [a] such Person acted in good faith, [b] such Person reasonably believed that its conduct in an official capacity was in the Company's best interests or, if the conduct was not in an official capacity, that its conduct was at least not opposed to the Company's best interests and [c] such Person, in the case of any criminal Proceeding, had no reasonable cause to believe its conduct was unlawful. The termination of any action or Proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent will not of itself create a presumption that indemnification is not available under this Agreement.

9.2 Exception.

Notwithstanding the general rule stated in Section 9.1, the Company will not indemnify any Person in connection with [a] any Proceeding by or in right of the Company in which such Person was adjudged liable to the Company, or [b] in connection with any Proceeding charging improper personal benefit to such Person (or another Person of which such Person is or was a shareholder, director, officer, partner, member, employee or agent) (whether or not involving action in an official capacity) in which such Person was adjudged liable on the basis that personal benefit was improperly received.

9.3 Expense Advancement.

With respect to the reasonable expenses incurred by an Indemnified Person who is a party to a Proceeding, the Company may provide funds to such Person (and, in the case of a Member, to the shareholders, directors, officers, partners, members, employees, Affiliates and agents of such Person) in advance of the final disposition of the Proceeding if [a] such Person furnishes the Company with such Person's written affirmation of a good-faith belief that it has met the standard of conduct described in Section 9.1, [b] such Person agrees in writing to repay the advance if it is determined that it has not met such standard of conduct and [c] the Company determines that, based on then known facts, indemnification is permissible under this Article.

9.4 Insurance.

The indemnification provisions of this Article do not limit any Person's right to recover under any insurance policy maintained by the Company. If, with respect to any loss, damage, expense or liability described in Section 9.1, any Person receives an insurance policy indemnification payment that, together with any indemnification payment made by the Company, exceeds the amount of such loss, damage, expense or liability, then such Person will immediately repay such excess to the Company.

9.5 Indemnification of Others.

To the same extent that the Company will indemnify and advance expenses to a Member, the Company may indemnify and advance expenses to any employee or agent of the Company. In addition, the Company, in its discretion, may indemnify and advance expenses to any employee or agent to a greater extent than a Member.

9.6 Exculpation.

No Indemnified Person will be liable to the Company or any other Member for any Damages incurred by reason of any act or omission performed or omitted by such Indemnified Person in good faith on behalf of the Company and in a manner reasonably believed to be within the scope of the authority conferred on the applicable Member, Manager or Officer by this Agreement, except that an Indemnified Person will be liable to the Company for any such Damages incurred by reason of such Indemnified Person's willful misconduct.

9.7 Rights Not Exclusive.

The rights accruing to each Indemnified Person under this Article 9 will not exclude any other right to which such Indemnified Person may be lawfully entitled.

ARTICLE 10. ACCOUNTING AND REPORTING

10.1 Fiscal Year.

For income tax and accounting purposes, the fiscal year of the Company will be the Fiscal Year.

10.2 Tax Accounting Method.

For income tax purposes, the Company will use the accrual method of accounting, unless otherwise required by the Code. The Tax Matters Partner will have the authority to adopt all other accounting methods for tax purposes.

10.3 Tax Elections.

Notwithstanding any other provision of this Agreement, no Member, Manager or employee of the Company may take any action (including, but not limited to, the filing of a U.S. Treasury Form 8832 Entity Classification Election) which would cause the Company to be characterized as an entity other than a partnership for U.S. federal income tax purposes without the consent of the GCI Member. The Tax Matters Partner will have the authority to make any other tax elections, and to revoke any such election, as the Tax Matters Partner may from time to time determine. Notwithstanding the preceding sentence, following any Transfer (within the meaning of § 754 of the Code) of a Unit, the Tax Matters Partner will make the election under § 754 of the Code.

10.4 Returns.

At the expense of the Company, the Tax Matters Partner will cause the preparation and timely filing of all tax returns required to be filed by the Company pursuant to the Code, as well as all other tax returns required in each jurisdiction in which the Company does business.

10.5 Reports; Annual Financial Statements; Regulatory Reporting Obligations .

The Company will prepare or will cause the preparation of within the time frames requested by the GCI Member from time to time, such financial statements of the Company and other financial information prepared in accordance with GAAP as GCI may require (the " GCI Requested Financial Information"), as reasonably determined by GCI, to enable it to consolidate the Company's results of operations with GCI's results of operations for purposes of U.S. financial accounting reporting rules and regulations and to meet on a timely basis, GCI's reporting or other obligations under applicable law, the rules and regulations promulgated thereunder and interpretations thereof by the applicable regulatory authority or its staff, including, without limitation, the U.S. Securities Act of 1933, as amended, and the U.S. Securities Exchange Act of 1934, as amended. The Company will provide such GCI Requested Financial Information to GCI within 10 to 13 days of each fiscal year, quarter or month end, as applicable, or such shorter time period as may be required by GCI pursuant to the preceding sentence. The Company shall within the time frame requested by the GCI Member from time to time, take such action or produce such other information, statements and reports, as may be required by applicable stock exchange or stock associations rules or by applicable law, the rules and regulations promulgated thereunder or interpretations thereof by the applicable regulatory authority or its staff, as reasonably determined by the GCI Member to timely meet its or its Affiliates' disclosure, reporting or other obligations under the rules of any stock exchange or stock association on which its shares are listed and under any applicable law and the rules and regulations promulgated thereunder or interpretations thereof by the applicable regulatory authority or its staff, including, without limitation, the U.S. Securities Act of 1933, as amended, the U.S. Securities Exchange Act of 1934, as amended, and the Sarbanes-Oxley Act of 2002, as amended.

10.6 Books and Records.

[a] The following books and records of the Company will be kept at its principal office: [i] a current list of the full name and last known business, residence or mailing address of each Member; [ii] originals of the Articles and of this Agreement, as amended (as well as any signed powers of attorney pursuant to which any such document was executed); [iii] a copy of the Company's federal, state and local income tax returns and reports and annual financial statements of the Company, for the ten most recent years; and [iv] minutes, or minutes of action or written consent, of every meeting of Members of the Company.

[b] The Company will keep at the Company's principal office separate books of account for the Company which will show a true and accurate record of all costs and expenses incurred, all credits made and received, and all income derived in connection with the operation of the Company in accordance with GAAP consistently applied as to the Company's financial position and results of operations.

[c] Each Member will have the right, at any time with reasonable Notice to the Board of Managers and at such Member's sole expense, to examine, copy and audit the Company's books and records during normal business hours. All books and records (including bills and invoices), reports and returns of the Company required by this Article will be maintained in a commercially reasonable manner as reasonably determined by the Board of Managers.

10.7 Information.

[a] Each Member has the right, from time to time and upon reasonable demand for any purpose reasonably related to such Person's interest as a Member of the Company, to obtain from the Company: [i] a current list of the full name and last known business, residence or mailing address of each Member; [ii] a copy of the Articles and of this Agreement, as amended (as well as any signed powers of attorney pursuant to which any such document was executed); [iii] a copy of the Company's federal, state and local income tax returns and reports and annual financial statements of the Company, for the six most recent years; [iv] minutes, or minutes of action or written consent, of every meeting of the Members of the Company and the Board of Managers; [v] true and full information regarding the amount of money and a description and statement of the agreed value of any other property or services contributed or to be contributed by each Member, and the date on which each became a Member; [vi] true and full information regarding the status of the business and

financial condition of the Company; and [vii] other information regarding the affairs of the Company as is just and reasonable. Any demand by a Member under this 10.7 must be by Notice to the Company, and must state the purpose of the demand. Any inspection or copying of the Company's books and records under this 10.7 will be during normal business hours, and at the expense of the Member making the demand.

[b] The Board of Managers will cause the Company to provide to each Member [i] not more than ten days following the end of the fiscal quarter, an estimate of any taxable income or gain to be allocated to such Member for such fiscal quarter and [ii] not more than 75 days after each Fiscal Year end, such information for such Fiscal Year as the Member reasonably requires to prepare tax returns or reports required to be filed by it or one or more of its Affiliates, including federal and state tax information and projections and estimates.

10.8 Banking.

The Company may establish and maintain one or more accounts or safe deposit boxes at banks or other financial institutions. The Company may authorize one or more individuals to sign checks on and withdraw funds from such bank or financial accounts and to have access to such safe deposit boxes, and may place such limitations and restrictions on such authority as the Company deems advisable. No funds of the Company will be commingled with funds of any Member or any other Person.

10.9 Tax Matters; Tax Matters Partner.

Until further action by the Company, the GCI Member (or any Transferee of a majority of the Units owned by such Member) is designated as the Tax Matters Partner under § 6231(a)(7) of the Code. The Tax Matters Partner will take no action that is reasonably expected to have a material adverse effect on one or more of the Members unless such action is approved by the unanimous Vote of the Members. The Tax Matters Partner will be responsible for notifying all Members of ongoing tax Proceedings, both administrative and judicial, and will represent the Company throughout any such Proceeding. The Members will furnish the Tax Matters Partner with such information as it may reasonably request to provide the Internal Revenue Service with sufficient information to allow proper notice to the Members. If an administrative Proceeding with respect to a partnership item under the Code has begun, and the Tax Matters Partner so requests, each Member will notify the Tax Matters Partner of its treatment of any partnership item on its federal income tax return, if any, which is inconsistent with the treatment of that item on the partnership return for the Company. Any settlement agreement with the Internal Revenue Service will be binding upon the Members only as provided in the Code. The Tax Matters Partner will not bind any other Member to any extension of the statute of limitations or to a settlement agreement without such Member's written consent. Any Member who enters into a settlement agreement with respect to any partnership item will notify the other Members of such settlement agreement and its terms within 30 days after the date of settlement. If the Tax Matters Partner does not file a petition for readjustment of the partnership items in the Tax Court, federal District Court or Claims Court within the 90-day period following a notice of a final partnership administrative adjustment, any notice partner or 5-percent group (as such terms are defined in the Code) may institute such action within the following 60 days. The Tax Matters Partner will timely notify the other Members in writing of its decision. Any notice partner or 5-percent group will notify the other Members of its filing of any petition for readjustment.

10.10 Classification of Company as Partnership for Tax Purposes, Not State Law.

The Company will be classified as a partnership for federal (and, as appropriate, state and local) income tax purposes. This characterization, solely for tax purposes, does not create or imply a general partnership or limited partnership among the Members for state law or any other purpose. Instead, the Members acknowledge the status of the Company as a limited liability company formed under the Act. All duties and obligations of the Members to each other are expressly set forth in this Agreement. Without limiting the foregoing, the Members do not owe to each other or to the Company the duties that a general partner owes to a partnership and its other partners nor do the Managers owe such duties to each other, the Company or its Members, it being acknowledged that the duties owed by the Managers to each other and the Company are as set forth in Article 9. The Members do not have any express or implied fiduciary duties to the Company or each other except the fiduciary duties, if any, that shareholders in an Alaska corporation might have to each other or the corporation.

ARTICLE 11. DISSOLUTION

11.1 Dissolution.

Dissolution of the Company will occur upon the happening of any of the following events:

[a] The affirmative Vote of Members owning more than 90% of the outstanding Common Units;

[b] The sale, lease or other disposition of all or substantially all of the assets of the Company in any transaction or series of transactions;

[c] Entry of a decree of judicial dissolution under the Act;

[d] an event of Withdrawal (as defined in Section 11.2) of a Member and the election of the remaining Members to dissolve in

accordance with Section 11.3; or

[e] if either the GCI Member or any Non-GCI Member has materially breached a material provision of this Agreement and such breach has not been cured within 30 days after receipt of a Notice from the non-breaching Member providing reasonable detail concerning the nature of the breach, then upon the election of the non-breaching Member.

11.2 Events of Withdrawal.

An event of Withdrawal of a Member occurs when any of the following occurs:

[a] with respect to any Member, upon the Transfer of all of such Member's Units (which may only be done as otherwise permitted under this Agreement and which Transfer is treated as a resignation);

[b] with respect to any Member, upon the voluntary withdrawal, retirement or resignation of the Member by Notice to the Company;

[c] with respect to any Member that is a corporation, upon filing of articles of dissolution of the corporation;

[d] with respect to any Member that is a partnership, a limited liability company or a similar entity, upon dissolution and liquidation of such entity (but not solely by reason of a technical termination under § 708(b)(1)(B) of the Code); or

[e] with respect to any Member, the Bankruptcy of the Member.

Within 10 days following the happening of any event of Withdrawal with respect to a Member, such Member must give Notice of the date and the nature of such event to the Company.

11.3 Continuation.

In the event of Withdrawal of a Member, the Company will be continued unless the remaining Members (including the Permitted Transferee of a withdrawing Member, if applicable) unanimously elect to dissolve. If the Company is so continued, any Member as to which an event of Withdrawal specified in Sections 11.2[b] through 11.2[e] has occurred, or such Member's Transferee or other successor-in-interest (as the case may be) if a Member has made a Transfer in violation of this Agreement and such Transfer is found not to be null and void, will, without further act, become a "Limited Owner" of its own Units or the Units of the withdrawn Member. A Limited Owner has no right: [a] to participate or interfere in the management or administration of the Company's business or affairs, including by virtue of appointment of one or more Managers, [b] to vote or agree on any matter affecting the Company or any Member, [c] to require any information on account of Company transactions or [iv] except as provided in the next succeeding sentence, to inspect the Company's books and records. The only rights of a Limited Owner are: [i] to obtain the information specified in Section 10.7 if it executes a confidentiality agreement (in form and substance satisfactory to the Board of Managers) concerning such information if not already bound by Section 10.7, [ii] to receive the allocations and Distributions to which the Units of the Limited Owner are entitled and [iii] to receive all necessary tax reporting information. Neither the Company, the Board of Managers nor the Members will owe any fiduciary duty of any nature to a Limited Owner. However, each Limited Owner will be subject to all of the obligations, restrictions and other terms contained in this Agreement as if it were a Member.

ARTICLE 12. LIQUIDATION

12.1 Liquidation.

Upon Dissolution of the Company, the Company immediately will proceed to wind up its affairs and liquidate pursuant to this Section 12.1. If there is only one remaining Member, that Member will act as the liquidating trustee. Otherwise, any Person appointed by the affirmative Vote of Members owning more than 50% of the outstanding Units will act as the liquidating trustee. The Liquidation of the Company will be accomplished in a businesslike manner as determined by the liquidating trustee. A reasonable time will be allowed for the orderly Liquidation of the Company and the discharge of liabilities to creditors so as to enable the Company to minimize any losses attendant upon Liquidation. Any gain or loss on disposition of any Company assets in Liquidation will be allocated to Members in accordance with the provisions of Article 5. Any liquidating trustee is entitled to reasonable compensation for services actually performed, and may contract for such assistance in the liquidating process as such Person deems necessary or desirable. Until the filing of a certificate canceling the Articles under Section 12.8, and without affecting the liability of the Members and without imposing liability on the liquidating trustee, the liquidating trustee may settle and close the Company's business, prosecute and defend suits, dispose of its property, discharge or make provision for its liabilities, and make Distributions in accordance with the priorities set forth in this Article.

12.2 [Reserved].

12.3 Priority of Payment.

The assets of the Company will be distributed in Liquidation in the following order:

[a] First, to creditors by the payment or provision for payment of the debts and liabilities of the Company and the expenses of Liquidation, including the setting up of any reserves that are reasonably necessary for any contingent, conditional or unmatured liabilities or obligations of the Company;

[b] Second, to the Members that own Units in proportion to the positive balances in their respective Capital Accounts, measured immediately following the Capital Account adjustments arising from the transactions contemplated by Sections 2.2, 2.3 and 2.4 of the Reorganization Agreement; and

[c] Third, to the Members that own Units in proportion to the positive balances in their respective Capital Accounts for their Units after such Capital Accounts have been adjusted to account for the distributions contemplated by Section 12.3[b] and after such Capital Accounts have been adjusted for all allocations of Profits and Losses and items thereof for the Fiscal Year during which such Liquidation occurs.

12.4 Liquidating Distributions.

Liquidating Distributions will be made by distributing the assets of the Company in kind to the Members in proportion to the amounts distributable to them pursuant to Section 12.3, valuing such assets at their Fair Market Value (net of liabilities secured by such property that the Member takes subject to or assumes that were not taken into account in determining the Fair Market Value of such assets) on the date of Distribution. Notwithstanding the preceding sentence, but only upon the affirmative Vote of Members owning more than 50% of the outstanding Units, liquidating Distributions may be made by selling the assets of the Company and distributing the net proceeds. Each Member receiving a liquidating Distribution in kind agrees to save and hold harmless the other Members from any and all liabilities assumed by such Member or to which assets distributed to such Member are taken subject by such Member. Appropriate and customary prorations and adjustments will be made incident to any Distribution in kind. The Members will look solely to the assets of the Company for the return of their Capital Contributions, and if the assets of the Company remaining after the payment or discharge of the debts and liabilities of the Company are insufficient to return such contributions, they will have no recourse against any other Member. The Members acknowledge that Section 12.3 may establish Distribution priorities on Liquidation different from those set forth in the Act, as in effect at the time of any Distribution; and, in such event, it is the Members' intention that the provisions of Section 12.3 will control, to the extent possible.

12.5 No Restoration Obligation.

Except as otherwise specifically provided in Sections 8.2 and 8.3, nothing contained in this Agreement imposes on any Member an obligation to make an Additional Contribution in order to restore a deficit Capital Account upon Liquidation of the Company.

12.6 Timing.

Final Distributions in Liquidation will be made by the later of [a] the date that all necessary consents from any governmental authorities or third parties are obtained to make an in kind Distribution of any assets, or [b] the end of the Company's Fiscal Year in which such actual Liquidation occurs (or, if later, within 90 days after such event) in the manner required to comply with the § 704(b) Regulations. Payments or Distributions in Liquidation may be made to a liquidating trust established by the Company for the benefit of those entitled to payments under Section 12.3, in any manner consistent with this Agreement and the § 704(b) Regulations.

12.7 Liquidating Reports.

A report will be submitted with each liquidating Distribution to Members made pursuant to Section 12.4, showing the collections, disbursements and Distributions during the period that is subsequent to any previous report. A final report, showing cumulative collections, disbursements and Distributions, will be submitted upon completion of the Liquidation.

12.8 Articles of Dissolution.

Upon Dissolution of the Company and the completion of the winding up of its business, the Company will file Articles of Dissolution (to cancel the Articles) with the Alaska Department of Commerce, Community, and Economic Development pursuant to the Act. At such time, the Company will also file an application for withdrawal of its certificate of authority in any jurisdiction where it is then qualified to do business.

ARTICLE 13. TRANSFER RESTRICTIONS

13.1 General Rule.

Except as otherwise provided in Section 13.2, no Member may directly or indirectly Transfer (including by a direct or indirect Transfer of equity interests in or voting rights with respect to the Member, except that a Transfer of equity interests in the GCI Member or a Non-GCI Member will not constitute a Transfer of any Units held by such Member) any of its Common Units without the approval of all members of the Board of Managers, subject in all cases to satisfaction of the conditions set forth in Section 13.4 below. The Profits Interest Units shall not be transferable, except as provided in Article 14 below. Any attempt to Transfer Units in violation of this Agreement will be void ab initio, the Company will not register such attempted Transfer in its records and any purported Transferee will not be recognized as the holder of such Units.

13.2 Permitted Transfers.

Any transfer of Common Units contemplated by Section 2.4 of the Reorganization Agreement will be permitted without approval of all members of the Board of Managers. In addition, a Transfer of Common Units to a Person that is an Affiliate of a Member will be permitted without approval of all members of the Board of Managers, so long as any such Person that is an Affiliate of such Member continues to be an Affiliate of such Member at all times while it owns any Common Units. If at any time an Affiliate of a Member to whom a Member has Transferred Common Units under this Section 13.2 ceases to be an Affiliate of such Member, prior to such cessation such Person will Transfer its Common Units back to such Member or to an Affiliate of such Member. Any Transfer of Common Units under this Section 13.2 shall be subject to the satisfaction of the conditions set forth in Section 13.4.

13.3 Permitted Pledges.

Any pledge of Common Units pursuant to a bona fide loan transaction or any hedging transaction affecting all or any part of a Member's Common Units will not in itself constitute a Transfer hereunder or cause the Member to cease to be a Member provided that [a] the Member owning such Common Units gives Notice to the other Members of such pledge or hedge at least ten days prior to effecting it and [b] the pledgee or counterparty to the hedging transaction, as applicable, agrees in writing to be bound by and comply with all provisions of this Agreement applicable to the Member effecting such pledge or hedge. Any transfer of title to, or beneficial interest in, any Common Units to a pledgee upon foreclosure or to a counterparty to a hedging transaction upon physical settlement of such hedging transaction will be subject to the transfer restrictions under this Article 13. Any Transfer of Units under this Section 13.3 shall be subject to the satisfaction of the conditions set forth in Section 13.4.

13.4 General Conditions on Transfer.

No Transfer of a Unit will be effective unless all the conditions set forth below are satisfied:

[a] Unless waived by each nontransferring Member, the Transferor signs and delivers to the Company an undertaking in form and substance satisfactory to the Company to pay all reasonable expenses incurred by the Company in connection with the Transfer (including reasonable fees of counsel and accountants and the costs to be incurred with any additional accounting required in connection with the Transfer, and the cost and fees attributable to preparing, filing and recording such amendments to the Articles or other organizational documents or filings as may be required by law);

[b] Unless waived by each nontransferring Member, the Transferor delivers to the Company [i] an opinion of counsel for the Transferor reasonably satisfactory in form and substance to the Company to the effect that, assuming the accuracy of the statement of the Transferee described in [ii] below, the Transfer of the Units as proposed does not violate requirements for registration under applicable federal and state securities laws and [ii] a statement of the Transferee in form and substance reasonably satisfactory to the Company making appropriate representations and warranties with respect to compliance with the applicable federal and state securities laws and as to any other matter reasonably required by the Company;

[c] The Transferor signs and delivers to the Company a copy of the assignment of the Units to the Transferee (substantially in the form of the attached Exhibit A or such other form as reasonably acceptable to the Company), which assignment will provide that the Transferor will continue to be liable for the performance of its liabilities under this Agreement; and

[d] Unless the Transferee is already a Member, the Transferee signs and delivers to the Company an agreement (substantially in the form of the attached Exhibit B or such other form as reasonably acceptable to the Company) to be bound by this Agreement.

The Transfer of the Units will be effective as of 12:01 a.m. (Alaska Time) on the first day on which all of the above conditions have been satisfied. The Company will amend Schedule 1.3 as of the effective time of any Transfer of any Units to give effect to such Transfer. No consent of any Member will be necessary to make any such amendment to Schedule 1.3.

13.5 Rights of Transferees.

Any Transferee acquiring Units in compliance with this Agreement will become a Member automatically on the effective date of the Transfer

ARTICLE 14. LIQUIDITY RIGHTS.

14.1 Call Rights.

[a] GCI Member Call Right – Within 18 Months. At any time during the period (the "First GCI Call Period") following the Effective Date and ending at 5:00 p.m. (local time at the Company's principal office) on the first Business Day following the expiration of 540 days following the Effective Date, the GCI Member may require the Non-GCI Members to sell to the GCI Member all, but not less than all, of the Common Units owned by the Non-GCI Members, at a purchase price equal to the greater of [i] the Appraised Unit Value (as determined in accordance with Section 14.3 below) of such Common Units, or [ii] the amount equal to the Non-GCI Members' Capital Account following the transactions and adjustments contemplated by Sections 2.2, 2.3 and 2.4 of the Reorganization Agreement (the "Adjusted Initial Capital Account") plus the product of 15% multiplied by the amount of such Adjusted Initial Capital Account (a " 15% Coupon"). The GCI Member must exercise this right by delivering a written notice to the Non-GCI Members electing to exercise this call right (the "Call Notice") at any time prior to the expiration of the First GCI Call Period. Upon the closing of such purchase by the GCI Member of the Non-GCI Members' Common Units, all of the Profits Interest Units owned by the Fire Lake Member will be forfeited in their entirety and will represent no economic or other interests in the Company.

[b] GCI Member Call Right – From 18-30 Months. At any time during the period (the "Second GCI Call Period") commencing on the expiration of the First GCI Call Period and ending at 5:00 (local time at the Company's principal office) on the first Business Day following the expiration of 900 days following the Effective Date, the GCI Member may require the Non-GCI Members to sell to the GCI Member all, but not less than all, of the Common Units owned by the Non-GCI Members, at a purchase price equal to the greater of [i] the Appraised Unit Value (as determined in accordance with Section 14.3 below) of such Common Units, or [ii] the amount equal to the Non-GCI Members' Adjusted Initial Capital Account plus a 15% Coupon. The GCI Member must exercise this right by delivering a Call Notice to the Non-GCI Members at any time prior to the expiration of the Second GCI Call Period. Upon the closing of such purchase by the GCI Member of the Non-GCI Members' Common Units, [A] in the event that the GCI Member purchases the Non-GCI Members' Common Units pursuant to Section 14.1[b][i] above, the GCI Member will purchase from the Fire Lake Member and the Fire Lake Member will sell to the GCI Member, all of the Profits Interest Units owned by the Fire Lake Member in exchange for a purchase price equal to the Appraised Unit Value (as determined in accordance with Section 14.3 below) of such Profits Interest Units; and [B] in the event that the GCI Member purchases the Non-GCI Members' Common Units pursuant to Section 14.1[b][ii] above, all of the Profits Interest Units owned by the Fire Lake Member will be forfeited in their entirety and will represent no economic or other interests in the Company.

[c] GCI Member Call Right – After 30 Months. At any time after the expiration of the Second GCI Call Period, the GCI Member may require the Non-GCI Members to sell to the GCI Member all, but not less than all, of the Common Units owned by the Non-GCI Members, at a purchase price equal to the Appraised Unit Value (as determined in accordance with Section 14.3 below) of such Common Units. The GCI Member must exercise this right by delivering a Call Notice to the Non-GCI Members at any time after the expiration of the Second GCI Call Period. Upon the closing of such purchase by the GCI Member of the Non-GCI Members' Common Units, the GCI Member will purchase from the Fire Lake Member and the Fire Lake Member will sell to the GCI Member, all of the Profits Interest Units owned by the Fire Lake Member in exchange for a purchase price equal to the Appraised Unit Value (as determined in accordance with Section 14.3 below) of such Profits Interest Units.

[d] AKD Holdings Member Call Right – Within 49 Months. At any time during the period (the "AKD Call Period") ending at 5:00 p.m. (local time at the Company's principal office) on the final Business Day following the expiration of 1,470 days following the Effective Date, the AKD Holdings Member may require the GCI Member to sell to the AKD Holdings Member all, but not less than all, of the Common Units owned by the GCI Member, at a purchase price equal to the Appraised Unit Value (as determined in accordance with Section 14.3 below) of such Common Units. The AKD Holdings Member must exercise this right by delivering a Call Notice to the GCI Member at any time prior to the expiration of the AKD Call Period. As a condition to the AKD Holdings Member's right to exercise this call option, concurrent with the delivery of the Call Notice, the AKD Holdings Member must provide the GCI Member with evidence reasonably satisfactory to the GCI Member that the AKD Holdings Member have the financial ability to pay the applicable purchase price at the time the Call Notice is delivered or that the AKD Holdings Member has the ability to find a Third Party lender to finance the applicable purchase price at the closing of such sale of Common Units. If the AKD Holdings Member exercises the call option set forth in this Section 14.1[d], the GCI Member may, within 7 days of its receipt of the Call Notice, exercise any applicable option that it has to purchase the AKD Holdings Member's Common Units pursuant to Section 14.1[a], 14.1[b] or 14.1[c] (in each case including all accompanying rights to purchase or cause the forfeiture of the Fire Lake Profits Interest), which shall preempt the AKD Holdings Member's right to purchase the GCI Member's Common Units set forth in this Section 14.1[d].

[e] Closing Procedures. The closing of any purchase and sale of Common Units and Profits Interest Units under this Section 14.1 will occur at such time and will be subject to such conditions as are set forth in Section 14.4.

14.2 Put Rights.

[a] AKD Holdings Member Put Right. At any time following the expiration of 1,440 days following the Effective Date, the AKD Holdings Member may require the GCI Member to purchase all, but not less than all, of the Common Units owned by the AKD Holdings Member, at a purchase price equal to the Appraised Unit Value (as determined in accordance with Section 14.3 below) of such Common Units. The AKD Holdings Member must exercise this right by delivering a written notice to the GCI Member electing to exercise this put right (the "Put Notice") at any time following the expiration of 1,440 days following the Effective Date. At the option of the GCI Member, contingent on the closing of such sale to the GCI Member of the AKD Holdings Member' Common Units, the GCI

Member may require the Fire Lake Member to sell to GCI all, but not less than all, of the Profits Interest Units owned by the Fire Lake Member in exchange for a purchase price equal to the Appraised Unit Value (as determined in accordance with Section 14.3 below) of such Profits Interest Units.

[b] GCI Member Put Right. At any time following the expiration of 1,440 days following the Effective Date, the GCI Member may require the AKD Holdings Member or the Company to purchase all, but not less than all, of the Common Units owned by the GCI Member, at a purchase price equal to the Appraised Unit Value (as determined in accordance with Section 14.3 below) of such Common Units. The GCI Member must exercise this right by delivering a Put Notice to whichever of the AKD Holdings Member or the Company that is to be the purchaser in the transaction at any time following the expiration of 1,440 days following the Effective Date. In order to exercise this put option, the GCI Member must be reasonably satisfied that the applicable purchaser in the transaction then has the financial ability to pay the applicable purchase price for the Common Units or has the ability to find a Third Party lender to finance payment of such purchase price at the closing of such sale of Units. The AKD Holdings Member or the Company, as applicable, will cooperate in all respects to provide evidence that the GCI Member requires to meet such condition and, if necessary, the AKD Holdings Member or the Company will use Commercially Reasonable Efforts to procure Third Party financing for such a transaction.

[c] Closing Procedures. The closing of any purchase and sale of Common Units and Profits Interest Units under this Section 14.2 will occur at such time and will be subject to such conditions as are set forth in Section 14.4.

14.3 Determination of Appraised Unit Value.

For purposes of this Agreement, "Appraised Unit Value" with respect to Common Units shall mean the Fair Market Value of all, but not less than all, of the Common Units owned by the Member whose Common Units are being purchased pursuant to Section 14.1 or Section 14.2, and if applicable, the Fair Market Value of all, but not less than all, of the Profits Interest Units owned by the Fire Lake Member, in each case with no discount or premium for the fact that such Units represent a minority or a controlling interest in the Company. When the Appraised Unit Value of Common Units and/or Profits Interest Units are to be determined for purposes of Section 14.1 or Section 14.2, each will be determined as agreed by the GCI Member and the AKD Holdings Member or if the GCI Member and the AKD Holdings Member fail to agree on the Appraised Unit Value and such failure to agree continues for 10 Business Days after the Put Notice or the Call Notice has been delivered, then as determined pursuant to the following appraisal procedure:

[a] Each of the GCI Member and the AKD Holdings Member will, within 10 Business Days after the deadline for the GCI Member and the AKD Holdings Member to agree on the Appraised Unit Value, appoint a Qualified Appraiser who will be required as part of its appointment to determine, using an Authorized Valuation Methodology, the Appraised Unit Value of the Common Units and/or the Profits Interest Units and deliver its written independent appraisal thereof to the GCI Member and the AKD Holdings Member within 30 days after its appointment. If either the GCI Member or the AKD Holdings Member fail to appoint a Qualified Appraiser within the period provided above, the one Qualified Appraiser appointed will proceed to make the appraisal alone and its appraisal will be the applicable Appraised Unit Value, which will be final and binding upon the Members. "Qualified Appraiser" shall mean a Person experienced in valuing assets owned by the Company and who has no prior business relationship with any Member of the Company within the two years prior to its engagement, and the Members will agree not to hire such Person for six-months following the engagement. "Authorized Valuation Methodology" shall mean one or more valuation methodologies customarily used in the evaluation and appraisal of wireless communications assets, except that any such valuation methodology must be based on an earnings before interest, taxes, depreciation and amortization analysis and shall not be based on a revenue or subscriber count analysis.

[b] If the higher of the two appraisals with respect to the Common Units and/or the Profits Interest Units is less than 110% of the lower appraisal, the Appraised Unit Value with respect to such Units will be the average of the two appraisals. If the higher appraisal with respect to the Common Units and/or the Profits Interest Units is more than 110% of the lower appraisal, a third Qualified Appraiser, who will be required as part of its appointment to determine, using one or more Authorized Valuation Methodologies, the Appraised Unit Value for such Units within 30 days after its selection and deliver its written independent appraisal thereof to the GCI Member and the AKD Holdings Member, must be selected by the two initial Qualified Appraisers within five Business Days after both initial appraisals have been completed and delivered to the GCI Member and the AKD Holdings Member. The Appraised Unit Value with respect to such Units will be the average of the third appraisal and the one of the first two appraisals that is closest in amount to the third appraisal.

[c] In the event of the inability or unwillingness of any Qualified Appraiser to act, a new Qualified Appraiser must be appointed in its place within 14 days, such appointment being made in the same manner as provided above for the appointment of the Qualified Appraiser who is being replaced.

[d] The expense of the Qualified Appraiser appointed by the AKD Holdings Member will be borne by the AKD Holdings Member. The expense of the Qualified Appraiser appointed by the GCI Member will be borne by the GCI Member. The expense of a third Qualified Appraiser will be borne half by the AKD Holdings Member and half by the GCI Member. Notwithstanding the forgoing, the AKD Holdings Member shall be required to pay the expenses of all Qualified Appraisers if [i] the Appraised Unit Value is determined under Section 14.1[a], or [ii] if the Appraised Unit Value determined under Section 14.1[b] is finally determined to be less than the amount set forth in Section 14.1[b][ii].

[e] In connection with any appraisals performed pursuant to and in accordance with this Agreement, all of the applicable appraisers will be subject to a duty of confidentiality, and all of the parties will cooperate with all applicable appraisers and will provide such appraisers with all necessary and appropriate information reasonably requested by such appraisers in connection with such appraisals.

14.4 Closing Procedures.

[a] Unless otherwise agreed by the applicable parties, the closing of the purchase and sale of Common Units and/or Profits Interest Units pursuant to Section 14.1 or Section 14.2 will be completed at 10:00 a.m. local time on a date designated by the Member that provides the applicable Put Notice or Call Notice that is within 15 days after [i] delivering such Put Notice or Call Notice, or if a determination of the Appraised Unit Value is made pursuant to Section 14.3, after such determination is made, or [ii] such longer period as is reasonably required to satisfy all of the conditions set forth in Section 14.4[c]. At the closing, the applicable selling Members will deliver to the applicable purchasing Member a written instrument of assignment, substantially in the form attached hereto as Exhibit A, transferring their respective Units to the purchasing Member free and clear of Liens, and the purchasing Member will pay the applicable purchase price. The closing will be consummated at the principal executive offices of the Company unless the GCI Member and the AKD Holdings Member otherwise agree.

[b] The Member transferring any Common Units and/or Profits Interest Units pursuant to Section 14.1 or Section 14.2 shall be deemed to have represented and warranted that: [i] the purchaser will receive good and valid title to the applicable Units free and clear of all Liens of any nature whatsoever; and [ii] all of such Units can be purchased and sold without any notice to, or consent, approval, order or authorization of, or declaration or filing with, any other Person other than those already obtained and except for any required Governmental Approvals.

[c] The closing of any purchase and sale of Units will be subject to the satisfaction of the following conditions, it being agreed that the parties will use Commercially Reasonable Efforts to cause such conditions to be met: [i] all material consents, notices, approvals, including Governmental Approvals expressly required with respect to the transactions to be consummated at such closing will have been obtained; and [ii] there will be no preliminary or permanent injunction or other order by any court of competent jurisdiction restricting, preventing or prohibiting the consummation of the transactions to be consummated at such closing.

[d] Unless the applicable parties agree otherwise, the purchase price on any purchase and sale of Units will be payable by wire transfer of same day funds to an account at a bank designated by the applicable party, such designation to be made no less than two Business Days prior to the applicable closing.

[e] Except for Sections 13.4[a] and 13.4[b], each of which shall be deemed to have been waived, all conditions set forth in Section 13.4 must also be satisfied.

[f] Notwithstanding the failure of any Member to assign or deliver certificates representing Units on the applicable closing date as required by this Section 14.4, from and after the applicable closing date, the purchaser of the applicable Units shall for all purposes be deemed the record and beneficial owner of such Units, the selling Member shall have only the right to receive the applicable purchase price for such Units, without interest, and any certificates representing the applicable Units shall represent only the right to receive the applicable purchase price, without interest, upon surrender thereof to the purchaser.

ARTICLE 15. CERTAIN BUSINESS MATTERS

15.1 Distribution of Assets in Kind.

Any distribution of assets by the Company other than cash will be subject to the receipt of any regulatory or other approvals and waivers deemed necessary by the Board of Managers. Any distribution of assets will be made in accordance with the provisions of Article 6.

15.2 Other Business Ventures.

Except as provided for in the Management Agreement, each of the Members and their respective Affiliates may engage in or possess interests in other businesses or ventures of any nature without regard to whether such businesses or ventures are or may be deemed to be competitive in any way with the business of the Company or of any Person in which the Company holds an equity interest. Except as provided for in the Management Agreement, no Member will have any obligation to offer any business or investment opportunity to the Company.

15.3 Confidentiality.

[a] Each Member covenants and agrees that so long as he is a Member and thereafter, it will not [i] disclose to any other Person any Confidential Information (hereinafter defined), except for disclosures to Members, Managers, key employees, independent accountants and attorneys of the Company as may be necessary or appropriate in the performance of a Member's duties hereunder; or [ii] use any Confidential Information for any purpose other than the Company's business. Each Member covenants and agrees to cause its respective officers, directors and other representatives, including, without limitation, each Manager appointed by such Member to the Board of Managers (collectively, "Representatives") to observe all terms of this Agreement and shall be responsible for any breach of this Section 15.3 by any of its Representatives.

[b] The term "Confidential Information" means and includes any and all non-public and proprietary information regarding the assets, liabilities, operations, business, affairs, financing, services, products and trade secrets of the Company, any of its Affiliates or any of their

respective officers, directors, shareholders, partners, members, employees or agents. The term “Confidential Information” shall include, without limitation, all financial statements, financial information, projections, forecasts, business plans, methods, ideas, concepts, materials, documents, records, computer programs, customer lists, referral sources, work, models, processes, designs, drawings, plans, inventions, devices, parts, improvements, other physical and intellectual property or other information in any form whatsoever; provided, however, the term “Confidential Information” shall not include any information which [i] at the time of disclosure or thereafter is generally available to and known by the public (other than as a result of its disclosure by a Member or its Representatives in breach of this Section 15.3), [ii] was available to the Member on a non-confidential basis prior to disclosure by the Company, [iii] becomes available to the Member on a non-confidential basis from a Third Party who is not bound by a confidentiality agreement with the Company, or is not otherwise prohibited from transmitting the information to such Member, or [iv] GCI may need to disclose under any applicable law or stock exchange rule as a consequence of it being a public reporting company under the Securities Exchange Act of 1934.

[c] The Confidential Information shall remain the property of the Company; no rights, to use, license or otherwise exploit the Confidential Information are granted to any Member by implication or otherwise; and no Member shall by virtue of the disclosure of the Confidential Information and/or the Member’s use of the Confidential Information acquire any rights with respect thereto, all of which rights shall remain exclusively with the Company.

[d] Each Member acknowledges and agrees that the Company would be irreparably damaged by any unauthorized disclosure or use of any Confidential Information by a Member or its Representatives. Accordingly, without prejudice to the rights and remedies otherwise available to the Company, each Member agrees that the Company shall be entitled, without the requirement of posting a bond or other security, to equitable relief, including an injunction or specific performance, from any court of competent jurisdiction, wherever located, in the event of any breach or threatened breach of the provisions of this Section 15.3 by a Member or its Representatives. Such remedies shall not be deemed to be exclusive remedies but shall be in addition to all other remedies available at law or equity to the Company.

[e] In the event that a Member or any of its Representatives become legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigation, demand, order or other legal process) to disclose any Confidential Information, or is legally required or requested by any regulatory or self-regulatory organization to disclose any Confidential Information, such Member and its Representatives may do so without liability, provided Recipient [i] promptly notifies the Company prior to any such disclosure, [ii] cooperates with the Company in any attempts it may make to obtain a protective order or other appropriate assurance that confidential treatment will be afforded the Confidential Information and [iii] strictly limit any such disclosure to that which is expressly required by the terms of the legal action or regulatory or self regulatory organization compelling such disclosure.

[f] The obligations of this Section 15.3 shall survive the termination of this Agreement and any Dissolution and Liquidation of the Company.

ARTICLE 16. GENERAL PROVISIONS

16.1 Amendment.

Except as otherwise provided in this Agreement, this Agreement may be amended in a writing signed by Members who own more than 50% of the outstanding Units; provided, however, that [a] no amendment that would require any Member to make an additional Capital Contribution to the Company or impose personal liability on a Member for any debt, obligation or liability of the Company shall be effective unless set forth in a writing signed by such Member; [b] no amendment that would change adversely the rights and or obligations of the holders of a Profits Interest Unit in a manner that is different than its effect on the rights or obligations of the holders of Common Units shall be effective unless approved by the holders of two-thirds of the outstanding Profits Interest Units; [c] except for an amendment required in connection with the admission of an additional Member in accordance with the terms of this Agreement, modify or alter the method of determining, the order of priority or the interest of a Member in [i] allocations of Profits or Losses, [ii] allocations or Distributions of Available Cash, or [iii] allocation or Distribution of proceeds resulting from the Liquidation of the Company, unless such amendment receives the affirmative vote or written consent of each Member adversely affected thereby; or [d] amend the provisions of Sections 7.1 or 7.2 unless approved by the holders of 90% of the Common Units. Any duly adopted amendment to this Agreement is binding on, and inures to the benefit of, each Person who holds a Unit at the time of such amendment, without the requirement that such Person sign the amendment or any republication or restatement of this Agreement.

16.2 Representations.

Each Member hereby represents and warrants to each other Member that, as of the signing of this Agreement:

[a] Such Member is duly organized, validly existing and in good standing under the laws of the jurisdiction where it purports to be organized, and is a United States Person;

[b] Such Member has full power and authority as a corporation or limited liability company to enter into and perform its obligations under this Agreement;

[c] All actions on the part of such Member necessary to authorize the signing and delivery of this Agreement, and the performance by such Member of its obligations hereunder, have been duly taken;

[d] This Agreement has been duly signed and delivered by a duly authorized officer or other representative of such Member and constitutes the legal, valid and binding obligation of such Member enforceable in accordance with its terms, except as such enforceability may be affected by applicable bankruptcy, insolvency or other similar laws affecting creditors' rights generally, and except that the availability of equitable remedies is subject to judicial discretion;

[e] No consent or approval of any other Person is required in connection with the signing, delivery and performance of this Agreement and the Reorganization Agreement by such Member; and

[f] The signing, delivery and performance of this Agreement and the Reorganization Agreement do not violate the organizational documents of such Member or any material agreement to which such Member is a party or by which such Member is bound.

16.3 Unregistered Interests.

Each Member [a] acknowledges that the Units are being offered and sold without registration under the Securities Act of 1933, as amended, or under similar provisions of state law, [b] represents and warrants that such Member is acquiring the Units for such Member's own account, for investment, and without a view to the distribution of the Units, [c] represents and warrants that it is an "accredited investor" as defined in Rule 501(a) of the Regulation D under the Securities Act of 1933 and [d] agrees not to Transfer, or to attempt to Transfer, all or any part of its Units without registration under the Securities Act of 1933, as amended, and any applicable state securities laws, unless the Transfer is exempt from such registration requirements.

16.4 Waiver of Alternative Withdrawal Rights.

Each Member hereby waives and renounces any alternative rights that might otherwise be provided by law upon the withdrawal of such Person and accepts the provisions under this Agreement as such Person's sole entitlement upon the happening of such event.

16.5 Waiver of Partition Right.

Each Member hereby waives and renounces any right that it might otherwise have prior to Dissolution and Liquidation to institute or maintain any action for partition with respect to any property held by the Company.

16.6 Waivers Generally.

No course of dealing will be deemed to amend or discharge any provision of this Agreement. No delay in the exercise of any right will operate as a waiver of such right. No single or partial exercise of any right will preclude its further exercise. A waiver of any right on any one occasion will not be construed as a bar to, or waiver of, any such right on any other occasion.

16.7 Equitable Relief.

If any Member proposes or refuses to Transfer all or any part of its Units in violation of the terms of this Agreement, the Company or any Member may apply to any court of competent jurisdiction for an injunctive order prohibiting or requiring such proposed Transfer, and the Company or any Member may institute and maintain any action or Proceeding against the Person proposing or refusing to make such Transfer to compel the specific performance of this Agreement. Any attempted Transfer in violation of this Agreement is null and void, and of no force and effect. The Person against whom such action or Proceeding is brought hereby irrevocably waives the claim or defense that an adequate remedy at law exists, and such Person will not urge in any such action or proceeding the claim or defense that such remedy at law exists. The prevailing party in any such proceeding shall be entitled to recover its costs and expenses, including reasonable attorneys' fees, of preparing for and participating in the proceeding.

16.8 Arbitration.

The Members will attempt in good faith to resolve any controversy or claim arising out of or relating to this Agreement through discussions between the senior management of the Members. If these discussions are unsuccessful, except as provided in Section 16.7, the Members agree that any action asserting a claim by one Member against another Member hereto arising out of or relating to this Agreement shall, on the written notice by one Member to the others, be submitted to binding arbitration to be held in Seattle, Washington. The arbitration shall be conducted by and in accordance with the Commercial Arbitration Rules of the American Arbitration Association. The parties shall hold an initial meeting within thirty (30) days from receipt of notice from the requesting party of a request for arbitration. Unless otherwise agreed in writing, they will jointly appoint a mutually acceptable arbitrator not affiliated with either party. If they are unable to agree upon such appointment within thirty (30) days of the initial meeting, the parties shall obtain an odd numbered list of not less than five (5) potential arbitrators from the Superior Court for the Third Judicial District, State of Alaska. Each party shall alternatively strike a single name from the list until only one name remains, with such person to be the arbitrator. The party requesting the arbitration shall strike the first name. Each party shall pay one-half (½) of the costs related to the arbitration, unless the arbitrator's decision provides otherwise. Each party shall bear its own costs to prepare for and participate in the arbitration. Each party shall produce at the request of the other party, at least thirty (30) days in

advance of the hearing, all documents to be submitted at the hearing and such other documents as are relevant to the issues or likely to lead to relevant information. The arbitrator shall promptly render a written decision, in accordance with Alaska law and supported by substantial evidence in the record. The prevailing party shall be entitled to recover reasonable attorneys' fees, costs, charges and expended or incurred therein, if the arbitrator's decision so provides. Failure to apply Alaska law, or entry of a decision that is not based on substantial evidence in the record, shall be additional grounds for modifying or vacating an arbitration decision. Judgment on any arbitration award shall be entered in any court of competent jurisdiction. In any subsequent arbitration, the decision in any prior arbitration of this Agreement shall not be deemed conclusive of the rights among the parties hereunder.

16.9 Remedies for Breach.

The rights and remedies of the Members set forth in this Agreement are neither mutually exclusive nor exclusive of any right or remedy provided by law, in equity or otherwise, and all legal remedies (such as monetary damages) as well as all equitable remedies (such as specific performance) will be available for any breach or threatened breach of any provision of this Agreement.

16.10 Costs.

If the Company or any Member retains counsel for the purpose of enforcing or preventing the breach or any threatened breach of any provisions of this Agreement or for any other remedy relating to it, then the prevailing party will be entitled to be reimbursed by the nonprevailing party for all costs and expenses so incurred (including reasonable attorney's fees, costs of bonds and fees and expenses for expert witnesses.

16.11 Counterparts.

This Agreement may be signed in multiple counterparts, the signature pages of which may be detached and reattached to another identical counterpart. Each counterpart will be considered an original instrument, but all of them in the aggregate will constitute one agreement.

16.12 Notice.

All Notices under this Agreement will be in writing and will be either delivered or sent addressed as follows: [a] if to the Company, at the Company's principal office in Anchorage, Alaska, and [b] if to any Member, at such Person's address as then appearing in the records of the Company. In computing time periods, the day Notice is given will be included.

16.13 Deemed Notice.

Any Notices given to the Company or any Member in accordance with this Agreement will be deemed to have been duly given: [a] on the date of receipt if personally delivered, [b] five days after being sent by U.S. mail, postage prepaid, [c] on the date of receipt, if sent by registered or certified U.S. mail, postage prepaid, [d] on the date of receipt, if sent by facsimile or telecopier transmission (with telephonic confirmation by the recipient) or [e] one Business Day after having been sent by a nationally recognized overnight courier service.

16.14 Partial Invalidity.

Wherever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law. However, if for any reason any one or more of the provisions of this Agreement are held to be invalid, illegal or unenforceable in any respect, such action will not affect any other provision of this Agreement. In such event, this Agreement will be construed as if such invalid, illegal or unenforceable provision had never been contained in it.

16.15 Entire Agreement.

This Agreement (including its Schedules and Exhibits) contains the entire agreement and understanding of the Members concerning its subject matter.

16.16 Benefit.

Except as otherwise set forth in Section 9.1, this Agreement and the rights and obligations of the Members hereunder will inure solely to the benefit of the Members and their Transferees and the Company, without conferring on any other Person any rights of enforcement or other rights.

16.17 Further Assurances.

Each Member will sign and deliver, without additional consideration, such other documents of further assurance as may reasonably be necessary to give effect to the provisions of this Agreement.

16.18 Headings.

Article and section titles have been inserted for convenience of reference only. They are not intended to affect the meaning or interpretation of this Agreement.

16.19 Terms.

Terms used with initial capital letters will have the meanings specified, applicable to both singular and plural forms, for all purposes of this Agreement. All pronouns (and any variations) will be deemed to refer to the masculine, feminine or neuter, as the identity of the Person may require. The singular or plural includes the other, as the context requires or permits. The word “include” (and any variation) is used in an illustrative sense rather than a limiting sense. The word “day” means a calendar day, unless a Business Day is specified.

16.20 Governing Law.

This Agreement will be governed by, and construed in accordance with, the laws of the State of Alaska. Any conflict or apparent conflict between this Agreement and the Act will be resolved in favor of this Agreement, except as otherwise required by the Act.

16.21 No Tax Advice.

All Members acknowledge that any tax advice express or implicit in the provision of this Agreement are not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on tax payer by the Internal Revenue Service. Each Member should seek advice based on its particular circumstances from an independent tax advisor.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have caused this Operating Agreement of Alaska Digitel, LLC, to be duly executed and delivered, effective from the date first above mentioned, notwithstanding the actual date of signing.

GENERAL COMMUNICATION, INC.

By: /s/ William C. Behnke
Name: William C. Behnke
Title: Senior Vice President

AKD HOLDINGS, LLC

By: /s/ William M. Yandell
Name: William M. Yandell
Title: President

PACIFICOM HOLDINGS II, LLC

By: /s/ William M. Yandell
Name: William M. Yandell
Title: President

FIRE LAKE PARTNERS, L.L.C.

By: /s/ William M. Yandell
Name: William M. Yandell
Title: President

RED RIVER WIRELESS, LLC

By: /s/ William M. Yandell
Name: William M. Yandell
Title: President

LIST OF SCHEDULES

Schedule	
1.3	Names and Addresses of Members
4.1	Initial Capital Contributions

LIST OF EXHIBITS

Exhibit	
A	Form of Assignment of Units
B	Form of Transferee's Agreement
C	Form of Management Agreement
D	Examples of Adjustments to Common Units and Profits Interest Units Outstanding
E	Initial Budget

SCHEDULE 1.3

Names, Addresses and Unit Ownership

of Members

Members	**Unit Ownership**
General Communication, Inc. **2550 Denali Street, Suite 1000** **Anchorage, AK 99503** **Fax: (907) 868-5676** **Attn: Corporate Counsel** **With a copy of any Notice to:** **General Communication, Inc.** **2550 Denali Street, Suite 1000** **Anchorage, AK 99503** **Fax: (907) 868-5676** **Attn: General Manager & Executive Vice President**	**1,600 Common Units**
AKD Holdings, LLC **5350 Poplar Avenue, Suite 875** **Memphis, TN 38119** **Fax: (901) 763-3369** **Attn: Stephen M. Roberts** **With a copy of any Notice to:** **Jack S. Magids, Esq.** **The Bogatin Law Firm, PLC** **1661 International Place Drive, Suite 300** **Memphis, Tennessee 38120-1431** **Fax: (901) 767-2803**	**1,999 Common Units**
Red River Wireless, LLC **5350 Poplar Avenue, Suite 875** **Memphis, TN 38119** **Fax: (901) 763-3369** **Attn: Stephen M. Roberts** **With a copy of any Notice to:** **Jack S. Magids, Esq.** **The Bogatin Law Firm, PLC** **1661 International Place Drive, Suite 300** **Memphis, Tennessee 38120-1431** **Fax: (901) 767-2803**	**0.2848 Common Units**
Pacificom Holdings II, LLC **5350 Poplar Avenue, Suite 875** **Memphis, TN 38119** **Fax: (901) 763-3369** **Attn: Stephen M. Roberts** **With a copy of any Notice to:** **Jack S. Magids, Esq.** **The Bogatin Law Firm, PLC** **1661 International Place Drive, Suite 300**	**0.7152 Common Units**

Memphis, Tennessee 38120-1431
Fax: (901) 767-2803

SCHEDULE 1.3

Names, Addresses and Unit Ownership

of Members

This Revised Schedule 1.3 reflects the Units owned by each Member following the transactions contemplated by Sections 2.2 and 2.3 of the Reorganization Agreement.

Members	**Unit Ownership**
General Communication, Inc. **2550 Denali Street, Suite 1000** **Anchorage, AK 99503** **Fax: (907) 868-5676** **Attn: Corporate Counsel** **With a copy of any Notice to:** **General Communication, Inc.** **2550 Denali Street, Suite 1000** **Anchorage, AK 99503** **Fax: (907) 868-5676** **Attn: General Manager & Executive Vice President**	**1,595.5 Common Units**
AKD Holdings, LLC **5350 Poplar Avenue, Suite 875** **Memphis, TN 38119** **Fax: (901) 763-3369** **Attn: Stephen M. Roberts** **LXXXVII. With a copy of any Notice to:** **Jack S. Magids, Esq.** **The Bogatin Law Firm, PLC** **1661 International Place Drive, Suite 300** **Memphis, Tennessee 38120-1431** **Fax: (901) 767-2803**	**1,999 Common Units**
Red River Wireless, LLC **5350 Poplar Avenue, Suite 875** **Memphis, TN 38119** **Fax: (901) 763-3369** **Attn: Stephen M. Roberts** **With a copy of any Notice to:** **Jack S. Magids, Esq.** **The Bogatin Law Firm, PLC** **1661 International Place Drive, Suite 300** **Memphis, Tennessee 38120-1431** **Fax: (901) 767-2803**	**0.2848 Common Units**
Pacificom Holdings II, LLC **5350 Poplar Avenue, Suite 875** **Memphis, TN 38119** **Fax: (901) 763-3369** **Attn: Stephen M. Roberts** **With a copy of any Notice to:**	**0.7152 Common Units**

Jack S. Magids, Esq.
The Bogatin Law Firm, PLC
1661 International Place Drive, Suite 300
Memphis, Tennessee 38120-1431
Fax: (901) 767-2803

SCHEDULE 1.3

Names, Addresses and Unit Ownership

of Members

This Revised Schedule 1.3 reflects the Units owned by each Member following the transactions contemplated by Sections 2.2, 2.3 and 2.4 of the Reorganization Agreement.

Members	**Unit Ownership**
General Communication, Inc. **2550 Denali Street, Suite 1000** **Anchorage, AK 99503** **Fax: (907) 868-5676** **Attn: Corporate Counsel** **With a copy of any Notice to:** **General Communication, Inc.** **2550 Denali Street, Suite 1000** **Anchorage, AK 99503** **Fax: (907) 868-5676** **Attn: General Manager & Executive Vice President**	**2,945.5 Common Units**
AKD Holdings, LLC **5350 Poplar Avenue, Suite 875** **Memphis, TN 38119** **Fax: (901) 763-3369** **Attn: Stephen M. Roberts** **With a copy of any Notice to:** **Jack S. Magids, Esq.** **The Bogatin Law Firm, PLC** **1661 International Place Drive, Suite 300** **Memphis, Tennessee 38120-1431** **Fax: (901) 767-2803**	**650 Common Units**

SCHEDULE 1.3

Names, Addresses and Unit Ownership

of Members

This Revised Schedule 1.3 reflects the Units owned by each Member following the transactions contemplated by Sections 2.2, 2.3, 2.4 and 2.5 of the Reorganization Agreement.

Members	**Unit Ownership**
General Communication, Inc. **2550 Denali Street, Suite 1000** **Anchorage, AK 99503** **Fax: (907) 868-5676** **Attn: Corporate Counsel** **With a copy of any Notice to:** **General Communication, Inc.** **2550 Denali Street, Suite 1000** **Anchorage, AK 99503** **Fax: (907) 868-5676** **Attn: General Manager & Executive Vice President**	**2,945.5 Common Units**
AKD Holdings, LLC **5350 Poplar Avenue, Suite 875** **Memphis, TN 38119** **Fax: (901) 763-3369** **Attn: Stephen M. Roberts** **With a copy of any Notice to:** **Jack S. Magids, Esq.** **The Bogatin Law Firm, PLC** **1661 International Place Drive, Suite 300** **Memphis, Tennessee 38120-1431** **Fax: (901) 767-2803**	**650 Common Units**
Fire Lake Partners, L.L.C. **3127 Commercial Drive** **Anchorage, AK 99501** **Fax:** **Attn: Stephen M. Roberts** **With a copy of any Notice to:** **Jack S. Magids, Esq.** **The Bogatin Law Firm, PLC** **1661 International Place Drive, Suite 300** **Memphis, Tennessee 38120-1431** **Fax: (901) 767-2803**	**229.5 Profits Interest Units**

SCHEDULE 4.1

Initial Capital Contributions

This Schedule 4.1 reflects the Initial Capital Contributions of each Member following the transactions contemplated by Sections 2.2 and 2.3 of the Reorganization Agreement.

Members	Agreed Fair Market Value of Deemed Initial Contribution
General Communication, Inc.	$16,000,000.00
AKD Holdings, LLC	$20,034,789.59
Red River Wireless, LLC	$ 2,854.38
Pacificom Holdings II, LLC	$ 7,168.03
Fire Lake Partners, L.L.C.	$ 0.00
Total	$36,044,812.00

SCHEDULE 4.1

Initial Capital Contributions

This Schedule 4.1 reflects the Initial Capital Contributions of each Member following the transactions contemplated by Sections 2.2, 2.3, 2.4 and 2.5 of the Reorganization Agreement.

Members	Agreed Fair Market Value of Deemed Initial Contribution
General Communication, Inc.	**$29,530,248.00**
AKD Holdings, LLC	**$ 6,514,563.90**
Fire Lake Partners, L.L.C.	**$ 0.00**
Total	**$36,044,812.00**

EXHIBIT A

Form of

Assignment of Units

The undersigned Transferor hereby transfers and assigns _____ Units in Alaska Digitel, LLC, a Alaska limited liability company, to _____, as Transferee. The Capital Account of the Transferor that is attributable to the transferred Units will carry over to the Transferee. The Units transferred is subject to all of the terms and conditions of that certain Second Amended and Restated Operating Agreement of _____, dated as of _____, as such Agreement may be amended ("Operating Agreement"). The Transferor shall remain liable for all of its liabilities under the Operating Agreement.

Transferor:

By:_____
Name:
Title:
Date:

EXHIBIT B

Form of

Transferee's Agreement

As a **Transferee** of Units in Alaska Digitel, LLC, a Alaska limited liability company governed by a Second Amended and Restated Operating Agreement dated as of _____, the undersigned agrees to be bound as a party to such Agreement (which, as it may be amended, is hereby incorporated by reference). The **Transferee** acknowledges and agrees that, unless admitted as a Member of the limited liability company as provided in such Agreement, the **Transferee** will have only the limited rights of an assignee as specified by law.

Transferee:

By:_____
Name:
Title:
Date:

Address:

Taxpayer ID Number:

Telephone Number:

Fax Number:

EXHIBIT C

Form of Management Agreement

See attached.

(

EXHIBIT D

Examples of Adjustments to Common Units and Profits Interest Units Outstanding

See attached Schedule 2.3.3 to the Reorganization Agreement.

EXHIBIT E

Initial Budget

See attached.

AMENDMENT NO. 3 TO THE
AMENDED AND RESTATED 1986 STOCK OPTION PLAN
OF
GENERAL COMMUNICATION, INC.

This Amendment (this "Amendment") to the Amended and Restated 1986 Stock Option Plan of General Communication, Inc. (as amended, the "Plan") is made and shall be effective as of June 29, 2010.

Whereas, General Communication, Inc., an Alaska corporation (the " Company"), has adopted and maintains the Plan;

Whereas, Section 11 of the Plan states that the Company may amend, suspend or terminate the Plan at any time, subject to the approval of the Company's shareholders in certain circumstances;

Whereas, this Amendment does not require approval of the Company's shareholders; and

Whereas, the Company now desires to amend the Plan.

Now, therefore, the Company hereby amends the Plan as follows:

1. Terms used with capitalized letters will have the meanings specified in the Plan unless otherwise defined below, applicable to both singular and plural forms, as well as all verb tenses, for all purposes of this Amendment.

2. The Plan is hereby amended as follows:

   Section 2 (Definitions and Construction) shall be amended by adding the following definition of "Change of Control" following the definition of "Board":

   "Change of Control" means the occurrence of any transaction (or series of related transactions) in which (i) any person (as such term is defined in Section 13(d)(3) and 14(d)(2) of the Exchange Act), corporation or other entity (other than the Company, any Subsidiary, any employee benefit plan sponsored by the Company or any Subsidiary shall become the owner, directly or indirectly, beneficially or of record, of securities of the Company representing 50% or more of the combined voting power of the then outstanding securities of the Company ordinarily (and apart from the rights accruing under special circumstances) having the right to vote in the election of directors, or (ii) the Company sells, leases, exchanges or otherwise transfers (in one transaction or a series of related transactions), but other than by way of merger or consolidation, of all or substantially all of the assets of the Company to any person (as such term is defined in Section 13(d)(3) and 14(d)(2) of the Exchange Act).

3. Except as modified by this Amendment, all other terms and conditions of the Plan shall remain in full force and effect, and this Amendment shall be governed by all provisions thereof.

IN WITNESS WHEREOF, the undersigned has executed this Amendment to be effective as set forth herein.

GENERAL COMMUNICATION, INC.

Date: March 3, 2011

By: /s/ Ronald A. Duncan
Name: Ronald A. Duncan
Title: President (Chief Executive Officer)

AMENDED AND RESTATED

MEMORANDUM OF UNDERSTANDING

This amended and restated memorandum of understanding (the "Memorandum of Understanding") dated effective as of January 26, 2006 (the "Effective Date") sets forth the principal terms and conditions of transactions (collectively, the "Transactions") proposed to be consummated among Alaska DigiTel, LLC, an Alaska limited liability company ("AKD"), all of the members of AKD, all of the members of Denali PCS, LLC, an Alaska limited liability company ("Denali"), and General Communication, Inc., an Alaska corporation ("GCI").

Guiding Principles

AKD operates a wireless telecommunications business within the State of Alaska and currently owns all of Pacificom Properties, LLC ("Properties"), an Alaska limited liability company that owns AKD's headquarters building subject to a mortgage at Northrim Bank.

Denali, an Alaska limited liability company under common control with AKD, holds additional spectrum capacity.

GCI desires to acquire 100% of the Denali membership interests and to contribute such interests so acquired together with additional capital in exchange for AKD Units (hereinafter defined) based upon an agreed equity value of AKD and Denali of $26MM, in the aggregate.

This Memorandum of Understanding shall be binding on all parties hereto.

The Understandings

1. Pre-Closing Arrangements.

    a. Within a commercially reasonable period of time following execution of this Memorandum of Understanding, GCI and AKD will enter into an agreement ("Interim Loan Agreement") providing for secured loans ("Interim Capital Loans") to be advanced to AKD prior to the closing of the Transactions (the "Closing") by GCI, directly, or by a financial institution enhanced by GCI's guaranty and to be repaid upon the earlier of the funding of the credit facility described in Section 8 below or [nine months from the first advance under the Interim Loan Agreement], together with interest on the unpaid balance accruing at the same rate as paid by GCI Holdings, Inc. on its then-outstanding senior credit facility. The Interim Capital Loans will not exceed $3MM and will be used for capital improvements to be made by AKD as approved by GCI, which approval is not to be unreasonably withheld or delayed. GCI hereby approves the capital improvements described on **Annex A** to be funded with the first draw upon the Interim Capital Loans covering AKD's capital improvement expenditures forecasted through April 30, 2006. The obligation to make advances pursuant to the Interim Loan Agreement will terminate upon the Closing. The Interim Loan Agreement and the Interim Capital Loans will be subject to the prior approval of Co-Bank. GCI will use all reasonable efforts to assist AKD in obtaining any such approval from Co-Bank. AKD authorizes GCI and Co-Bank to have direct discussions for the foregoing purposes.

    b. In advance of the Closing:

        i. The existing members of AKD will transfer all, except for a to-be-determined nominal portion thereof (the " Nominal Interest Holders"), of their respective membership interests in AKD to a to-be-formed limited liability company (" Parent AKD").

        ii. Parent AKD will approve the modifications of AKD's operating agreement in accordance with the provisions of paragraph 3 below. Following such modifications, AKD will have only one class of membership interests having an allocated value of $20MM, represented by 1999 units then issued to Parent AKD and one (1) unit issued to Nominal Interest Holders.

        iii. All cash and equivalents in which AKD has an interest on the day prior to the Closing shall be distributed by AKD to Parent AKD and the Nominal Interest Holders, as their interest may appear.

2. Transfer of Denali Membership Interests to GCI. At the Closing, Denali's members will transfer to GCI all issued and outstanding Denali membership interests in exchange for $6MM in readily available funds. The transfers of such interests, and/or the underlying spectrum license(s), will be subject to all necessary regulatory approvals.

3. Reorganization of AKD. At the Closing:

   a. AKD will amend and restate its operating agreement (the "AKD Operating Agreement") to (i) provide that the interest of its members will consist of one class of membership interests represented by units (the "AKD Units"),[1] (ii) provide that all operating and capital distributions will be made to the members in proportion to the number of AKD Units held by each member, and (iii) contain such other terms and conditions to conform to this Memorandum of Understanding. AKD will continue to be taxed as a partnership for federal income tax purposes.

   b. Except for cash and equivalents, which will be distributed to AKD's members in advance of the Closing, AKD will retain at the Closing all of its assets (including, without limitation, all real and personal property, tangibles and intangibles, goods, contract rights, documents, instruments, general intangibles, goodwill, equipment, machinery, inventory, copyrights, trademarks, trade names, licenses, and its membership interests in Properties).

   c. At Closing, AKD will retain and pay in accordance with the terms thereof all Current Liabilities (defined below) and the indebtedness set forth on ***Annex B***. AKD will have accounts receivable and other current assets (excluding cash and its equivalents) (collectively, the "Current Assets") expected to equal or exceed accounts payable, accrued expenses, property taxes and other current non-interest bearing obligations (collectively, the "Current Liabilities"). Exclusive of the Current Liabilities, the aggregate of all interest bearing obligations owed by AKD and Properties is expected to approximate $12,517,725, as detailed on ***Annex B*** hereto.

   d. The applicable transaction documents shall provide for an adjustment in the number of AKD Units to be issued to GCI pursuant to Section 4 below to the extent that (i) the interest-bearing obligations of AKD are greater or less than $12,517,725 as of the Closing date and/or (ii) the net working capital (Current Assets less non-interest bearing liabilities) is greater or less than zero.

4. GCI Contributions. At the Closing:

   a. GCI will contribute $10MM in readily available funds to AKD's capital in exchange for 1,000 AKD Units.

   b. GCI will contribute to AKD all of the Denali membership interests acquired pursuant to Section 2 in exchange for 600 AKD Units. Subsequent to Closing, AKD will re-merge under FCC law and regulations the AKD spectrum and the Denali spectrum capacity such that the combined spectrum effectively reconstitutes the original FCC "A" block PCS 30 MHz spectrum, no longer disaggregated.

5. GCI's Purchase of AKD Units. At the Closing, GCI will, at the request of AKD, purchase up to an additional 2,000 AKD Units from AKD at a price equal to $1MM in readily available funds for each 100 AKD Units so acquired. The proceeds from the issuance of such additional AKD Units will be used by AKD to redeem an equal number of AKD Units from Parent AKD and Nominal Interest Holders.[2] If GCI is requested to purchase more than an additional 1,350 AKD Units from AKD, GCI will have the option to purchase all 2,000 AKD Units at the same $1MM in readily available funds for each 100 AKD Units. In the event GCI exercises such latter option, then AKD will redeem all remaining AKD Units from Parent AKD and the Nominal Interest Holders, GCI will thereafter own all issued and outstanding AKD Units, Sections 6 through 15 will be inoperative and of no further force or effect and the Management Agreement between AKD and Poplar Associates LLC shall be terminated without any cost or liability to AKD or GCI.

6. Formation of MBO-CO.

   a. At Closing, AKD will grant a 6% interest in the future profits of AKD (as adjusted pursuant to Section 6.c and Section 10 below, the "MBO-CO Profits Interest") to a limited liability company to be formed by certain members of AKD senior management ("MBO-CO").

   b. AKD shall enter into a management agreement ("Management Agreement") with MBO-CO that is substantially similar to the existing management agreement between AKD and Poplar Associates, LLC, with an initial 5 year term and automatic 1 year renewal terms thereafter, unless either party gives written notice of termination for material cause or without cause as long as such termination is accompanied by payment of the Break-Up Fee. The Management Agreement will contain a break-up fee (the "Break-Up Fee") that will be payable in the event that the agreement terminates for any reason, or in the event that GCI exercises a call option pursuant to Section 10.a below, or if AKD is sold to a party unaffiliated with any AKD member. The amount of the Break-Up Fee will equal $1.8MM in readily available funds multiplied by the EBITDA Multiplier (as defined below). The existing management agreement between AKD and Poplar Associates will be terminated without cost or liability to AKD, unless otherwise approved by GCI in its sole discretion.

   c. In the event that the Management Agreement terminates for any reason, GCI exercises its call option pursuant to Section 10 below or if AKD is sold to a party unaffiliated with any AKD member, then the amount of the MBO-CO Profits Interest shall be adjusted to equal the amount obtained after multiplying 6% by the applicable EBITDA Multiplier (subject to any adjustments specified in Section 10). By way of example, if the EBITDA Multiplier is equal to 1.5, then the MBO-CO Profits Interest will represent a total of 9% in the future profits of AKD following its formation.

   d. The EBITDA Multiplier shall equal the quotient of (i) the earnings before interest, taxes, depreciation and amortization of AKD determined in accordance with U.S. generally accepted accounting principles (" EBITDA") for the calendar quarter in which GCI gives notice of its exercise of its call option, divided by (ii) the forecasted amount of EBITDA for the same quarter as set forth in ***Annex C*** hereto; provided, that if such calculation yields a number lower than one, the EBITDA Multiplier will equal one, and if

such calculation yields a number higher than two, the EBITDA Multiplier will equal two. If it is determined that the managers have taken any extraordinary actions not in the ordinary course of business or consistent with past practice (and which actions have not been approved by a unanimous consent of the AKD Board) for the purpose of increasing EBITDA for any particular calendar quarter with respect to which the EBITDA Multiplier is calculated, then appropriate adjustments will be made to EBITDA for such quarter in order to negate the impact of such extraordinary actions. Notwithstanding the foregoing, the parties shall mutually negotiate any appropriate adjustment to the EBITDA Multiplier to negate the impact of any extraordinary costs incurred in such period for AKD Board, such as for approved marketing costs and/or integration activities.

7. AKD Governance.

   a. AKD will be governed by a board of managers (the "AKD Board") that will operate in a manner that is the functional equivalent of a corporate board of directors. The AKD Board will consist of between 4 and 8 members. The parties agree that AKD shall comply with any requirement for independent board member(s) under the Sarbanes-Oxley Act, which may arise because of GCI's ownership of AKD Units.

   b. GCI will have the right to designate one person to serve on the AKD Board. Parent AKD will have the right to designate up to seven persons to serve on the AKD Board. GCI's board member shall have the right to have a GCI employee or agent accompany him/her to meetings, to serve in an advisory capacity.

   c. Each year the AKD Board will approve the annual AKD operating and capital budget including the types of equipment to be purchased and implemented into the AKD network. Such actions will require unanimous approval, not to be unreasonably withheld or delayed.

   d. GCI will have customary minority protection rights, including but not limited to the right to approve any new businesses, acquisitions, dispositions, mergers, admission of new members, distribution of new units, capital calls, debt incurrence, related party transactions, winding up or dissolution of AKD, amendment of the AKD Operating Agreement, annual operating and capital budgets, bankruptcy, redemption of AKD Units or extraordinary distributions thereon, or change in the organizational form of AKD.

   e. To the extent that the GCI interests in AKD exceed any allowable control requirements for ownership of wireless carriers under any agreement or understanding to which GCI may be bound, the AKD Operating Agreement will include curative provisions regarding voting and economic interests.

8. AKD Refinancing. As soon as practicable after the Closing, but not more than 90 days after the Closing, AKD will refinance its obligations (except as set forth in Section 3.c) with a lender and upon terms and conditions which shall require unanimous approval of the AKD Board, which shall not be unreasonably withheld or delayed. GCI shall agree to provide reasonable cooperation with the AKD Refinancing. The senior facility will provide a term component and a revolving line component aggregating no more than $15 million but sufficient to fund AKD's business plan as approved pursuant to Section 7.c.

9. Tax Distributions. AKD shall make annual tax distributions to its members in proportion to their respective ownership interests in AKD.

10. Call Options.

   a. GCI.

      i. Within eighteen months following the Closing, GCI will have the option to purchase all AKD Units held by Parent AKD for the higher of (x) the Appraised Unit Value (as defined in Section 10.a(iv), with such appraisal at Parent AKD's sole option and expense) as determined by an independent third party appraiser in accordance with procedures to be specified in the AKD Operating Agreement, or (y) the amount equal to Parent AKD's initial capital account, as set forth in the AKD Operating Agreement immediately following the Closing plus 15% multiplied by that initial capital account amount (a "15% Coupon"). Upon the closing of such purchase and upon payment of only the applicable Break-Up Fee, the MBO-CO Profits Interest shall be completely terminated and shall have no additional value.

      ii. After eighteen months but before the end of the thirtieth month following Closing, GCI will have the option to purchase all AKD Units held by Parent AKD for the higher of (x) the Appraised Unit Value as determined by an independent third party appraiser in accordance with procedures to be specified in the AKD Operating Agreement, or (y) the amount equal to Parent AKD's initial capital account, as set forth in the AKD Operating Agreement immediately following the Closing plus a 15% Coupon. Upon the closing of a purchase under subclause (x) of this paragraph and upon payment of the applicable Break-Up Fee and the value of the MBO-CO Profits Interest as determined in the appraisal, the MBO-CO Profits Interest shall be completely terminated and shall have no additional value. Upon the closing of a purchase under subclause (y) of this paragraph and upon payment only of the applicable Break-Up Fee, the MBO-CO Profits Interest shall be completely terminated and shall have no additional value.

      iii. After the end of the thirtieth month following Closing, GCI will have the option to purchase the AKD Units held by Parent AKD at their Appraised Unit Value as determined by an independent third party appraiser in accordance with the procedures specified in the AKD Operating Agreement. Upon the closing of such purchase and upon payment of the applicable Break-Up Fee plus the value of the MBO-CO Profits Interest as determined in the appraisal, the MBO-CO Profits Interest shall be completely terminated and shall have no additional value.

iv. "Appraised Unit Value" shall be determined by subtracting all AKD interest-bearing liabilities from the fair market value of AKD as a going business and then dividing the result by the number of AKD Units outstanding as of the date of valuation without the use of any minority discount or control premium, but with an appropriate adjustment to reflect the value of the MBO-CO Profits Interest. The fair market value of AKD as a going business shall equal the gross cash price, without deduction for any liabilities, liens or encumbrances, that a seller, willing but not obligated to sell, would accept for AKD as a going business (including, without limitation, all of AKD's assets, business and goodwill), and which a buyer, willing but not obligated to buy, would pay therefore, free and clear of all liens, encumbrances and liabilities in a single arm's length transaction.

b. Parent AKD.

i. Before the end of the forty-ninth month following the Closing, Parent AKD will have the option to purchase all AKD Units held by GCI for the Appraised Unit Value as determined by an independent third party appraiser in accordance with procedures to be specified in the AKD Operating Agreement. Parent AKD's right to exercise this call option is contingent upon Parent AKD's or AKD's demonstrated financial ability to make such a payment or its demonstrated ability to find a third party lender to finance payment in full to GCI at the closing of such sale of AKD Units.

ii. If Parent AKD exercises the call option set forth in Section 10.b(i), GCI may, within 7 days of its receipt of written notice thereof, exercise any applicable call option set forth in Section 10.a (including all accompanying rights with respect to the MBO-CO Profits Interest), which shall preempt Parent AKD's right to utilize the option set forth in Section 10.b(i) above.

11. Put Options.

a. Parent AKD. Any time after the forty-eighth month following Closing, Parent AKD may elect to sell its AKD Units to GCI based on their Appraised Unit Value as determined by an independent third party appraiser in accordance with the appraisal procedures specified in the AKD Operating Agreement. At the option of GCI, upon the closing of such a sale and upon payment of the applicable Break-Up Fee plus the value of the MBO-CO Profits Interest as determined in the appraisal, the MBO-CO Profits Interest shall be completely terminated and shall have no additional value.

b. GCI. Beginning with the forty-ninth month following Closing, GCI may elect to sell its AKD Units to Parent AKD or AKD based on their Appraised Unit Value as determined by an independent third party appraiser in accordance with the appraisal procedures specified in the AKD Operating Agreement. GCI's right to exercise this put option is contingent upon Parent AKD's or AKD's demonstrated financial ability to make such a payment or its demonstrated ability to find a third party lender to finance payment in full to GCI at the closing of such sale of AKD Units.

12. Transferability. The AKD Units will not be transferable without the unanimous approval of the AKD Board committee, except to affiliates who agree to be bound by the terms and conditions of the AKD Operating Agreement. Any indirect transfer by virtue of a change in control of AKD member will not constitute a transfer of the underlying AKD Units. The MBO-CO Profits Interest will not be transferable.

13. GCI Arranged Bridge Loan. GCI shall, prior to Closing, arrange a secured bridge loan for AKD of $2.0MM (or at the request of AKD up to $2.5MM as mutually agreed to by AKD and GCI) which shall be repaid immediately upon the earlier of the funding of the senior facility described in Section 8 or 90 days following the Closing. Interest on the unpaid principal balance of such bridge loan shall accrue at a rate equal to that variable rate paid by GCI Holdings, Inc. on its then-existing senior credit facility. The bridge loan subject to this Section 13 is in addition to the Interim Capital Loans described in Section 1.a. above.

14. Nonsolicitation of Offers. Neither Parent AKD nor AKD shall solicit the sale of its business nor shall it entertain offers from third parties to purchase its business, from the Effective Date until the Closing, and for a period of 48 months following the Closing.

15. Capital Calls/Loans by Members. The AKD Operating Agreement shall not contemplate any further capital calls or loans by members. Any requirement for a capital call or a member loan shall be the subject of a subsequent negotiation.

16. Time is of the Essence. In order to proceed, all parties must execute this binding Memorandum of Understanding regarding the Transactions **no later than 11:59 p.m.(Central Standard Time) on January 27, 2006**, or this Memorandum of Understanding shall be of no further force or effect. The parties shall use all reasonable efforts to close the Transactions as promptly as practicable after the execution of this binding Memorandum of Understanding.

17. Regulatory Approvals. The Transactions are subject to all necessary governmental regulatory approvals. AKD and Denali shall be responsible for obtaining all such approvals. GCI agrees to use all commercially reasonable efforts to support and assist AKD and Denali in such efforts. Should any necessary material governmental approval for any of the Transactions not be granted, all of the Transactions shall

be cancelled, and the parties shall have no further obligation to proceed to Closing.

18. Expenses. Each party shall bear its own costs and expenses relating to this Memorandum of Understanding, the Closing and transaction documents, and the Transactions, including without limitation, accountant and attorneys' fees.

19. Cooperation. The parties agree to cooperate in good faith in negotiating and finalizing the purchase and sale agreements, the AKD Operating Agreement, and all related documents, which shall contain such representations, warranties, covenants, conditions and indemnifications as are customary for transactions of this size and nature, and which shall survive the Closing of the Transactions. If after good faith negotiations the parties cannot resolve an issue in any of the final transaction documents, then the matter shall be submitted to arbitration under Section 22 for resolution in accordance with the intent of the parties as set forth in this Memorandum of Understanding.

20 No Finders' Fees. Except to the extent payment may be due to Falkenberg Capital by AKD, which shall be the sole responsibility of AKD, no party shall have any obligation to pay any finders', brokers' or agents' fees as a result of the execution of this Memorandum of Understanding, the related documents, or the consummation of the Transactions.

21. Confidentiality. The parties agree that the terms of this Memorandum of Understanding are confidential and may not be disclosed, except as may be required by law or as contemplated by the final agreements, and except as to disclosure to the parties' boards of managers, boards of directors, investors whose interests shall be acquired by AKD and/or GCI, advisors and financial institutions, without the consent of the parties, which shall not be unreasonably withheld or delayed. All such persons and parties must be bound to hold the terms of this Memorandum of Understanding confidential. Notwithstanding the foregoing, the parties acknowledge that GCI will make such disclosures regarding the general terms of the proposed Transactions as required by the securities disclosure laws, rules and regulations. Each party may disclose to its employees the information contained in the GCI disclosures that are mandated by such securities laws, rules and regulations.

22. Governing Law; Arbitration. This Memorandum of Understanding shall be governed by the laws of the State of Alaska and the Commercial Arbitration Rules of the American Arbitration Association. The parties will attempt in good faith to resolve any controversy or claim arising out of or relating to this Memorandum of Understanding through discussions between the senior management of GCI, Denali, and AKD, as applicable. If these discussions are unsuccessful, the parties agree that any action asserting a claim by one party against another party hereto arising out of or relating to this Memorandum of Understanding shall, on the written notice by one party to the other (as applicable), be submitted to binding arbitration to be held in Seattle, Washington. The parties shall hold an initial meeting within thirty (30) days from receipt of notice from the requesting party of a request for arbitration. Unless otherwise agreed in writing, they will jointly appoint a mutually acceptable arbitrator not affiliated with either party. If they are unable to agree upon such appointment within thirty (30) days of the initial meeting, the parties shall obtain an odd numbered list of not less than five (5) potential arbitrators from the Superior Court for the Third Judicial District, State of Alaska. Each party shall alternatively strike a single name from the list until only one name remains, with such person to be the arbitrator. The party requesting the arbitration shall strike the first name. Each party shall pay one-half (½) of the costs related to the arbitration, unless the arbitrator's decision provides otherwise. Each party shall bear its own costs to prepare for and participate in the arbitration. Each party shall produce at the request of the other party, at least thirty (30) days in advance of the hearing, all documents to be submitted at the hearing and such other documents as are relevant to the issues or likely to lead to relevant information. The arbitrator shall promptly render a written decision, in accordance with Alaska law and supported by substantial evidence in the record. The prevailing party shall be entitled to recover reasonable attorneys' fees, costs, charges and expended or incurred therein, if the arbitrator's decision so provides. Failure to apply Alaska law, or entry of a decision that is not based on substantial evidence in the record, shall be additional grounds for modifying or vacating an arbitration decision. Judgment on any arbitration award shall be entered in any court of competent jurisdiction. In any subsequent arbitration, the decision in any prior arbitration of this Memorandum of Understanding shall not be deemed conclusive of the rights among the parties hereunder.

23. No Material Adverse Change. No material adverse change shall have occurred from the Effective Date through the Closing in AKD's financial condition or its business prospects.

24. Risk of Loss. The risk of loss due to acts of God or other casualty between the Effective Date and the Closing shall be borne by AKD and Denali.

25. Specific Performance. The parties agree that the Transactions are unique, it would be difficult to calculate the damages that would result from the failure to Close, and that monetary damages would not be an adequate remedy. The parties agree that any party may seek an order for specific performance from any court of competent jurisdiction to enforce the Transactions.

26. Former Memorandum of Understanding. This Memorandum of Understanding will become effective upon the Effective Date and as of such date, amends and restates in its entirety the memorandum of understanding dated effective as of December 4, 2005 among AKD, Denali and GCI, which shall thereafter become null, void and of no further force or effect.

[1] Prior the Closing, all AKD Units will be issued to and held by Parent AKD and the Nominal Interest Holders.

[2] The AKD Units held by the Nominal Interest Holders shall be redeemed first, so that following such redemption the Nominal Interest Holders will have no further membership interests in AKD.

The parties' authorized representatives each hereby execute this Amended and Restated Memorandum of Understanding as of the Effective Date.

Alaska DigiTel, LLC

By: /s/William M. Yandell, III
Name: William M. Yandell, III

Its: President

General Communication, Inc.

By: /s/William C. Behnke
Name: William C. Behnke

Its: Senior Vice President

Denali PCS, LLC

By: /s/William M. Yandell, III
Name: William M. Yandell, III

Its: Chief Manager

PacifiCom Holdings, LLC

By: /s/William M. Yandell, III
Name: William M. Yandell, III

Its: Chief Manager

Red River Wireless, LLC

By: /s/ William M. Yandell, III
Name: William M. Yandell, III

Its: Chief Manager

Graystone Holdings, LLC

By: /s/J. Michael Keenan
Name: J. Michael Keenan

Its: Exec. Vice President

RUS Project Designation:

ALASKA 1102-A40

BROADBAND INITIATIVES PROGRAM

LOAN/GRANT AND SECURITY AGREEMENT

dated as of June 1, 2010

between

UNITED UTILITIES, INC.

and

THE UNITED STATES OF AMERICA

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

BROADBAND INITIATIVES PROGRAM
LOAN/GRANT AND SECURITY AGREEMENT

THIS LOAN/GRANT AND SECURITY AGREEMENT (this "Agreement") dated as of June 1, 2010 is between **UNITED UTILITIES, INC.** ("Awardee,") a corporation existing under the laws of Alaska, and the **UNITED STATES OF AMERICA**, acting through the Administrator of the Rural Utilities Service ("RUS.").

The Awardee has applied for financial assistance ("Application") from RUS to finance the construction of a broadband infrastructure project to serve areas that are at least 75% rural.

RUS is willing to extend financial assistance, in the form of a loan and grant to the Awardee, pursuant to the American Recovery and Reinvestment Act of 2009, Pub. L. 111-5, 123 Stat. 115 (2009) (the "Recovery Act"), the Notice of Funds Availability published at 74 Fed. Reg. 33104 and Title VI of the Rural Electrification Act of 1936 (7 U.S.C. 901 *et seq.),* and all applicable federal regulations, on the terms and conditions stated herein.

The Awardee is willing to secure the loan and grant and its other obligations to RUS on the terms stated herein.

THEREFORE, in consideration of the promises and mutual covenants herein contained, the parties agree and bind themselves as follows:

ARTICLE I – DEFINITIONS

The terms defined herein include both the plural and the singular. Unless otherwise specifically provided, all accounting terms not otherwise defined herein shall have the meanings assigned to them, and all determinations and computations herein provided for shall be made in accordance with Accounting Requirements.

"Accounting Requirements" shall mean the system of accounting prescribed by RUS in RUS Regulations.

"Advance" or "Advances" shall mean the disbursement of Loan and/or Grant funds in accordance with this Agreement.

"Affiliate" or "Affiliated Company" of any specified person or entity means any other person or entity directly or indirectly controlling of, controlled by, under direct or indirect common control with, or related to, such specified person or entity, or which exists for the sole purpose of providing any service to one company or exclusively to companies which otherwise meet the definition of affiliate. This definition includes Variable Interest Entities as described in Financial Accounting Standards Board Interpretation (FIN) No. 46(R), *Consolidation of Variable Interest Entities.* For the purpose of this definition, "control" means the possession directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether such power is exercised through one or more intermediary companies, or alone, or in conjunction with, or pursuant to an agreement with, one or more other companies, and whether such power is established through a majority or minority ownership voting of securities, common directors, officers, or stockholders, voting trust, holding trusts (other than money exchanged) for property or services.

"Application" shall have the meaning as defined in the second paragraph hereof.

"Award" shall mean the Loan or Loan/Grant Combination described in Article III.

"Awardee" shall mean the Loan or Loan/Grant Combination recipient named in the first paragraph hereof.

"BIP" shall mean the Broadband Initiatives Program, administered by RUS and created pursuant to the Recovery Act.

"BIP Contracting, Work Order and Advance Procedures Guide" shall mean the procedures for construction and Advances, attached hereto as Attachment 1.

"Business Day" shall mean any day that RUS and the Department of Treasury are both open for business.

"Collateral" shall mean any and all property pledged as security for the Obligations, including, without limitation, security for the Loan, and other amounts owing to RUS under the Loan-Grant Documents, including, without limitation, the property described in Article IX and on Schedule 2.

"Composite Economic Life" means the weighted (by dollar amount of each class of facility in the Award) average economic life of all classes of facilities in the Award, as determined by RUS.

"Distribution" shall have the meaning as defined in Section 7.9.

"Eligible Purposes" shall mean purposes and expenses which are specified in the NOFA as being eligible for funding.

"Event of Default" shall have the meaning as defined in Article X.

"Expiration Date" shall have the meaning as defined in Paragraph (d) of Section 3.1.

"Form 481" shall have the meaning as defined in Section 4.3(d).

"Grant" shall mean the grant described in Section 3.1.

"Interest Expense" shall mean the accrual of interest on all classes of indebtedness, including capital leases and securities issued by the Awardee and shall also include the amortization of debt issuance expenses, premiums, and discounts.

"Laws" shall have the meaning as defined in paragraph (e) of Article II.

"Loan" shall mean the loan described in Section 3.1.

"Loan/Grant Combination" shall mean, collectively, the loan and grant described in Section 3.1.

"Loan-Grant Documents" shall mean, collectively, this Agreement, Security Documents and the Note(s).

"Material Adverse Effect" shall mean a material adverse effect on, or change in, the condition, financial or otherwise, operations, properties, business or prospects of the Awardee or on the ability of the Awardee to perform its obligations under the Loan-Grant Documents as determined by RUS.

"Net. Income" or "Net Margins" shall mean the amount equal to the income that the Awardee has after subtracting costs and expenses from the total revenue. Costs and expenses include but are not limited to all operations and maintenance expenses, corporate operations, taxes, interest dividends, depreciation, and gains and losses on the disposition of property.

"Net Worth" (equity) shall mean total assets less total liabilities of the Awardee. Net worth includes the recorded value of capital stock, additional paid-in capital, treasury stock, retained earnings and other comprehensive income.

"NOFA" shall mean the Notice of Funds Availability, published in the Federal Register at 74 Fed. Reg. 33104.

"Note(s)" shall have the meaning as defined in Paragraph (a) of Section 3.2.

"Obligations" shall mean any and all indebtedness, obligations and liabilities of the Awardee to RUS, of every kind and description, direct or indirect, secured or unsecured, joint or several, absolute or contingent, due or to become due, whether for payment or performance, now existing or hereafter arising, howsoever evidenced or created, including, without limitation, all loans (including any loan by renewal or extension); all indebtedness, all Notes, all undertakings to take or refrain from taking any action; and all interest, taxes, fees, charges, expenses, and attorney's fees chargeable to Awardee or incurred by RUS under this Agreement or in any other document or instrument delivered hereunder or as a supplement hereto.

"Permitted Encumbrances" shall mean the liens and encumbrances permitted by the RUS Mortgage.

"Pledged Deposit Account" shall have the meaning as defined in Section 5.4.

"Prior RUS Loan Contract" shall mean the contract identified on Schedule 1 as it may have been amended or supplemented from time to time.

"Project" shall have the meaning as defined in Paragraph (a) of Section 3.4.

"Project Completion" shall mean that all Award funds have been advanced to the Awardee by RUS.

"RE Act" shall mean the Rural Electrification Act of 1936 (7 U.S.C. 901 *et seq.).*

"RUS Mortgage" shall mean the mortgage identified on Schedule 1 as it may be amended, supplemented and restated from time to time.

"RUS Regulations" shall mean the rules, regulations and bulletins of general applicability published by RUS from time to time, as such rules, regulations and bulletins exist at the date of applicability thereof, and shall also include 7 C.F.R. 3015 (and, by adoption, 48 C.F.R. 31.2 of the Federal Acquisition Regulations), 3016 and 3019 and applicable OMB Circulars, as well as any rule and regulations of other Federal entities which RUS is required by law to implement. Any reference to specific RUS Regulations shall mean the version of and cite to such regulation effective at the date of applicability thereof.

"Security Documents" shall mean, collectively, any mortgage, security agreement, financing statement, deposit account control agreement or other document providing collateral for the Obligations, including without limitation, repayment of the Loan.

"Service Rates" shall mean the rates charged for data, video, voice or any other service proposed in the RUS approved Application.

"Subsidiaries" shall mean the subsidiaries listed in Schedule 1.

"Substantially Complete" shall mean that 67% of Award funds have been advanced to the Awardee by RUS.

"System Design" shall mean the system as described in the RUS approved Application.

"TIER" shall mean the Awardee's total Net Income or Net Margins plus Interest Expense payable for any year divided by Interest Expense payable for such year, as set forth in Section 5.8 hereof.

"Timeline" shall mean the detailed schedule describing the Project build out, submitted with the RUS approved Application, as may be amended from time to time with prior written RUS consent.

"Total Assets" shall mean all property owned by the Awardee. Total assets include current and noncurrent assets such as cash, receivables, material and supplies, prepayments, deferred charges, and investments; fixed assets (plant) such as buildings and equipment, both in service and under construction; as well as capital leases and intangibles.

ARTICLE II - REPRESENTATIONS AND WARRANTIES

Recognizing that RUS is relying hereon, the Awardee represents and warrants, as of the date of this Agreement, as follows:

(a) *Organization; Power, Etc.* The Awardee: (i) is the type of organization specified in the first paragraph hereof, duly organized, validly existing, and in good standing under the laws of the State identified in the first paragraph hereof; (ii) is duly qualified to do business and is in good standing in each jurisdiction in which the transaction of its business make such qualification necessary; (iii) has legal power to own and operate its assets and to carry on its business and to enter into and perform its obligations under the Loan-Grant Documents; (iv) has duly and lawfully obtained and maintained all material licenses, certificates, permits, authorizations and approvals necessary to conduct its business or required by applicable Laws; and (v) is eligible to obtain the financial assistance from RUS contemplated by this Agreement.

(b) *Authority.* The execution, delivery and performance by the Awardee of this Agreement and the other Loan-Grant Documents and the performance of the transactions contemplated hereby and thereby have been duly authorized by all necessary actions and do not violate any provision of law or any charter, articles of incorporation, organization documents or bylaws of the Awardee or result in a breach of, or constitute a default under, any agreement, security agreement, note or other instrument to which the Awardee is a party or by which it may be bound. The Awardee has not received any notice from any other party to any of the foregoing that a default has occurred or that any event or condition exists that with the giving of notice or lapse of time or both would constitute such a default.

(c) *Consents.* No consent, approval, authorization, order, filing, qualification, license, or permit of any governmental authority is necessary in connection with the execution, delivery, performance or enforcement of the Loan-Grant Documents, except such as have been obtained and are in full force and effect.

(d) *Binding Agreement.* Each of the Loan-Grant Documents is, or when executed and delivered will be, the legal, valid, and binding obligation of the Awardee, enforceable in accordance with its terms, subject only to limitations on enforceability imposed in equity or by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally.

(e) *Compliance with Laws.* The Awardee is in compliance in all material respects with all federal, state and local laws, rules, regulations, ordinances, codes and orders (collectively, "Laws.")

(f) *Litigation.* There are no pending or threatened legal, arbitration or governmental actions or proceedings to which the Awardee is a party or to which any of its property is subject which, if adversely determined, could have a Material Adverse Effect.

(g) *Information Submitted with Application.* All information, reports, and other documents and data submitted to RUS in connection with the Application were, at the time the same were furnished, complete, and correct in all material respects. Any financial statements or data submitted to RUS in connection with the Application present fairly, in all material respects, the financial position of the Awardee and the results of its operations in conformity with Accounting Requirements. Since the date thereof, there has been no material adverse change in the financial condition or operations of the Awardee.

(h) *Principal Place of Business.* The principal place of business and chief executive office of the Awardee is at the address of the Awardee specified in Schedule 1 hereto.

(i) *Organization Number.* The Awardee's organization number is correctly identified in Schedule 1 hereto.

(j) *Subsidiaries and Parent.* Any subsidiaries or parent of the Awardee are disclosed on the attached Schedule 1.

(k) *Defaults Under Other Agreements.* No default by the Awardee has occurred under any agreement or instrument to which the Awardee is a party or to which any of its property is subject that could have a Material Adverse Effect.

(l) *Title to Property*. Except as disclosed in writing in the opinion of counsel, the Awardee holds good and marketable title to all of the Collateral, free and clear of any liens, security interests or other encumbrances except for Permitted Encumbrances.

(m) *RUS Mortgage.* The RUS Mortgage is in full force and effect, will secure the Obligations, including the Note, and creates a valid first lien on the property pledged thereunder and hereunder.

(n) *Additional Representations and Warranties.* The Awardee further represents and warrants as set forth on Schedule 1.

ARTICLE III — THE LOAN AND GRANT

Section 3.1 **Loan and Grant Amounts, Interest Rate, and Expiration Date.**

(a) *Loan Amounts.* RUS agrees to make and the Awardee agrees to accept, on the terms and conditions stated in this Agreement and subject to 31 U.S.C. 1551 and 1552, a loan, in the amount specified in Schedule 1 hereto (the "Loan").

(b) *Grant Amount.* RUS agrees to make and the Awardee agrees to accept, on the terms and conditions stated in this Agreement and subject to 31 U.S.C. 1551 and 1552, a grant, in the amount specified in Schedule 1 hereto (the "Grant").

(c) *Interest Rate.* The amount of the Loan specified in Schedule 1 hereto will bear interest on each Advance at the Treasury rate for comparable loans with comparable maturities.

(d) *Expiration Date.* The obligation of RUS to advance the Award, or any portion thereof, shall expire on a date ("Expiration Date") three (3) years from the date of this Agreement.

Section 3.2 Loan-Grant Documents

(a) The debt created by the Loan will be evidenced by a note(s) ("Note(s)") executed by the Awardee and payable to the United States of America. The Awardee shall repay the Loan in accordance with the Note(s) which shall be payable and bear interest in accordance with its (their) terms.

(b) The Awardee shall execute the Security Documents, in form and substance satisfactory to RUS, and such other security instruments as required by RUS.

Section 3.3 Payment

Except as otherwise prescribed by RUS, the Awardee shall make all payments on the Note(s) utilizing electronic fund transfer procedures as specified by RUS.

Section 3.4 Project

(a) *Loan and Grant Purpose.* The Loan and Grant have been made solely to finance the broadband infrastructure project specifically described in the RUS approved Application ("Project.")

(b) *Changes to Project.* The Awardee shall obtain the prior written approval of RUS for any material change to the system design, construction, Timeline, delivery of services, and/or objective(s) of the Project.

Section 3.5 ACH Payments

The Awardee consents to the use of the Automated Clearing House (ACH) Payment System and to the deposit of award funds directly into the Pledged Deposit Account.

ARTICLE IV — CONDITIONS OF FINANCIAL ASSISTANCE

Section 4.1 Conditions Precedent to Closing

In connection with the execution and delivery of this Agreement, each of the following conditions shall be satisfied (all documents, certificates and other evidence of such conditions are to be satisfactory to RUS in its discretion):

(a) *Legal Matters.* All legal matters incident to the consummation of the transactions hereby contemplated shall be satisfactory to counsel for RUS;

(b) *Loan-Grant Documents.* RUS shall receive duly executed originals of the Loan- Grant Documents;

(c) *Filed and Recorded Security Documents.* RUS shall have received executed, filed and indexed financing statements covering all of the personal property and fixtures of the Awardee;

(d) *Articles of Incorporation, Charter, Bylaws and Organizational Documents.* With respect to corporate and cooperative Awardees, RUS shall have received certified copies of the Awardee's most recent articles of incorporation or charter and bylaws. With respect to limited liability companies or similar organizations, RUS shall have received certified copies of the Awardee's most recent organization documents containing provisions reflecting the obligations of the Awardee in paragraphs (c) and (d) of Section 7.3;

(e) *Authorizations.* RUS shall have received satisfactory evidence that all Loan-Grant Documents and proceedings of the Awardee necessary for duly authorizing the execution, delivery and performance of the Loan-Grant Documents have been obtained and are in full force and effect;

(f) *Approvals.* RUS shall have received satisfactory evidence that the Awardee has duly registered when and where required by law with all state, Federal and other public authorities and regulatory bodies and obtained all authorizations, certificates, and approvals necessary for, or required as a condition of, the validity and enforceability of each of the Loan-Grant Documents;

(g) *Title Evidence.* RUS shall have received satisfactory evidence that the Awardee has good and marketable title to its property, including the Project, and holds such franchises, permits, leases, easements, rights, privileges, licenses, or right-of-way instruments, reasonably adequate in form and substance, as may be required by law for the continued maintenance and operation of the existing facilities and Project;

(h) *Management, Service, and Operating Agreements.* Except as otherwise provided in Sections 4.2 and/or 4.3 herein, RUS shall have received all management, service, and operating agreements, in form and substance acceptable to RUS, which shall be in accordance with fees or rates presented in the *pro forma* financial statements submitted to RUS in the RUS approved Application;

(i) *Opinion of Counsel.* RUS shall have received an opinion of counsel for the Awardee (who shall be acceptable to RUS) in form and substance acceptable to RUS for each state in which the Awardee operates; and

(j) *Additional Conditions.* The Awardee has met all additional conditions specified in Schedule 1 hereto.

Section 4.2 **General Conditions Precedent to RUS' Obligations to Release Funds for Advance**

The obligations of RUS hereunder are subject to the satisfaction of each of the following conditions precedent (all documents, certificates and other evidence of such conditions are to be satisfactory to RUS in its discretion):

(a) *Service Rate Evidence.* RUS shall have received satisfactory evidence that the Awardee has duly adopted Service Rates for all proposed services which are designed with a view to (i) paying and discharging all taxes, maintenance expenses, and operating expenses of the Awardee, (ii) making all payments in respect of principal and interest on the Note(s) when and as the same shall become due, (iii) providing and maintaining reasonable working capital of the Awardee, and (iv) producing and maintaining the TIER specified in Section 5.8 hereof;

(b) *Fidelity Bond or Theft Insurance Coverage.* RUS has received copies of the fidelity bond or theft insurance policy from the Awardee, identifying RUS as a loss payee, from a surety doing business with the United States listed in 31 CFR Part 223, in the amount specified in Schedule 1, covering all officers, employees, or agents of the Awardee authorized to receive, disburse, or receive and disburse the Loan and Grant. Notwithstanding, for current RUS borrowers, RUS may waive this fidelity bond coverage requirement, if, after evaluation, RUS has determined that adequate fidelity bond coverage is already maintained by the Awardee as a RUS borrower under existing loan or guarantee agreements between the Awardee and RUS;

(c) *Current Financial Information and Certificate of Authority.* RUS has received from the Awardee: (i) its updated balance sheet, statement of cash flow, and income statement and (ii) a duly authorized and executed certification, Foim 675, "Certification of Authority," designating an officer, employee, or agent of the Awardee as the person or persons authorized to execute and submit, on behalf of the Awardee, RUS Form 481, "Financial Requirement Statement;"

(d) *Deposited Funds.* RUS has received from the Awardee evidence, satisfactory to RUS, verifying that the Awardee has maintained on deposit in an account, funds sufficient to complete the Project as specified on Schedule 1; and

(e) *Additional Conditions.* The Awardee has met all additional conditions specified in Schedule 1 hereto.

Section 4.3 **Conditions to Individual Advances**

The obligations of RUS to approve any Advance are subject to the satisfaction of each of the following conditions precedent on or before the date of such Advance (all documents, certificates and other evidence of such conditions precedent are to be satisfactory to RUS in its discretion):

(a) *Continuing Representations and Warranties.* That the representations and warranties of the Awardee contained in this Agreement be true and correct on and as of the date of such Advance as though made on and as of such date;

(b) *Material Adverse Effect.* That no event has occurred which has had or could have a Material Adverse Effect;

(c) *Event of Default.* That no Event of Default and no event which with the passage of time or giving of notice, or both, would constitute an Event of Default shall have occurred and be continuing, or shall have occurred after giving effect to any Advances on the books of the Awardee;

(d) *Requisitions and Supporting Documentation.* That RUS shall have received not more frequently than once a month, unless otherwise agreed to by RUS, a completed RUS Form 481, "Financial Requirement Statement" (hereinafter " Form 481,") bearing the original signature of the officer, employee, or agent of the Awardee authorized to receive, disburse, or receive and disburse the Award, with supporting documentation from the Awardee in accordance with the BIP Contracting, Work Order and Advance Procedures Guide. Advances shall be limited to the minimum amounts required for the Awardee's immediate disbursement needs and shall be requested by the Awardee only for actual immediate cash requirements of the Awardee. Such loan/grant advances shall be provided on a reimbursement basis, or based on unpaid third party invoices for Eligible Purposes, or contracts approved by RUS, in accordance with the BIP Contracting, Work Order and Advance Procedures Guide. Grant funds must be advanced concurrently with Loan funds in the same proportion as the Grant is to the total Award;

(e) *Flood Insurance.* That for any Advance used in whole or in part to finance the construction or acquisition of any building in any area identified by the Secretary of Housing and Urban Development pursuant to the Flood Disaster Protection Act of 1973 (the "Flood Insurance Act") or any rules, regulations or orders issued to implement the Flood Insurance Act as any area having special flood hazards, or to finance any facilities or materials to be located in any such building, or in any building owned or occupied by the Awardee and located in such a flood hazard area, the Awardee shall have submitted evidence, in form and substance satisfactory to RUS or RUS has otherwise determined, that (i) the community in which such area is located is then participating in the national flood insurance program, as required by the Flood Insurance Act and any related regulations, and (ii) the Awardee has obtained flood insurance coverage with respect to such building and contents as may then be required pursuant to the Flood Insurance Act and any related regulations;

(f) *Current Financial Information.* That RUS has received from the Awardee: its current, updated balance sheets, income statements and statements of cash flow;

(g) *Compliance with Timeline.* That RUS has received from the Awardee evidence, satisfactory to RUS, that the Project is being constructed in accordance with the Timeline;

(h) *Compliance with Loan-Grant Documents.* That the Awardee is in material compliance with the Loan-Grant Documents and the RUS Mortgage;

(i) *Permits, Licenses and Franchises.* That RUS shall have received satisfactory evidence that the Awardee has obtained the permits, licenses, franchises and other approvals identified on Schedule 1;

(j) *Additional Documents.* That the Awardee agrees to provide RUS with such additional documents as RUS may request; and

(k) *Additional Conditions.* That the Awardee has met all additional conditions specified in Schedule 1 hereto.

Section 4.4 First Advance to Pay Off Pre-Application Expenses and Interim Financing; Restrictions on. Subsequent Advances

Funds to pay off certain pre-application expenses, as defined in the NOFA, and expenditures for Eligible Purposes incurred after submission of the Application to RUS, if any, will be included in the first Advance. Thereafter no further Advances will be made unless and until the Awardee has furnished evidence, in form and content satisfactory to RUS, that such interim financing has been paid in full and any associated liens have been duly discharged of record.

ARTICLE V — AFFIRMATIVE COVENANTS

Section 5.1 Generally

Unless otherwise agreed to in writing by RUS, while this Agreement is in effect, the Awardee shall duly observe each of the affirmative covenants contained in this Article V.

Section 5.2 Use of Advances

The Awardee shall expend Award funds only for Eligible Purposes in accordance with the RUS approved line item Project budget and Form(s) 481 submitted to RUS prior to the advance of funds.

Section 5.3 Unused and Disallowed Advances

(a) The Awardee shall return to RUS forthwith all or any advanced portion of the Loan and Grant not disbursed by the Awardee for the Project or not needed to complete the Project with any interest earned thereon when deposited in the Pledged Deposit Account.

(b) The Awardee shall reimburse RUS for any advanced funds whose original expenditure has been disallowed by an RUS loan and grant audit. Disallowances shall be satisfied, as directed by RUS, by either administrative offset against other approved purposes on Form(s) 481 or repaying the disallowed amount directly to the United States Treasury. Such disallowed amounts shall accrue interest payable to RUS from the date RUS delivers to the Awardee a written demand for payment. Interest shall accrue on disallowed Loan Advances at the lesser of the following: the interest rate of the disallowed Advance or the then current United States Treasury rate as prescribed by the Secretary of the Treasury in the Federal Register and the Treasury Fiscal Requirements Manual Bulletin. Interest shall accrue on disallowed Grant Advances at the then current United States Treasury rate as prescribed by the Secretary of the Treasury in the Federal Register and the Treasury Fiscal Requirements Manual Bulletin. Closeout of the Loan and Grant will not affect the right of RUS to disallow expenditures and recover, in full, any amount on the basis of a subsequent audit or other review or the Awardee's obligation to return any disallowed expenditures.

Section 5.4 Deposit of Advances into Pledged Deposit Account

(a) The Awardee shall open and maintain a deposit account pledged to RUS ("Pledged Deposit Account,") in a bank or depository whose deposits are insured by the Federal Deposit Insurance Corporation or other federal agency acceptable to RUS and shall be identified by the RUS' designation of the Awardee followed by the words "Pledged Deposit Account." The Awardee shall promptly deposit proceeds from all Advances, including previously advanced funds whose original expenditure has been disallowed by an RUS audit into the Pledged Deposit Account. Moneys in the Pledged Deposit Account shall be used solely for the purposes for which Advances were made, or for such other purposes as may be approved in writing by RUS. Deposits and disbursements from the Pledged Deposit Account shall be made and recorded in accordance with the BIP Contracting, Work Order and Advance Procedures Guide.

(b) *First Lien on Pledged Deposit Account.* The Awardee shall perfect and maintain a first and prior lien in the Pledged Deposit Account (pursuant to a deposit account agreement or similar agreement or mechanism for perfecting as provided by applicable law) in foam acceptable to RUS.

Section 5.5 Additional Project Funding

The Awardee shall ensure that adequate funding is in place to complete the Project and will, after obtaining the prior written approval of RUS, obtain additional loans or funds or receive binding commitments for supplemental funding in an amount needed to ensure completion of the Project.

Section 5.6 Miscellaneous Notices

The Awardee shall furnish to RUS:

(a) *Notice of Default.* Promptly after becoming aware thereof, notice of the occurrence of any default under the Loan-Grant Documents or the RUS Mortgage or the receipt of any notice given pursuant to the Loan-Grant Documents or RUS Mortgage with respect to the occurrence of any event which with the giving of notice or the passage of time, or both, could become an Event of Default hereunder, the other Loan-Grant Documents or under the RUS Mortgage.

(b) *Notice of Litigation.* Promptly after the commencement thereof, notice of the commencement of all actions, suits or proceedings before any court, arbitrator, or governmental department, commission, board, bureau, agency, or instrumentality affecting the Awardee or any Affiliate which, if adversely determined, could have a Material Adverse Effect.

(c) *Regulatory and Other Notices.* Promptly after receipt thereof, copies of any notices or other communications received from any governmental authority with respect to any matter or proceeding which could have a Material Adverse Effect.

(d) *Material Adverse Effect.* Promptly after becoming aware thereof, notice of any matter which has resulted or may result in a Material Adverse Effect.

(e) *Corporate Document Changes.* Thirty (30) days prior to their effectiveness, any amendments, supplements or modifications to the Awardee's Articles of Incorporation, Charter, Bylaws, Operating Agreement, Members Agreements or other Organizational Documents.

(f) *Other Information.* Such other information regarding the condition, financial or otherwise, or operations of the Awardee as RUS may, from time to time, reasonably request.

Section 5.7 Rates and Financial Performance Criteria

The Awardee shall design, charge and maintain rates in effect which (i) pay and discharge all taxes, maintenance expenses and operating expenses of its system (ii) make all payments in respect of principal of and interest on the Note(s) when and as the same shall become due, (iii) provide and maintain reasonable working capital for the Awardee, and (iv) maintain the TIER specified in Section 5.8 hereof.

Section 5.8 TIER

The Awardee will maintain the TIER required in the Prior RUS Loan Contract and, upon the termination of the obligation to maintain such TIER, will maintain a TIER of 1.0 until the Loan is repaid in full.

Section 5.9 Corrective Action

Within thirty (30) days of (i) sending the financial reports required by Section 6.3 hereof that shows the TIER specified in Section 5.8 was not achieved for the reported fiscal period or (ii) being notified by RUS that the TIER specified in Section 5.8 was not achieved for the reported fiscal period, whichever is earlier, the Awardee, in consultation with RUS, shall provide a written plan satisfactory to RUS setting forth the actions that shall be taken to achieve the specified TIER on a timely basis and shall promptly implement said plan.

Section 5.10 Service Obligation

The Awardee shall provide the broadband service described in the RUS approved Application commencing from the date the Project is Substantially Complete for at least as long as the Composite Economic Life of the facilities financed by the Award as specified on Schedule 1. The Awardee may update its service offerings upon receipt of RUS' prior written consent.

Section 5.11 Obligations with Respect to the Construction, Operation and Maintenance of the Project

(a) *Project Management and Operation.* The Awardee shall be responsible for the management of the Project and will operate the Project in an efficient and economic manner as well as maintaining the Project in good repair.

(b) *Construction in Accordance with System Design and Timeline.* The Awardee shall cause the Project to be constructed and/or built out, and completed in accordance with the system design submitted with the RUS approved Application, as such design may be amended with prior RUS consent, and the Timeline.

(c) *General Insurance Requirements.* The Awardee shall take out and maintain insurance on the Project and any other property acquired with the Loan and Grant in accordance with 7 CFR Section 1788 as well as maintaining the fidelity bond or theft insurance coverage required in Section 4.2(b) hereof.

(d) *Contracting.* The Awardee may, in accordance with the BIP Contracting, Work Order and Advance Procedures Guide, contract for goods and services to be funded by the Award, using RUS form contracts or private contracts; provided that private contracts must comply with equal employment opportunity and civil rights requirements, as well as the Davis Bacon Act.

(e) Commencement and Completion of Construction and/or Installation.

(1) Awardees are required to commence construction and/or installation of the Project within 180 days from the date hereof, and

(2) The Project shall be Substantially Complete within two years of the date hereof, and Project Completion shall occur within three years of the date hereof.

Section 5.12 Preservation of Existence and Rights

The Awardee shall take or cause to be taken all such actions as from time to time may be necessary to preserve its existence and to preserve and renew all franchises, contracts, rights of way, easements, permits, and licenses now or hereafter to be granted or conferred upon it, with respect to the Project, the loss of which would have a Material Adverse Effect.

Section 5.13 Compliance with Laws

Awardees shall comply with all applicable federal and state laws, including but not limited to: (i) The nondiscrimination and equal employment opportunity requirements of Title VI of the Civil Rights Act of 1964, as amended (42 U.S.C. § 2000e *et seq., 7* CFR pt. 15); (ii) Section 504 of the Rehabilitation Act (29 U.S.C. § 794 *et seq.;* 7 CFR pt. 15b); (iii) The Age Discrimination Act of 1975, as amended (42 U.S.C. § 6101 *et seq.;* 45 CFR pt. 90); (iv) Executive Order 11375, amending Executive Order 11246, Relating to Equal Employment Opportunity (3 CFR pt. 102). *See* 7 CFR pts. 15 and 15b and 45 CFR pt 90, RUS Bulletin 1790-1 ("Nondiscrimination among Beneficiaries of RUS Programs"), and RUS Bulletin 20-15:320-15 ("Equal Employment Opportunity in Construction Financed with RUS Loans"). The RUS Bulletins are available at http://www.broadbandusa.gov.; (v) The Architectural Barriers Act of 1968, as amended (42 U.S.C. L4151 *et seq.);* (vi) The Uniform Federal Accessibility Standards (UFAS) (Appendix A to 41 CFR subpart 101-19.6); (vii) The Council on Environmental Quality Regulations for Implementing the Procedural Provisions of NEPA and certain related federal environmental laws, statutes, regulations, and Executive Orders found in 7 CFR1794; and (viii) The Communications Act of 1934, as amended, (47 U.S.C. § 151 *et seq.),* the Telecommunications Act of 1996, as amended (Pub. L. 104-104, 110 Stat. 56 (1996), and the Communications Assistance for Law Enforcement Act (47 U.S.C. § 1001 *et seq.)* (CALEA).

Section 5.14 **Equal Opportunity Requirements**

(a) *Equal Opportunity Provisions in Construction Contracts.* The Awardee shall incorporate or cause to be incorporated into any construction contract, as defined in Executive Order 11246 of September 24, 1965 and implementing regulations, which is paid for in whole or in part with funds obtained from RUS or borrowed on the credit of the United States pursuant to a grant, contract, loan, insurance or guarantee, or undertaken pursuant to any RUS program involving such grant, contract, loan, insurance or guarantee, the equal opportunity provisions set forth in Attachment 2 hereto, entitled Equal Opportunity Contract Provisions.

(b) *Equal Opportunity Contract Provisions Also Bind the Awardee.* The Awardee further agrees that it shall be bound by such equal opportunity clause in any federally assisted construction work which it performs itself other than through the permanent work force directly employed by an agency of government.

(c) *Sanctions and Penalties.* The Awardee agrees that it shall cooperate actively with RUS and the Secretary of Labor in obtaining the compliance of contractors and subcontractors with the equal opportunity clause and the rules, regulations and relevant orders of the Secretary of Labor, that it shall furnish RUS and the Secretary of Labor such information as they may require for the supervision of such compliance, and that it shall otherwise assist the administering agency in the discharge of RUS' primary responsibility for securing compliance. The Awardee further agrees that it shall refrain from entering into any contract or contract modification subject to Executive Order 11246 with a contractor debarred from; or who has not demonstrated eligibility for, Government contracts and federally assisted construction contracts pursuant to Part II, Subpart D of Executive Order 11246 and shall carry out such sanctions and penalties for violation of the equal opportunity clause as may be imposed upon contractors and subcontractors by RUS or the Secretary of Labor pursuant to Part II, Subpart D of Executive Order 11246. In addition, the Awardee agrees that if it fails or refuses to comply with these undertakings RUS may cancel, terminate or suspend in whole or in part this Agreement, may refrain from extending any further assistance under any of its programs subject to Executive Order 11246 until satisfactory assurance of future compliance has been received from the Awardee, or may refer the case to the Department of Justice for appropriate legal proceedings.

Section 5.15 **Purchases with Award Funds**

Except as specifically authorized in writing in advance by RUS, all facilities, materials, equipment, supplies, replacements and all other items purchased with Award funds shall be purchased outright, and not subject to any conditional sales agreement, chattel mortgage, bailment lease or other agreement reserving to the seller any right, title or lien.

Section 5.16 **Awardee to Defend Title and Remove Liens**

Except for Permitted Encumbrances, the Awardee will maintain and preserve the lien of this Agreement superior to all other liens affecting the Collateral, and will forever warrant and defend the title to the Collateral against any and all claims and demands whatsoever. The Awardee shall make, execute, acknowledge, deliver, file and record all such mortgages, financing statements, continuation statements, security agreements, instruments and conveyances as is necessary to preserve the lien of this Agreement against the Collateral superior to all other liens. The Awardee shall maintain the Collateral free of all liens except for Permitted Encumbrances, and will promptly pay or discharge any and all obligations for or on account of which any such lien or charge might exist or could be created and any and all lawful taxes, rates, levies, assessments, liens, claims or other charges imposed upon or accruing upon any of the Collateral, as and when the same shall become due and payable; and whenever called upon so to do by RUS will furnish to RUS adequate proof of such payment or discharge; provided, however that this provision shall not be deemed to require the payment or discharge of any tax, rate, levy, assessment or other governmental charge while the Awardee is contesting the validity thereof by appropriate proceedings in good faith and so long as it shall have set aside on its books adequate reserves with respect thereto.

Section 5.17 **Further Assurances**

(a) The Awardee shall from time to time upon written demand of RUS make, execute, acknowledge and deliver or cause to be made, executed, acknowledged and delivered all such further and supplemental mortgages, financing statements, continuation statements, security agreements, instruments and conveyances as may be requested by RUS and take or cause to be taken all such further action as may reasonably be requested by RUS to provide for the securing and payment of the principal of, interest on, and any and all other amounts payable hereunder and under the Note(s) according to the terms thereof and for the purpose of fully conveying, transferring and confirming the property hereby conveyed, mortgaged and pledged or intended so to be, whether now owned by the Awardee or hereafter acquired by it.

(b) The Awardee shall cause this Agreement, financing statement, continuation statement and every additional instrument which shall be executed pursuant to subsection (a) immediately above, to forthwith upon execution to be filed and recorded and refiled and rerecorded as conveyances and security interests in real and personal property in such manner and in such places as may be required by law or requested by RUS in order to fully preserve the security for the Obligations, including the Loan, and to perfect and maintain the superior lien of this Agreement and all supplemental security instruments.

Section 5.18 **Buy American - General Prohibition and Waiver**

For Awardees that are States, local governments, or any agency, subdivision, instrumentality, or political subdivision thereof, pursuant to § 1605 of the Recovery Act, no Loan or Grant funds may be used for the construction, alteration, maintenance, or repair of a public building or public work (as such terms are defined in 2 CFR § 176.140) unless all of the iron, steel, and manufacturing goods used in the project are produced in the United States, except as provided in OMB regulations at 75 Fed. Reg. 14323 (Mar. 25, 2010). Notwithstanding, such Awardees have been granted a general waiver by the Secretary of Agriculture with respect to certain broadband equipment, as outlined in the Federal Register at 74 Fed. Reg. 31402 (July 1, 2009). All other waivers must be requested of RUS pursuant to 2 CFR § 176.60.

Section 5.19 **Nondiscrimination and Interconnection Obligations**

The Awardee agrees to (i) adhere to the principles contained in the FCC's Internet Policy Statement (FCC 05-151, adopted August 5, 2005); (ii) not favor any lawful Internet applications and content over others; (iii) display any network management policies in a prominent location on the service providers webpage, provide notice to customers of changes to these policies, such policies include any business practices or technical mechanisms they employ, other than standard best efforts Internet delivery, to allocate capacity; differentiate among applications, providers, or sources, limit usage and manage illegal or harmful content; (iv) connect to the public Internet directly or indirectly, such that the project is not an entirely private closed network; and (v) offer interconnection, where technically feasible without exceeding current or reasonably anticipated capacity limitations, on reasonable rates and terms to be negotiated with requesting parties. This includes both the ability to connect to the public Internet and physical interconnection for the exchange of traffic.

(a) Notwithstanding the above, the Awardee may not offer interconnection to anyone that will provide services that duplicate services provided by projects funded by outstanding telecommunications loans made under the RE Act. Further, interconnection may not be used for an ineligible purpose under the Recovery Act.

(b) These obligations are subject to the needs of law enforcement and reasonable network management. As such, the Awardee may employ generally accepted technical measures to provide acceptable service levels to all customers, such as caching and application-neutral bandwidth allocation, as well as measures to address spam, denial of service attacks, illegal content, and other harmful activities.

(c) In the event the Awardee contracts with another entity to operate the Project, the Awardee shall require such entity to comply with the terms of this Section, expressly including this Section in their contractual arrangement.

(d) These obligations do not apply to the Awardee's existing network.

Section 5.20 **Davis-Bacon Wage Requirements**

The Awardee shall comply with the Davis-Bacon Act, and the guidance found at 29 C.F.R. pts. 1, 3, and 5, such that any covered contract with a contractor or subcontractor in excess of $2,000 for construction, alteration or repair (including painting and decorating) shall contain the contract clauses found in 29 C.F.R. 5.5(a), to ensure that all laborers and mechanics employed on the Project receive payment of not less than the prevailing wage.

Section 5.21 **Additional Affirmative Covenants**

The Awardee shall comply with the additional affirmative covenants set forth in Schedule 1 hereto.

ARTICLE VI — ACCOUNTING AND REPORTING

Section 6.1 **Financial Records**

(a) Awardees must establish an accounting system satisfactory to RUS in compliance with Accounting Requirements. Such a system of accounts must account for all funds advanced under this Agreement separately from all other funds for the Project, as required by the Recovery Act.

(b) The Awardee shall maintain, at its premises, such books, documents, papers, or other records and supporting documents, including, but not limited to, invoices, receipts, payroll records and bills of sale, adequate to identify the purposes for which, and the manner in which Loan, Grant, and other funds were expended on the Project. The Awardee shall at all times keep, and safely preserve, proper books, records and accounts in which full and true entries shall be made of all dealings, business, and affairs of the Awardee and its Subsidiaries, in accordance with its system of accounts complying with Paragraph (a) immediately above. The Awardee shall maintain copies of all documents submitted to RUS in connection with the Award until the later of (i) the Loan being paid in full and all audits have been completed or (ii) three years subsequent to close-out of the Award.

Section 6.2 Rights of Inspection

The Awardee shall afford RUS, the Office of the Inspector General of USDA, and the Government Accountability Office, through their representatives, reasonable opportunity, at all times during business hours and upon prior notice, to have access to and right to inspect the Project, any other property encumbered by the Security Documents, and any and all books, records, accounts, including electronic books, records, accounts and electronic mail messages, regardless of the physical form or characteristics, invoices, contracts, leases, payroll records, canceled checks, statements, and other documents, and papers of every kind belonging to or in any way pertaining to its property or business, including its Subsidiaries, if any, and to make copies or extracts therefrom.

Section 6.3 Annual Audit

Effective after an Advance has been made, one hundred twenty (120) days from the end of the Awardee's current fiscal year and, thereafter, one hundred twenty (120) days from the close of each subsequent fiscal year, the Awardee must submit annual audited financial statements along with a report on compliance and on internal control over financial reporting, and a management letter in accordance with the requirements of 7 CFR 1773. The CPA conducting the annual audit must meet the requirements for a qualified CPA as set forth in 7 CFR § 1773.5. However, if the Awardee is a state, local government, or non-profit organization that expends $500,000 or more of federal funds during its fiscal year, an audit must be performed in accordance with OMB Circular A-133, Audits of States, Local Governments, and Non- Profit Organizations, located at http://www.whitehouse.gov/omb/circulars/a133/a133.html. Awardees are also responsible for ensuring that sub-recipient audit reports are received and for resolving any audit findings.

Section 6.4 BIP Reporting

(a) *Quarterly Report.* No later than thirty (30) calendar days after the end of each calendar year quarter the Awardee must submit to RUS utilizing RUS's online Broadband Collection and Analysis System (BCAS), the following information: balance sheets, income statements, statements of cash flow, summaries of its rate packages, the number of customers taking broadband service on a per community basis, the completion status of the build-out and whether the project is Substantially Complete. In addition the Awardee must provide RUS with such other reports concerning the financial condition or operation of the Awardee, including its Subsidiaries, as RUS may request.

(b) *Annual Report.* For the lesser of five years or as long as the Awardee is required to provide service hereunder, on each January 31st, starting the first January 31st after Project Completion, the Awardee must submit the following information to RUS utilizing BCAS:

(i) Number of households and businesses subscribing to broadband service;

(ii) Number of households and businesses subscribing to broadband service that receive improved access; and

(iii) Number of educational, library, healthcare, and public safety providers receiving either new or improved access to broadband service.

(c) *Annual Compliance Certificate.* Within forty-five (45) days after the close of each calendar year, or more often if requested in writing by RUS, the Awardee shall deliver to RUS a written statement signed by its general manager, managing member, or equivalent corporate official satisfactory to RUS, stating that, during such year the Awardee has fulfilled its obligations under the Loan-Grant Documents throughout such year in all material respects or, if there has been a material default in the fulfillment of such obligations, specifying each such default known to such official and the nature and status thereof.

(d) *Close Out Report.* The Awardee shall deliver a close out report to RUS no later than ninety (90) days after the expiration or termination of the Award, or the completion of the Project and expenditure of all Award funds. The close out report shall address: (i) a comparison of actual accomplishments to the objectives set forth in the Application; (ii) a description of problems, delays, or adverse conditions that occurred, or which affected the attainment of overall Project objectives, prevented the meeting of time schedules or objectives, or precluded the attainment of particular Project work elements during established time periods; and (iii) a comparison of how funds were spent against the original general budget submitted with the RUS approved Application.

Section 6.5 Recovery Act Reporting

No later than ten (10) calendar days after each calendar quarter in which the Awardee receives the assistance award funded in whole or part with Award funds, the Awardee shall submit through http://www.federalreporting.gov the information required by 2 C.F.R. 176. The final report should summarize the Awardee's quarterly filings and state whether the project's goals have been satisfied.

ARTICLE VII — NEGATIVE COVENANTS

Section 7.1 General

Unless otherwise agreed to in writing by RUS, while this Agreement is in effect, the Awardee shall duly observe each of the negative covenants set forth in this Article VII.

Section 7.2 Merger, Consolidation, Transfer of Property, or Change in Control

The Awardee shall not, without the prior written consent of RUS, take or suffer to be taken any steps to reorganize, consolidate with or merge into any other corporation, or to sell, lease or transfer (or make any agreement therefore) all or any substantial part of its property, including, without limitation, the Project.

Section 7.3 Covenants for Limited Liability Companies and Similar Awardees

Awardees which are limited liability or similar organizations agree that:

(a) The death, retirement, resignation, expulsion, termination, bankruptcy or dissolution of any member or the occurrence of any other event that terminates the continued membership of any member shall not cause the Awardee to be dissolved or its affairs to be wound up;

(b) Prior to the date on which any and all obligations owed to RUS, including the Note evidencing the Loan, are discharged in full, the Awardee shall not be dissolved or terminated;

(c) The organizational documents of the Awardee shall contain provisions reflecting the obligations of the Awardee in paragraphs (a) and (b) immediately above and such provisions shall not be amended without the prior written consent of RUS; and

(d) No direct or indirect addition or issuance of any membership units (or any other ownership interest) in the Awardee may be made by the Awardee or its members without the prior written consent of RUS and no transfer, whether individually or in the aggregate, of any membership units (or any other ownership interest) in the Awardee which will result in the transfer of more than 49% of the equity interests (of whatever nature, including voting and non-voting) in the Awardee may be made by the Awardee or its members without the prior written consent of RUS.

Section 7.4 Additional Indebtedness

The Awardee shall not, without the prior written consent of RUS, incur additional secured or unsecured indebtedness other than (i) purchase money security interests, (ii) unsecured trade indebtedness and (iii) other debt arising in the ordinary course of business. Indebtedness under items (i), (ii), and (iii) in the aggregate shall not exceed five percent (5%) of the Awardee's consolidated total assets.

Section 7.5 Negative Pledge

The Awardee shall not create, incur or suffer any lien, mortgage, pledge, assignment, or other encumbrance on, or security interest on its property, other than Permitted Encumbrances.

Section 7.6 Contracts

The Awardee shall not, without the prior written consent of RUS, enter into any contract or contracts for the operation or management of all or any substantial part of the Awardee's system, including, without limitation, the Project, and shall not enter into any contract for the use by others of all or any substantial part of its system, including, without limitation, the Project.

Section 7.7 Salaries

Salaries, wages, and other compensation paid by the Awardee for services, and directors', members', managers' or trustees' fees, shall be reasonable and in conformity with the usual practice of entities of the size and nature of the Awardee.

Section 7.8 Extension of Credit

Except as specifically authorized in writing in advance by RUS, the Awardee will make no advance payments or loans, or in any manner extend its credit, either directly or indirectly, with or without interest, to any of its directors, trustees, officers, employees, stockholders, members, managers, Affiliates or Affiliated companies; provided, however, that the Awardee may make an investment for any purpose described in section 607(c)(2) of the Rural Development Act of 1972 (including any investment in, or extension of credit, guarantee, or advance made to an Affiliated Company that is used by such Affiliate for such purpose) to the extent that, immediately after such investment: (1) the aggregate of such investments does not exceed one-third of the Net Worth and (2) the Awardee's Net Worth is at least twenty (20) percent of its Total Assets.

Section 7.9 Distributions or Withdrawals

(a) The Awardee shall not, without the prior written approval of RUS, make any membership withdrawal, unit redemptions, or other type of profit allocation to its members, if it is a limited liability company, nor make any dividend, stock, capital, capital credit or other distribution in the nature of an investment, guarantee, extension of credit, loan or advance payment on obligations, if it is a corporation or cooperative (all such distributions being hereinafter collectively called "Distributions"); provided, however, the Awardee may make a Distribution after 75% of the Loan funds have been expended as approved if after such Distribution, the Awardee's Net Worth is equal to at least twenty percent (20%) of its Total Assets and the amount of all such Distributions during the calendar year does not exceed twenty-five percent (25%) of the Awardee's Net Income or Net Margins for the prior calendar year.

(b) *Additional Negative Restrictions.* The Awardee shall comply with the additional negative restrictions on Distributions and Withdrawals set forth in Schedule 1 hereto.

Section 7.10 Changing Principal Place of Business, Place of Conducting Business, or Type of Organization

The Awardee shall not change its principal place of business, place of conducting business, or type of organization without the prior written consent of RUS.

Section 7.11 Changing Name or. Place of Incorporation or Organization

The Awardee shall not change its legal name or place of incorporation or organization without giving RUS sixty (60) days prior written notice.

Section 7.12 Historic Preservation

The Awardee shall not, without the prior written consent of RUS, use any Advance to construct any facility which shall involve any district, site, building, structure or object which is included in, or eligible for inclusion in, the National Register of Historic Places maintained by the Secretary of the Interior pursuant to the Historic Sites Act of 1935 and the National Historic Preservation Act of 1966.

Section 7.13 Affiliated Transactions

With regard to the Project, the Awardee shall not enter into any transaction, contract, or dealing with an Affiliate of the Avvardee or with the Awardee's or Affiliate's directors, trustees, officers, managers, members (if the Awardee is a limited liability company), or other corporate officials, without the prior written consent of RUS. RUS' consent to advance award funds for affiliated transactions will be limited to an amount which is the lower of cost or market rate and which is subject to verification by RUS and its representatives having access to the books and records of the Affiliate.

Section 7.14 Preferred Stock

The Awardee shall not issue any new or additional preferred stock without the prior written approval of RUS, which approval shall not be unreasonably withheld if such stock issuance, in RUS' sole opinion, would not be considered a debt instrument under GAAP.

Section 7.15 Restrictions on Transfers of Property

(a) Except as provided in Paragraph (b), and excluding any property which the Awardee must sell to customers in the ordinary course of business, the Awardee shall not sell, lease or transfer any Collateral to any other person or entity (including any subsidiary or affiliate of the Awardee) without the prior written consent of the RUS.

(b) So long as the Awardee is not in default hereunder, the Awardee may, without obtaining the consent of RUS, sell or otherwise dispose of, free from the lien hereof, any of its property which is neither necessary to, nor useful for, the operation of the Awardee's business, or which has become obsolete, worn out, damaged, or otherwise unsuitable for the purposes of the Awardee; provided, however, that the Awardee shall to the extent necessary: (1) replace the same with other property of the same kind and nature, or substitute thereof, which shall be subject to the lien hereof, free and clear of all prior liens, and apply the proceeds, if any, derived from the sale or disposition of such property, which are not needed for the replacement thereof, to the prepayment of the indebtedness on the outstanding Notes; (2) immediately upon the receipt of the proceeds of any sale or disposition of said property, apply the entire amount of such proceeds to the prepayment of the indebtedness evidenced by the Notes; or (3) deposit all or such part of the proceeds derived from the sale or disposition of said property into the Pledged Deposit Account , and shall use the same only for such additions to, or improvements in, the Collateral, on such terms and conditions as RUS shall specify.

Section 7.16 **Restrictions on Changes to Line Item Budget**

The Awardee agrees that the budget for the Project is a line item budget and agrees not to make any revisions to the RUS approved line item Project budget, including, without limitation, the part of the budget for construction, without the prior written approval of RUS.

Section 7.17 **Additional Negative Covenants**

The Awardee shall comply with the additional negative covenants set forth in Schedule 1 hereto.

ARTICLE VIII - LENDER'S RIGHTS

Section 8.1 **Termination of Award Offer**

RUS, in its sole discretion, may terminate the offer to make the Loan or Loan/Grant Combination if it does not receive the Loan-Grant Documents, duly executed on behalf of the Awardee and all conditions in Section 4.1 hereof are not satisfied within sixty (60) days from the date hereof

Section 8.2 **Audits and Compliance Reviews**

After giving prior notification to the Awardee, RUS has the right to conduct compliance reviews and audits of the Awardee to assure compliance with the Loan-Grant Documents, NOFA and the Accounting Requirements.

Section 8.3 **Disallowed Expenditures**

Upon a determination by RUS that the Awardee did not expend Award funds on Eligible Purposes in accordance with the RUS approved line item Project budget and the Form(s) 481 approved by RUS prior to the advance of funds, RUS may, in its sole discretion:

(a) Disallow all or a part of the expenditures and disbursements of the Award and require the Awardee to deposit such funds in the Pledged Deposit Account to be applied toward other approved Project purposes on Form(s) 481 or to reimburse the Government, as provided in Section 5.3 hereof;

(b) Suspend making Advances;

(c) Take any other action RUS determines to be necessary including, without limitation, exercising any right or remedy available under the Loan-Grant Documents or law.

Section 8.4 **Suspension of Advances**

RUS may, in its absolute discretion, suspend making Advances on the Award upon its making a determination that an event has occurred that is likely to have a Material Adverse Effect. RUS may also suspend making advances of the Award upon the occurrence of an Event of Default.

Section 8.5 **Payment Extensions**

RUS may, at any time or times in succession without notice to or the consent of the Awardee and upon such terms as RUS may prescribe, grant to any person, firm or entity who shall have become obligated to pay all or any part of the principal of or interest on any note held by or indebtedness owed to RUS or who may be affected by the lien created by the Loan-Grant Documents, an extension of the time for the payment of such principal or interest, and after any such extension the Awardee will remain liable for the payment of such note or indebtedness to the same extent as though it had at the time of such extension consented thereto in writing.

Section 8.6 **Right to Expend Money**

RUS shall have the right (without prejudice to any of its rights with respect to any Event of Default) to advance or expend moneys for the purpose of procuring insurance, or for the payment of insurance premiums as required hereunder, or to advance or expend moneys for the payment of taxes, assessments or other charges, or to save the Collateral from sale or forfeiture for any unpaid tax or assessment, or otherwise, or to redeem the same from any tax or other sale, or to purchase any tax title thereon, or to remove or purchase any mechanics' liens or other encumbrance thereon, or to make repairs thereon or to comply with any covenant herein contained or to prosecute and defend any suit in relation to the Collateral or in any manner to protect the Collateral and the title thereto, and all sums so advanced for any of the aforesaid purposes with interest thereon at the highest legal rate, but not in excess of twelve per centum (12%) per annum shall be deemed a charge upon the Collateral and shall be forthwith paid to RUS upon demand It shall not be obligatory for RUS in making any such advances or expenditures to inquire into the validity of any such tax title, or of any such taxes or assessments or sales therefore, or of any such mechanics' liens or other encumbrance.

Section 8.7 **Right to File Financing Statements**

RUS shall have the right to file such financing statements and continuation statements on its behalf, as secured party, and on behalf of the Awardee, as debtor, as RUS deems necessary to perfect a first lien on the Collateral and to maintain and preserve such perfected first lien as long as the Loan remains outstanding. The Awardee shall reimburse RUS for any expenses incurred in the exercise of this right.

ARTICLE IX - GRANT OF SECURITY INTEREST

To secure the payment and performance of the Obligations, including, without limitation, the Note(s), the Awardee hereby pledges, assigns, and transfers to RUS, and grants to RUS a continuing security interest in and to all property, tangible and intangible, of every kind, nature or description, now owned, leased, or hereafter acquired by the Awardee, wherever located, including but not limited to, accounts, chattel paper, documents, instruments, general intangibles, licenses, (including, without limitation, those granted by the Federal Communications Commission ("FCC"), subject to the FCC's prior approval of any assignment or transfer of de jure or de facto control of such licenses), permits, equipment, goods, proceeds, products, and accessions, as well as its right, title and interests in fixtures and real property, now owned, leased or hereafter acquired and wherever located, and the property described in Schedule 2 hereto.

ARTICLE X - EVENTS OF DEFAULT

Section 10.1 **Events of Default**

The following shall be events of default (each an "Event of Default") under this Agreement:

(a) Representations and Warranties. Any representation or warranty made by the Awardee in Loan-Grant Documents, Form(s) 481 or any certificate furnished to RUS under the Loan-Grant Documents, or in the Application shall prove to have been incorrect in any material respect at the time made;

(b) Non-Payment. The nonpayment of any required and due installment of interest on, or principal of, any Note, whether by acceleration or otherwise, which continues for five (5) Business Days, as such term is herein defined;

(c) Corrective Actions. Default by the Awardee in the observance or performance of Section 5.9;

(d) Limited Liability Companies. Default by the Awardee or its members in the observance or performance of Section 7.3;

(e) Improper Expenditures. The Awardee expends Award funds on costs which are not for Eligible Purposes in accordance with the RUS approved line item Project budget and the Form(s) 481 approved by RUS prior to the advance of funds;

(f) Failure to Keep Adequate Records. The Awardee fails to keep adequate records, including the failure to document Award fund expenditures for Eligible Purposes as required herein;

(g) Failure to Build in Accordance with Timeline. The Awardee fails to commence build out of the Project within 180 days from the date hereof or otherwise fails to meet or exceed milestones established in the Timeline, as it may be amended with prior written RUS consent;

(h) Failure to Comply with Accounting and Reporting Requirements. The Awardee fails to comply with the accounting and reporting requirements in Article VI;

(i) Other Covenants. Default by the Awardee in the observance or performance of any other covenant or agreement contained in any of the Loan-Grant Documents, which shall remain unremedied for thirty (30) calendar days after written notice thereof shall have been given to the Awardee by RUS;

(j) Adverse Effects. The Awardee shall forfeit or otherwise be deprived of its charter, articles of organization, franchises, permits, easements, consents or licenses required to carry on any material portion of its business or the Awardee files for or an event occurs which can reasonably be expected to result in its dissolution or termination;

(k) Other Obligations. Default by the Awardee in the payment of any obligation, whether direct or contingent, for borrowed money in excess of ten thousand dollars ($10,000.00) or in the performance or observance of the terms of any instrument pursuant to which such obligation was created or securing such obligation which default shall have resulted in such obligation becoming or being declared due and payable prior to the date on which it would otherwise be due and payable;

(l) Bankruptcy. A court having jurisdiction in the premises shall enter a decree or order for relief with respect to the Awardee in an involuntary case under any applicable bankruptcy, insolvency, or other similar law now or hereafter in effect: (1) appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator, or similar official, or (2) ordering the winding up or liquidation of its affairs; or the Awardee shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian or trustee, of a substantial part of its property, or make any general assignment for the benefit of creditors;

(m) Dissolution or Liquidation. Other than as provided in the immediately preceding subsection, the dissolution or liquidation of the Awardee, or the filing of such by the Awardee;

(n) Impaired Business. The failure by the Awardee to promptly forestall or remove any execution, garnishment or attachment of such consequence as shall impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within thirty (30) days;

(o) Payment of Final Judgment. A final judgment in an amount of ten thousand dollars ($10,000.00) or more shall be entered against the Awardee and shall remain unsatisfied or without a stay in respect thereof for a period of thirty (30) days; and/or

(p) Default under RUS Mortgage. An event of default occurs under the RUS Mortgage and is continuing for thirty (30) days.

ARTICLE XI – REMEDIES

Section 11.1 **Generally**

(a) Upon the occurrence of an Event of Default, RUS may pursue all rights and remedies available to RUS that are contemplated by the Loan-Grant Documents and/or the RUS Mortgage in the manner, upon the conditions, and with the effect provided in such documents, and may pursue such other remedies that are generally available at law or in equity including, without limitation, a suit for specific performance, injunctive relief or damages. Nothing herein shall limit the right of RUS to pursue all rights and remedies available to a creditor following the occurrence of an Event of Default listed in Article X hereof. Each right, power and remedy of RUS shall be cumulative and concurrent, and recourse to one or more rights or remedies shall not constitute a waiver of any other right, power or remedy.

(b) RUS and the Awardee acknowledge they are, respectively, mortgagee and mortgagor, under the RUS Mortgage and agree that the RUS Mortgage secures the Obligations, including the Note, and that the RUS Mortgage creates or will create a first lien on the Collateral. RUS and the Awardee further agree than an Event of Default hereunder shall constitute an event of default under the RUS Mortgage permitting RUS to exercise rights and remedies thereunder.

Section 11.2 **Remedies**

In addition to the remedies referred to in Section 11.1 hereof, upon the occurrence of an Event of Default, RUS may:

(a) Refuse to make any advance or further advance on account of the Award, but any advance thereafter made by RUS shall not constitute a waiver of such default;

(b) Declare all unpaid principal of and all interest accrued on the Note(s) to be immediately due and payable and upon such declaration all such principal and interest shall become due and payable immediately;

(c) Terminate the obligation to further advance on account of the Award;

(d) Take immediate possession of the Collateral, collect and receive all credits, outstanding accounts and bills receivable of the Awardee and all rents, income, revenues and profits pertaining to or arising from the Collateral, or any part thereof, and issue binding receipts therefor; manage and control and operate the Collateral as fully as the Awardee might do if in possession thereof; RUS, any employee or agent of RUS is hereby constituted and appointed as true and lawful attorney-in-fact of the Awardee with full power to (i) notify or require the Awardee to notify any and all Customers that the Collateral has been assigned to RUS and/or that RUS has a security interest in the Collateral; (ii) endorse the name of the Awardee upon any notes, checks, acceptances, drafts, money orders, or other instruments or payment (including payments made under any policy of insurance) that may come into possession of RUS in full or part payment of any amount owing to RUS; (iii) sign and endorse the name of the Awardee upon any invoice, freight, or express bill, bill of lading, storage or warehouse receipt, assignment verification or notice in connection with receivables; (iv) send requests for verifications of Collateral to customers or account debtors; (v) sell, assign, sue for, collect, or compromise payment of all any part of the Collateral in the name of the Awardee or in its own name, or make any other disposition of Collateral, or any part thereof, which disposition may be for cash, credit, or any combination thereof, and RUS may purchase all or any part of the Collateral at public or, if permitted by law, private sale, and in lieu of actual payment of such purchase price may set off the amount of such price against the Obligations; granting to RUS, as the attorney-in-fact of the Awardee, full power of substitution and full power to do any and all things necessary to be done in and about the premises fully and effectually as the Awardee might or could do but for this appointment, hereby ratifying all that said attorney-in-fact shall lawfully do or cause to be done by virtue hereof. Neither RUS, its employees, nor its agents shall be liable for any act or omissions or for any error of judgment or mistake of fact or law in its capacity as such attorney-in-fact. This power of attorney is coupled with an interest and shall be irrevocable during the term of this Agreement and so long as any Obligations shall remain outstanding;

(e) RUS shall have the right to enter and/or remain upon the premises of the Awardee without any obligation to pay rent to the Awardee or others, or any other place or places where any of the Collateral is located and kept and: (i) remove the Collateral therefrom in order to maintain, collect, sell, and/or liquidate the Collateral or, (ii) use such premises, together with materials, supplies, books, and records of the Awardee, to maintain possession and/or the condition of the Collateral, and to prepare the Collateral for sale, liquidation, or collection. RUS may require the Awardee to assemble the Collateral and make it available to RUS at a place to be designated by RUS;

(f) RUS shall have the right, without prior notice to the Awardee, to exercise rights of setoff or recoupment and apply any and all amounts held or hereafter held, by RUS or owed to the Awardee or for the credit of the Awardee against any and all of the Obligations. RUS agrees to notify the Awardee promptly after any such setoff or recoupment and the application thereof; provided that the failure to give such notice shall not affect the validity of such setoff, recoupment or application. Awardee waives all rights of setoff, deduction, recoupment or counterclaim; and/or

(g) RUS shall have, in addition to any other rights and remedies contained in this Agreement, and in any other agreements, guarantees, notes, mortgages, instruments, and documents heretofore, now, or at any time or times hereafter executed by the Awardee and delivered to RUS, all of the rights and remedies of a secured party under the Uniform Commercial Code in force in the state identified in the first paragraph hereof; as well as the state where the Collateral is located, as of the date hereof, all of which rights and remedies shall be cumulative, and nonexclusive.

ARTICLE XII - MISCELLANEOUS

Section 12.1 Notices

All notices, requests and other communications provided for herein including, without limitation, any modifications of, or waivers, requests or consents under, this Agreement shall be given or made in writing (including, without limitation, by telecopy) and delivered to the intended recipient at the "Address for Notices" specified below; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. Except as otherwise provided in this Agreement, all such communications shall be deemed to have been duly given when transmitted by telecopier or personally delivered or, in the case of a mailed notice, upon receipt, in each case given or addressed as provided for herein. The Addresses for Notices of the respective parties are as follows:

RUS
Rural Utilities Service
United States Department of Agriculture
1400 Independence Avenue, S.W.
Washington, D.C.20250-1510
Attention: Administrator
Fax: (202) 720-1725

Awardee
See Schedule 1

With a copy to:
Rural Utilities Service
United States Department of Agriculture
1400 Independence Avenue, S.W.
Stop 1599, Room No. 2868
Washington, D.C. 20250-1599
Attention: Kenneth Kuchno
Fax: (202) 690-4389

With a copy to:
See Schedule 1

Section 12.2 Notices of Actions Against Collateral

Any notice required to be given by RUS of a sale or other disposition or other intended action by RUS with respect to any of the Collateral, or otherwise, made in accordance with this Agreement at least five (5) days prior to such proposed action, shall constitute fair and reasonable notice to the Awardee of any such action.

Section 12.3 Application of Proceeds

Any proceeds or funds arising from the exercise of any rights or the enforcement of any remedies herein provided after the payment or provision for the payment of any and all costs and expenses in connection with the exercise of such rights or the enforcement of such remedies shall be applied first, to the payment of indebtedness hereby secured other than the principal of or interest on the Notes; second, to the ratable payment of interest which shall have accrued on the Notes and which shall be unpaid; third, to the ratable payment of or on account of the unpaid principal of the Notes, and the balance, if any, shall be paid to whosoever shall be entitled thereto.

Section 12.4 Expenses

To the extent allowed by law, the Awardee shall pay all costs and expenses of RUS, including reasonable fees of counsel, incurred in connection with the enforcement of the Loan-Grant Documents or with the preparation for such enforcement if RUS has reasonable grounds to believe that such enforcement may be necessary.

Section 12.5 **Late Payments**

If payment of any amount due hereunder is not received at the United States Treasury in Washington, DC, or such other location as RUS may designate to the Awardee within five (5) Business Days after the due date thereof or such other time period as RUS may prescribe from time to time in its policies of general application in connection with any late payment charge (such unpaid amount being herein called the "delinquent amount", and the period beginning after such due date until payment of the delinquent amount being herein called the "late-payment period"), the Awardee shall pay to RUS, in addition to all other amounts due under the terms of the Notes, the Mortgage and this Agreement, any late payment charge as may be fixed from time to time on the delinquent amount for the late-payment period by regulations adopted by RUS.

Section 12.6 **Filing Fees**

To the extent permitted by law, the Awardee agrees to pay all expenses of RUS (including the fees and expenses of its counsel) in connection with the filing or recordation of all financing statements and instruments as may be required by RUS in connection with this Agreement, including, without limitation, all documentary stamps, recordation and transfer taxes and other costs and taxes incident to recordation of any document or instrument in connection herewith. Awardee agrees to save harmless and indemnify RUS from and against any liability resulting from the failure to pay any required documentary stamps, recordation and transfer taxes, recording costs, or any other expenses incurred by RUS in connection with this Agreement. The provisions of this section shall survive the execution and delivery of this Agreement and the payment of all other amounts due hereunder or due on the Notes.

Section 12.7 **No Waiver**

No failure on the part of RUS to exercise, and no delay in exercising any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise by RUS of any right hereunder preclude any other or further exercise thereof or the exercise of any other right.

Section 12.8 **Governing Law**

This Agreement shall be governed by and construed in accordance with applicable federal law and, in the absence of controlling federal law, by the laws of the State identified in the first paragraph herein, except those that would render such choice of law ineffective.

Section 12.9 **Consent to Jurisdiction**

The Awardee hereby irrevocably submits to the jurisdiction of the U.S. District Court for the District of Columbia and the US Court of Appeals for the Federal Circuit (both the "DC Federal Courts") for any action or proceeding arising out of or relating to this Agreement, and hereby irrevocably agrees that all claims in respect of such action or proceeding shall be heard and determined in such federal courts. The Awardee irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the Awardee's address set forth in Schedule 1. The Awardee hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Agreement brought in the DC Federal Courts and hereby further irrevocably waives and agrees not to plead or claim in such court that any such action or proceeding brought in any such court has been brought in a forum *non conveniens.* Nothing herein shall affect the right of the Government to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the Awardee in its own jurisdiction.

Section 12.10 Waiver of Jury Trial

EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT, OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, SECURED PARTY, OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 12.11 Holiday Payments

If any payment to be made by the Awardee hereunder shall become due on a day that is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment.

Section 12.12 Rescission

The Awardee may elect to rescind the Award, in which event RUS shall release the Awardee from its obligations hereunder, provided the Awardee complies with such terms and conditions as RUS may impose for such release.

Section 12.13 Successors and Assigns

(a) This Agreement shall be binding upon and inure to the benefit of the Awardee and RUS and their respective successors and assigns, except that the Awardee may not assign or transfer its rights or obligations hereunder without the prior written consent of RUS.

(b) Pursuant to federal claims collection laws, RUS' claims hereunder may be transferred to other agencies of the United States of America; in the event of such a transfer, all rights and remedies hereby granted or conferred on RUS shall pass to and inure to the benefit of any such successor agency.

Section 12.14 Complete Agreement; Waivers and Amendments

Subject to RUS Regulations, this Agreement and the other Loan-Grant Documents are intended by the parties to be a complete and final expression of their agreement. However, RUS reserves the right to waive its rights to compliance with any provision of this Agreement and the other Loan-Grant Documents. No amendment, modification, or waiver of any provision hereof or thereof, and no consent to any departure of the Awardee herefrom or therefrom, shall be effective unless approved in writing by RUS in the form of either a RUS Regulation or other writing signed by or on behalf of RUS, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 12.15 Headings

The headings and sub-headings contained in the titling of this Agreement are intended to be used for convenience only and do not constitute part of this Agreement.

Section 12.16 Severability

If any term, provision, condition, or any part thereof, of this Agreement, Note(s) or the Security Documents shall for any reason be found or held invalid or unenforceable by any governmental agency or court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such team, provision, or condition nor any other term, provision, or condition, and this Agreement, the Note(s), and the Security Documents shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

Section 12.17 **Right of Setoff**

Upon the occurrence and during the continuance of any Event of Default, RUS is hereby authorized at any time and from time to time, without prior notice to the Awardee, to exercise rights of setoff or recoupment and apply any and all amounts held or hereafter held, by RUS or owed to the Awardee or for the credit or account of the Awardee against any and all of the obligations of the Awardee now or hereafter existing hereunder or under the Note(s). RUS agrees to notify the Awardee promptly after any such setoff or recoupment and the application thereof, provided that the failure to give such notice shall not affect the validity of such setoff, recoupment or application. The rights of RUS under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which RUS may have. Awardee waives all rights of setoff, deduction, recoupment or counterclaim.

Section 12.18 **Schedules and Attachments**

Each Schedule and Attachment attached hereto and referred to herein is each an integral part of this Agreement.

Section 12.19 **Authority of Representatives of RUS**

In the case of any consent, approval or waiver from RUS that is required under this Agreement or any other Loan-Grant Document, such consent, approval or waiver must be in writing and signed by an authorized RUS representative to be effective. As used in this section, "authorized RUS representative" means the Administrator of RUS, and also means a person to whom the Administrator has officially delegated specific or general authority to take the action in question.

Section 12.20 **Prepayment of Loan**

In the event the Awardee prepays the entire Loan portion of the Loan within three (3) years from the date hereof, the Awardee shall, within thirty (30) days of making such prepayment, execute a standard grant agreement with the RUS.

Section 12.22 **Term**

This Agreement shall remain in effect until one of the following two events has occurred:

(a) The Awardee and RUS replace this Agreement with another written agreement;

(b) All of the Awardee's obligations under this Agreement have been discharged and paid.

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

UNITED UTILITIES, INCORPORATED

by /s/ Steve Hamlen
Name: Steve Hamlen
Title: President & CEO

(Seal)

Attested to by: /s/ Bonnie J. Paskvan
Secretary

UNITED STATES OF AMERICA

by /s/ Jonathan Adelstein
Administrator
of the Rural Utilities Service

SCHEDULE 1

Article I Definitions

1. Prior RUS Loan Contract: **LOAN AGREEMENT dated as of November 2, 2007**

2. RUS Mortgage: **RESTATED MORTGAGE, SECURITY AGREEMENT AND FINANCIANG STATEMENT dated as of November 2, 2007**

Article II Representations and Warranties

1. Paragraph (h) Awardee's principal place of business: **5450 A Street**
Anchorage, Alaska 99518

2. Paragraph (i) Awardee's Organization Number: **16696D**

3. Paragraph (j) Awardee's Subsidiaries: **United-KUC, Inc.**

4. Paragraph (j) Awardee's Parent: **GCI Communication Corp.**

5. Paragraph (n) Additional Representations and Warranties:

The Awardee represents and warrants that it is primarily engaged in the business of transmitting communications electrically, electromagnetically, or by light.

Article III The Loan

1. Section 3.1(a) Loan amount: **$44,158,522**

2. Section 3.1(b) Grant amount: **$43,982,240**

Article IV Conditions Precedent to Loan Closing

1. The additional conditions referred to in Section 4.1(j) are as follows: **None**

Conditions Precedent to Release of Funds

2. Section 4.2(b) amount of fidelity bond coverage: **$13,221,114**

3. Section 4.2(d) funds deposited for Project completion: **None**

4. The additional conditions referred to in Section 4.2(e) are as follows:

The obligations of RUS hereunder are subject to the satisfaction of the following additional conditions *:**

a. The Awardee has provided RUS with ***of its * with respect to the ***; and**

b. The * referred to immediately above in paragraph (a) has concluded.**

c. RUS shall have received the following executed agreements, in form and substance satisfactory to RUS, which incorporate the fees and rates projected for each respective agreement in the Application:

1. **An agreement with GCI Communication Corporation for design and engineering, construction management, and other services;**
2. **An agreement with GCI Communications Corporation for operation and maintenance of the Awardee's system outside the existing LEC service area;**
3. **An agreement with GCI Communication Corporation for space and power in GCI Communication Corporations facilities.;**
4. **An agreement with Unicom, Inc. for space and power in Unicom's existing facilities.**

Conditions Precedent to Individual Advances

5. Section 4.3(i) Required permits, licenses, franchise, and other approvals: **None**

6. The additional conditions to advance referred to in Section 4.3(k) are as follow: **None**

a. No * that *** or involves ***, until the Awardee has *** from RUS that the *** in accordance with ***.**

b. No * until the Awardee provides *** for the site: ***.**

c. No * for the site: ***.**

d. No * until the Awardee provides *** or the Awardee provides ***: ***.**

Article V Affirmative Covenants

1. Section 5.10 Composite Economic Life of RUS financed facilities: **24 years**

2. The additional affirmative covenants referred to in Section 5.21 are as follows: **None**

a. Within * days ***, the Awardee shall provide *** to *** to initiate the *** as to whether *** will ***.**

b. Within * days *** the Awardee shall provide *** to *** required by ***, in accordance with ***, relating to ***.**

c. The Awardee shall insert the following language in all construction contracts:

If previously unidentified historic properties (that is, properties listed on or eligible for listing on the National Register of Historic Places) or unanticipated effects to historic properties are discovered during Project construction, the construction contractor shall immediately halt all activity within a one hundred (100) foot radius of the discovery, notify *United Utilities, Incorporated* and law enforcement of the discovery and implement interim measures to protect the discovery from further impact, especially looting and vandalism. Construction shall not resume within a 100 foot radius of the discovery until the construction contractor has received written instructions to proceed from *United Utilities, Incorporated.*

d. Immediately upon receipt of notification from the construction contractor that a discovery of unidentified historic properties (properties listed or eligible for listing on the National Register of Historic Places) or unanticipated effects to historic properties are discovered during Project construction, the Awardee shall:

(i) Inspect the construction site to determine the scope of the discovery and to ensure that construction activities have halted;
(ii) Clearly mark the area of the discovery;
(iii) Implement additional measures, as appropriate, to protect the discovery from further impact, especially looting and vandalism;
(iv) Notify USDA Rural Utilities Service (RUS), Engineering and Environmental Staff, Federal Preservation Officer at 202-720-9583; and
(v) If the discovery contains human remains, comply with all applicable state laws, notify the State Historic Preservation Office(s) and any Indian Tribes or Hawaiian organizations which might be interested in the discovery.

Article VII Negative Covenants

1. The additional negative restrictions on Distributions and Withdrawals referred to in Section 7.9(b) are as follows: **None**

2. The additional negative covenants referred to in Section 7.17 are as follows:

a. The Awardee agrees not to * relating to the Project *** and ***

b. The Awardee agrees not to * until the Awardee *** that the ***.**

c. The Awardee agrees not to resume construction or authorize a construction contractor to resume construction within a 100 foot radius of a discovery of unidentified historic properties (properties listed or eligible for listing on the National Register of Historic Places) or unanticipated effects to historic properties until receipt of written notification from RUS that the requirements of the National Historic Preservation Act (16 U.S.C. 4700 have been met.

Article XII Miscellaneous

1. Section 12.1 Awardee's address for purposes of notification:

Greg Chapados
Chairman
United Utilities, Inc.
5450 A Street
Anchorage, Alaska 99518
Telephone: (907) 317-0090

2. Section 12.1 Address for Awardee's notification copy: **same as above**

SCHEDULE 2

COLLATERAL

1. Collateral shall include the following:

All property, assets, rights, privileges, licenses and franchises of the Awardee of every kind and description, real, personal or mixed, tangible and intangible, of the kind or nature specifically mentioned herein, or any other kind or nature now owned or hereafter acquired or arising by the Awardee (by purchase, consolidation, merger, donation, construction, erection or in any other way) wherever located, including without limitation all or in part the following (hereinafter the "Collateral:")

I

All right, title, and interest of the Awardee in and to the Existing Facilities, buildings, plants, works, improvements, structures, estates, grants, franchises, easements, rights, privileges and properties, whether real, personal, or mixed, tangible or intangible, of every kind or description, now or hereafter owned, leased, constructed, or acquired by the Awardee, wherever located, and in and to all extensions, improvements, and additions thereto, including but not limited to all buildings, plants, works, structures, towers, antennas, fixtures, apparatus, materials, supplies, machinery, tools, implements, poles, posts, crossarms, conduits, ducts, lines, wires, cables, whether underground, overhead, or otherwise, exchanges, switches, including, without limitation, host and remote switches, desks, testboards, frames, racks, motors, generators, batteries, and other items of central office equipment, pay stations, protectors, instruments, connections and appliances, office furniture, equipment, and any and all other property of every kind, nature, and description, used, useful, or acquired for use by the Awardee in connection therewith;

II

All right, title, and interest of the Awardee in, to, and under any and all grants, privileges, rights of way and easements now owned, held, leased, enjoyed or exercised, or which may hereafter be owned, held, leased, acquired, enjoyed or exercised, by the Awardee for the purposes of, or in connection with, the construction or operation by, or on behalf of, the Awardee of its properties, facilities, systems, or businesses, whether underground, overhead, or otherwise, wherever located;

III

All right, title, and interest of the Awardee in, to, and under any and all licenses and permits (including without limitation those granted by the Federal Communications Commission ("FCC"), subject to the FCC's prior approval of any assignment or transfer of de jure or de facto control of such licenses), franchises, ordinances, and privileges, whether heretofore or hereafter granted, issued, or executed, to it or to its assignors by the Government, or by any state, county, township, municipality, village, or other political subdivision thereof, or by any agency, board, commission, or department of any of the foregoing, authorizing the construction, acquisition, or operation of the Awardee's properties, facilities, systems, or businesses, insofar as the same may by law be assigned, granted, bargained, sold, conveyed, transferred, mortgaged, or pledged;

IV

All right, title, and interest of the Awardee in, to, and under all personal property and fixtures of every kind and nature, including without limitation all goods (such as inventory, equipment and any accessions thereto), instruments (such as promissory notes or chattel paper, electronic or otherwise), documents, accounts (such as deposit accounts or trust accounts pursuant hereto or to a loan agreement), letter-of-credit rights, investment property (such as certificated and uncertificated securities or security entitlements and accounts,) software, general intangibles (such as payment intangibles), supporting obligations, contract rights or rights to the payment of money, insurance claims, and proceeds (as such teems are presently and hereafter defined in the UCC; provided, however, that the term "instrument" shall be such term as defined in Article 9 of the UCC rather than Article 3);

V

All right, title, and interest of the Awardee in, to, and under any and all agreements, leases or contracts heretofore or hereafter executed by and between the Awardee and any person, fu 1, corporation, or other corporate entity relating to the Collateral (including contracts for the lease, occupancy, or sale of the Collateral, or any portion thereof);

VI

All right, title, and interest of the Awardee in, to, and under any and all books, records and correspondence relating to the Collateral, including, but not limited to, all records, ledgers, leases, computer and automatic machinery, software, programs, databases, disc or tape files, print-outs, batches, runs, and other electronically-prepared information indicating, summarizing, evidencing, or otherwise necessary or helpful in the collection or realization on the Collateral;

VII

Also, all right, title, and interest of the Awardee in, to, and under all other property, real or personal, tangible or intangible, of every kind, nature, and description, and wherever situated, now or hereafter owned or leased by the Awardee, it being the intention hereof that all such property now owned or leased but not specifically described herein, or acquired or held by the Awardee after the date hereof, shall be as fully embraced within and subjected to the lien hereof as if the same were now owned by the Awardee and were specifically described herein to the extent only, however, that the subjection of such property to the lien hereof shall not be contrary to law;

Together with all rents, income, revenues, proceeds, products, profits and benefits at any time derived, received, or had from any and all of the above-described property of the Awardee;

Provided, however, no automobiles, trucks, trailers, tractors or other vehicles (including without limitation aircraft or ships, if any) owned or used by the Awardee shall be included in the Collateral.

2. Additionally, property pledged as Collateral shall also include the following specifically described property, if any: **None**

ATTACHMENT 1

BROADBAND INITIATIVES PROGRAM

CONTRACTING, WORK ORDER AND ADVANCE PROCEDURES GUIDE

Rural Development
United States Department of Agriculture

RURAL UTILITIES SERVICE

Broadband Initiatives Program Contracting, Work Order and Advance Procedures Guide

GENERAL

This guide implements and explains the provisions of the loan and grant documents containing the requirements and procedures to be followed by an Awardee performing work to be financed with RUS Recovery funds. The Awardee shall maintain accounting and plant records sufficient to document the cost and location of all construction and to support fund advances and disbursements. The standard Loan and Grant Documents also contain provisions regarding advances and disbursement of broadband funds. This document also implements certain provisions by setting forth requirements and procedures to be followed by the Awardees in obtaining advances and making disbursements of funds.

ABBREVIATIONS

For purpose of this guide:

C.F.R. stands for Code of Federal Regulations.

FRS stands for RUS Form 481, *Financial Requirement Statement.*

GFR stands for RUS general field representative.

Pub. L. stands for Public Law.

U.S.C. stands for United States Code.

DEFINITIONS

For purposes of this guide:

Advance means transferring funds from RUS to the Awardee's deposit account.

Architect means a person registered as an architect in the state where construction is performed.

Award means any broadband award made by RUS.

Award documents mean the documents covering an award made by RUS, including the loan or grant agreement, note, and mortgage or other security documents between the Awardee and RUS.

Award funds means funds provided by RUS through an award.

Awardee means any organization that has received financing from RUS.

Bid guarantee means a bid bond or certified check required of contractors bidding on construction work to ensure that the bidder, if successful, will furnish a performance bond.

Buy American Requirement means the requirements as stated in the Recovery Act and any associated waivers.

Broadband Service means the minimum transmission rate as defined in the applicable NOFA for the Broadband Initiatives Program, under which the award was made.

Closeout documents mean the documents required to certify satisfactory completion of all obligations under a contract.

Contract means the agreement between the Awardee and an independent contractor covering the purchase and/or installation of equipment or the construction of facilities to deliver broadband services for an Awardee's system.

Contract work means any work performed pursuant to an RUS form contract, or a Non-Standard Contract.

Disbursement means payment by the Awardee out of the deposit account for approved award purposes.

Engineer means a person registered as an engineer in the state where construction is performed, or a person on the Awardee's staff authorized by RUS to perform engineering services.

In-house engineering means any pre-loan or post-loan engineering services performed by the Awardee's staff.

Interim work means any work that commences after an application has been submitted to RUS, but prior to release of award funds.

Non-Standard Contract means a non-RUS form contract for specific work that is submitted by the Awardee, which must be approved by RUS before execution, if it is to be funded.

Outside plant means the part of the telecommunications network that is physically located outside of telecommunication buildings. This includes cable, conduits, poles and other supporting structures and certain other associated equipment items.

Performance bond means a surety bond in form satisfactory to RUS guaranteeing the contractor's faithful performance of a contract. (See 7 CFR Part 1788.)

Plans and specifications means a copy of the appropriate contract, the specifications, and such additional information and documents needed to provide a clear, accurate, and complete understanding of the work to be performed.

Pledged Deposit account means an account required by the award agreement into which all RUS funds are advanced.

RUS means the Rural Utilities Service; an agency of the United States Department of Agriculture and successor to the Rural Electrification Administration.

RUS form contract means contracts identified as a RUS form.

Subcontract means a secondary contract undertaking some of the obligations of a primary contract.

System design means the system described in the approved Application.

Work means any purchase of equipment, software and/or installation, if applicable; construction of facilities; or professional services.

Work order means any work performed by the Awardee's employees, pursuant to its work order procedure, with the Awardee furnishing all materials, equipment, tools, and transportation.

CONTRACTING PROCEDURES

I GENERAL

All work must conform to the Application, as approved by RUS, and shall be covered by an Environmental Report prepared in accordance with 7 CFR Part 1794 and approved by RUS. No construction and/or installation activities shall commence until all necessary local, state and federal requirements have been satisfied.

All work performed prior to the submission of an application to RUS will not be eligible for financing. In addition, only new materials and equipment may be financed with award funds, unless otherwise approved in writing by RUS.

A. Interim Work

Once RUS has received an application, the applicant may proceed with interim work. However, this should not be construed as a commitment that RUS will approve the application. To ensure that interim work is eligible for reimbursement with award funds, the Awardee must comply with all the procedures in this Guide, including the following requirements:

(1) Equal employment opportunity requirements in RUS Bulletin 320-15; and

(2) Environmental requirements contained in 7 CFR 1794;

B. Non-Standard Contracts

The Awardee may choose to use a Non-Standard contract to perform work. The Non-Standard Contract must include a provision that it will not be binding on the parties, until administrative approval by RUS has been granted. RUS will not approve use of the Non-Standard Contract if, in RUS' judgment:

(1) The contract is for work not covered in the approved Application, or is not for an Eligible Purpose;

(2) The contract terms and conditions, are vague, inadequate, or unreasonable; or

(3) The contract presents unacceptable loan security risk to RUS.

C. Contract Amendments

The Awardee shall obtain RUS approval before execution of any amendment to an approved contract if:

(1) The amendment alters the terms and conditions of the contract or changes the scope of the project covered by the contract regardless of the amount of the contract before amendment;

(2) The amendment by itself (or together with preceding amendments) increases the original contract price by 20% or more. In this case, a bond extension will be required to bring the penal sum of the bond to the total amended contract price; or

(3) The amendment causes an unbonded contract to require a contractor's performance bond. This would occur when an amendment increases the contract price to an amount requiring a performance bond per 7 CFR Part 1788, Subpart C.

Once RUS approval to amend the contract has been granted, or for any other contract amendments not requiring approval, the Awardee must submit an original executed amendment to RUS.

D. Insurance

A performance bond is required for construction of facilities exceeding $250,000, as indicated in 7 CFR Part 1788, Subpart C, or certain significant installation, as outlined in the Agency's memorandum found at http://www.usda.gov/rus/telecom/publications/pdf_files/Contractors-BondRequirement7-28-09.pdf.

The Awardee is responsible for ensuring that its contractor and engineer comply with all the insurance and bond requirements of 7 CFR Part 1788, Subpart C.

E. Title Clearance

For any building construction over $250,000, the Awardee shall provide title evidence satisfactory to RUS, prior to releasing the invitations to bid.

F. Software License

As part of an equipment purchase, the original equipment manufacturer may require that the Awardee enter into a software license agreement for the use of the equipment. The Awardee may use RUS Form 390, *Software License Agreement—Special Equipment Contract,* or a Non- Standard Contract.

G. Buy American

All iron, steel, or manufactured goods that are purchased with Recovery Act funds by state or local governments, or an instrumentality thereof, which are not included in the Agency's waiver covering Broadband Switching Equipment, Broadband Routing Equipment, Broadband Transport Equipment, Broadband Access Equipment, Broadband Customer Premises Equipment and End- User Devices, or Billing/Operations Systems, shall be subject to the Buy American provision of the Recovery Act, unless a waiver is requested from the RUS. For further details see 74 Fed. Reg. 31402.

H. Davis-Bacon Act

The Awardee shall comply with The Davis-Bacon Act, and the guidance found at 29 C.F.R pts. 1, 3, and 5, such that any covered contract with a contractor or subcontractor in excess of $2,000 for construction, alteration or repair (including painting and decorating) shall contain the contract clauses found in 29 C.F.R. 5.5(a), to ensure that all laborers and mechanics employed on the Project receive payment of not less than the prevailing wage.

I. Affiliated Transactions

With regard to the Project, the Awardee shall not enter into any transaction, contract, or dealing with an Affiliate of the Awardee or with the Awardee's or Affiliate's directors, trustees, officers, managers, members (if the Awardee is a limited liability company), or other corporate officials, without the prior written consent of RUS. RUS' consent to advance award funds for affiliated transactions will be limited to an amount which is the lower of cost or market rate and which is subject to verification by RUS and its representatives having access to the books and records of the Affiliate.

As defined in the appropriate award document, "Affiliate" or "Affiliated Company" of any specified person or entity means any other person or entity directly or indirectly controlling of, controlled by, under direct or indirect common control with, or related to, such specified person or entity, or which exists for the sole purpose of providing any service to one company or exclusively to companies which otherwise meet the definition of affiliate. This definition includes Variable Interest Entities as described in Financial Accounting Standards Board Interpretation (FIN) No. 46(R), *Consolidation of Variable Interest Entities.* For the purpose of this definition, "control" means the possession directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether such power is exercised through one or more intermediary companies, or alone, or in conjunction with, or pursuant to an agreement with, one or more other companies, and whether such power is established through a majority or minority ownership voting of securities, common directors, officers, or stockholders, voting trust, holding trusts (other than money exchanged) for property or services.

J. Records

Records supporting all assets financed by RUS shall be retained until audited and approved by RUS.

Records must be sufficient to document the cost and location of all expenditures and to support advances and disbursement of award funds. The support records must include, but not be limited to, contracts, third party invoices, timesheets, payroll records, material records, and overhead allocation records and summary schedules

Records related to plant in service must be retained until the facilities are permanently removed from utility service, all removal and restoration activities are completed, and all costs are retired from the accounting records unless accounting adjustments resulting from reclassification and original costs studies have been approved by RUS or other regulatory body having jurisdiction.

Life and mortality study data for depreciation purposes must be retained for 25 years or for 10 years after plant is retired, whichever is longer.

II PROFESSIONAL SERVICES

General

Awardees shall only obtain professional services from persons or firms not affiliated with, or that do not represent a contractor, vendor or manufacturer presently providing labor, materials, or equipment to the Awardee. This does not include in-house services.

A. Engineering Services

All engineering services required by an Awardee, including inspection and certification, shall be rendered by an engineer selected by the Awardee and licensed in the State where the facilities will be located, or by qualified employees on the Awardee's staff, who after submission of qualifications to RUS, have been approved to perform such services.

(1) *Outside Consultant.* Engineering services performed by an outside consultant may be covered under RUS Form 217, *Postloan Engineering Services Contract - Telecommunications,* RUS Form 245, *Engineering Service Contract — Special Services,* or a Non-Standard Contract.

(2) *In-House Engineering.* When the proposed work is such that the engineering involved is within the capabilities of the employees on the Awardee's staff, Awardees may request RUS approval to provide such services. The request shall include:

(i) A description of services to be performed;
(ii) The names and qualifications of each employee that will be performing the specific services. In addition, the Awardee shall identify an employee who will be in charge of the services. Such employee must meet the State experience requirements for a registered engineer in the State where facilities will be located. In the absence of specific State experience requirements, this employee should have at least eight years experience in the design and construction of telecommunication facilities, with at least two years of the work experience at a supervisory level. RUS does not require professional registration of this employee, but this does not relieve the Awardee from compliance with applicable state registration requirements, which may require a licensed individual to perform such services; and

(iii) A letter signed by an authorized representative of the Awardee requesting in-house engineering approval and certifying the supporting information.

RUS shall notify the Awardee by letter of approval or disapproval to perform in-house engineering. The letter shall set forth any conditions associated with an approval or the reasons for disapproval. RUS approval of in-house engineering services shall be only for the specific services covered by the approval.

B. Architectural Services

The Awardee shall select an architect licensed in the state where the facility will be located. The borrower may use either RUS Form 220 or RUS Form 217 when contracting for architectural services, or a Non-Standard Contract.

C. Contract and Closeout Documents

The Awardee must submit three executed copies of the RUS form contract or the approved Non- Standard Contract, covering the professional services to be provided, for final administrative approval. Once all services and obligations required under the professional services contract have been completed, Awardees shall submit two copies of RUS Form 288, *Final Statement of Architect's Fees* and/or RUS Form 506, *Final Statement of Engineering Fees,* to close out the specific RUS Form contract. Awardees using Non-Standard Contracts should provide a similar certification for Non-Standard Contracts.

III PURCHASE AND INSTALLATION OF EQUIPMENT

General

When purchasing any equipment, including installation, that costs more than $100,000, the Awardee must use a contract for the purchase. Any equipment purchases for less than $100,000, including installation, can be purchased under a purchase order and reimbursed after submission of the invoices along with an RUS Form 771a, following the inspection and reimbursement procedures under Work Order procedures.

A. Equipment Purchased with Contract

Awardee may use RUS Form 397, *Special Equipment Contract (Including Installation),* RUS Form 398, *Special Equipment Contract (Not Including Installation),* or a Non-Standard Contract.

The engineer shall prepare the performance requirements, including any installation requirements, if applicable, prior to releasing them along with the respective contract to prospective vendors. The Awardee may purchase equipment using a negotiated purchase, although RUS recommends that the Awardee obtain quotes from at least three different vendors.

Equipment purchased under RUS Form 398 or a Non-Standard Contract that does not include installation, may be installed by the Awardee using the Work Order method or RUS Form 773, as outlined in the Work Order procedures below.

B. Contract and Closeout Documents

Once a vendor has been selected, the Awardee must submit three executed copies of the RUS form contract or the approved Non-Standard Contract, including the non-standard performance requirements covering the equipment to be provided, for final administrative approval. Once all equipment purchased under the contract has been installed, and tested, and meets the performance requirements, the Awardee shall proceed with the closeout of the contract and submit a final contract closeout certification on RUS Form 756 or a similar certification for Non-Standard Contracts.

IV CONSTRUCTION OF FACILITIES

General

Construction for outside plant facilities, building, and towers may be performed using the work order method or by an outside contractor. When using an outside contractor, either RUS Contract Forms 773, 257, or 515, or a Non-Standard contract may be used.

A. Outside Contractor

If using a standard RUS Contract Form, the Awardee shall use the form without modifications, and attach any diagrams, sketches, and tabulations necessary to specify clearly the work to be performed and who shall provide which materials.

The engineer shall prepare the construction specifications prior to releasing them along with the respective contract to prospective contractors. RUS recommends that Awardees obtain quotes from several contractors before entering into a contract to ensure obtaining the lowest cost. The Awardee shall ensure that the contractor selected meets all federal, state, and local licensing requirements, as well as bonding requirements, and that the contractor maintains the insurance coverage required by the contract for the duration of the work. (See 7 C.F.R. Part 1788.)

Once a contractor has been selected, the Awardee must submit three executed copies of the RUS form contract (except RUS Form 773, which shall follow the procedures below) or the approved Non-Standard Contract, including the construction specifications for the work to be performed, for final administrative approval. Once construction has been completed per the construction specifications and all acceptance tests have been made, the Awardee shall proceed with the closeout of the contract and submit a final contract closeout certification on RUS Form 756 or a similar certification for Non-Standard Contracts.

B. Work Order Procedures

Work order construction shall be performed to all local, state, and Federal requirements. As work order construction is performed, the Awardee shall keep daily timesheets and material reports, referenced by the work project number, to record labor and materials used. Cost accounting system must be in place to meet the requirements of 7 CFR 3015 (including 48 CFR 31.2), 3016, 3019 as applicable, to show the source and summary records to support requested and expended funds.

(1) Inspection and Certification. Upon completion and prior to closeout, the Awardee shall obtain the engineer's certification on RUS Form 771a for all construction completed using RUS Form 773 or the work order method. An authorized official of the Awardee shall execute the Awardee's certification.

(2) Reimbursement. To request funds for construction completed under the work order construction procedures or RUS Form 773 contract construction procedures, the Awardee shall submit RUS Form 771a, initialed by the GFR, along with a description of each project, as well RUS Form 481, *Financial Requirement Statement* (FRS). RUS Form 771a should be submitted only with the FRS that it supports. Unless otherwise approved by RUS, the Awardee shall finance all work order and RUS Form 773 contract construction with non-loan funds and obtain reimbursement with RUS funds when construction is completed and properly executed closeout documents have been submitted to RUS.

V ADVANCE AND DISBURSEMENT OF FUNDS

General

The award document contains the provisions regarding advances and disbursement of funds to the Awardee. This section implements certain provisions by setting forth requirements and procedures to be followed by the Awardee in obtaining advances and making withdrawals/disbursements of funds.

RUS is under no obligation to make or approve advances of funds unless the Awardee complies with all terms and conditions of the award documents.

A. Broadband Budget

The Awardee will be provided a broadband budget, based on the approved Application. This budget divides the award into budget categories that are associated with the proposed projects, such as equipment, outside plant, land and buildings, professional services, etc. Funds from one budget category may not be used for a different budget category without prior written approval from RUS.

B. Budget Adjustments

If more funds are required than are available in a budget category, the Awardee may request RUS' approval of a budget adjustment to use funds from another budget category. The request shall include an explanation as to why the adjustment is needed and the affected budget categories. RUS will not approve a budget adjustment unless the Awardee can demonstrate that all purposes can still be completed with the requested adjustment. RUS, at its discretion, may make a budget adjustment without a formal request to encumber funds for a contract, when funds within the budget category are insufficient, and when it determines that the budget adjustment is insignificant.

C. Pledged Deposit Account

The Awardee shall establish and maintain a pledged deposit account to hold all Advances deposited by the Agency. The pledged deposit account shall only be established in a bank or depository whose deposits are insured by the FDIC or other federal agency acceptable to RUS. Funds in the pledged deposit account shall be used solely for the purpose approved in the Application and shall be withdrawn/disbursed for the approved purposed for which they were requested in the financial requirement statement. All Advances will be deposited into the pledged deposit account by electronic transfer.

RUS may require that other funds be deposited into the pledged deposit account. These may include equity or general fund contributions to construction, proceeds from the sale of property, interest received on award funds and similar types of receipts. Deposit slips for any deposits to the pledged deposit account shall show the source and amount of funds deposited and be executed by an authorized representative of the bank. The disbursement of non-award funds deposited into the pledged deposit account requires the same RUS approval as Advances on the award.

For accounting purposes, all withdrawals/disbursements from the Pledged Deposit Account must be evidenced by canceled checks or support for other forms of payment. Disbursements to reimburse the Awardee's general fund account shall be documented by a reimbursement schedule to be retained in the Awardee's records that lists the pledged deposit account check number, date, and an explanation of amounts reimbursed for the Project.

D. Financial Requirement Statement (FRS)

To request Advances the Awardee must submit RUS Form 481, *Financial Requirement Statement* ("FRS"), a description of the Advances desired, and other related information to the transactions as required by RUS.

The Awardee must request funds in the first Advance to repay any interim financing indebtedness, as well as other approved pre-application expenses. RUS may not make further Advances until the Awardee has submitted evidence, in form and substance satisfactory to RUS, that: (1) any indebtedness created by the interim financing and any liens associated therewith have been fully discharged of record; and (2) the Awardee has satisfied all other conditions on the advance of additional loan funds.

If the source of funds for interim financing is the Awardee's internally generated funds, the Awardee may request reimbursement of those funds along with Advances for other purposes on the first FRS submitted to RUS.

The Awardee shall, request advances as needed to meet its obligations promptly. Generally, RUS does not approve an advance requested more than 30 days before the obligation is payable.

Funds must be disbursed for the item for which they were advanced except in the following circumstance. If the Awardee needs to pay an invoice which has been approved on an FRS for which funds have not been advanced, and disbursement of advanced funds for another item has been delayed, the latter funds may be disbursed to pay the due and owing invoice up to the amount approved for such item on the FRS. The Awardee shall make entries on the next FRS showing the changes under "Total Advances to Date" and shall explain the changes in writing before RUS will process the next FRS.

The certification on each of the three copies of the FRS sent to RUS shall be signed by a corporate officer or manager authorized to sign such statements. RUS Form 675, *Certificate of Authority,* shall be submitted to RUS indicating the names of all persons authorized to sign a FRS. RUS will not process a FRS signed by an individual whose name is not included on the most recent Form 675.

Funds other than award funds that are deposited in the pledged deposit account are reported as a . credit under total disbursements. Disbursements of these funds are subject to the same RUS approvals as RUS funds.
The documentation required for audit of FRS transactions, include but are not limited to deposit slips for the pledged deposit account, all cancelled pledged deposit account checks and the supporting third party invoices, timesheets, payroll records, accounts payable records, general ledger, etc., and/or reimbursement schedules. These shall be kept in the Awardee's files for periodic audits by RUS.

The FRS shall be the primary method used by the Awardee to record and control transactions in the deposit account. Approved contracts and other items are shown on the FRS under "Approved Purposes." Funds are approved for advance as follows:

(1) Contracts/Work Orders

(a) *Equipment Contracts:* Ninety percent of the approved contract amount,including amendments, with the final 10 percent available when RUS approves the contract closeout certification.

(b) *Construction contracts:* Ninety-five percent of the approved contract amount, including amendments, with the fmal 5 percent available when RUS approves the contract closeout certification.

(c) *Work orders:* The amount shown on the RUS form 771a that RUS determines to be eligible for reimbursement.

(2) Pre-Application Expenses and Engineering

(a) *Pre-Application expenses:* Based on the final itemized invoice from the person(s) or firm(s) that provide services to complete the Application, engineering, and accounting, as approved by RUS.

(b) *Post-loan engineering contracts:* Ninety-five percent of the amount of the RUS approved engineering contract, with the final 5 percent available when RUS approves the fmal statement of engineering/architectural fees.

(c) *In-house engineering:* One hundred percent of the amount approved by RUS.

(3) Operating Equipment

Office equipment, vehicles, and work equipment will be reimbursed based on copies of invoices.

E. Temporary Excess Construction Funds

When unanticipated events delay the Awardee's disbursement of advanced funds, the funds may be used for other approved purposes as described above or must remain in the pledged deposit account. If the pledged deposit account is an interest bearing account, all interest earned must remain in the pledged deposit account and cannot be disbursed without RUS approval.

F. Method of Advancing Funds

The first or subsequent advances may be conditioned on the satisfaction of certain requirements stated in the Awardee's agreement with RUS.

All advances shall be made electronically using the Automatic Clearing House (ACH). Normally, for advance of funds ACH only makes one payment per FRS.

The following information shall be included with each advance:

(1) Name and address of Awardee's bank. If the Awardee's bank is not a member of the Federal Reserve System, the name and address of its correspondent bank that is a member of the Federal Reserve System;

(2) ACH routing information;

(3) Awardee's bank account title and number; and

(4) Any other necessary identifying information.

ATTACHMENT 2

EQUAL OPPORTUNITY CONTRACT PROVISIONS

During the performance of this contract, the contractor agrees as follows:

(a) The contractor shall not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The contractor shall take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer, recruitment, or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided setting forth the provisions of this non-discrimination clause.

(b) The contractor shall, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants shall receive consideration for employment without regard to race, color, religion, sex, or national origin.

(c) The contractor shall send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice to be provided advising the said labor union or worker's representative of the contractor's commitments under this section, and shall post copies of the notice in conspicuous place available to employees and applicants for employment.

(d) The contractor shall comply with all provisions of Executive Order 11246 of September 24, 1965and of the rules, regulations, and relevant orders of the Secretary of Labor.

(e) The contractor shall furnish all information and reports required by Executive Order. 11246 of September 24, 1965 and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and shall permit access to his books, records, and accounts by the administering agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulation, and orders.

(f) In the event of the contractor's non-compliance with the non-discrimination clauses of this contract or with any of the said rules, regulations, or orders, this contract may be cancelled, terminated, or suspended in whole or part by the Government, and the contractor may be declared ineligible for further Government contracts or federally assisted construction contracts in accordance with the procedure authorized in Executive Order 11246 of September 14, 1965, and such other sanctions may be imposed and remedies invoked as provided in said Executive Order or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(g) The contractor shall include the provisions of paragraphs (a) through (g) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246, dated September 24, 1965, so that such provisions shall be binding upon each subcontractor or vendor. The contractor shall take such action with respect to any subcontract or purchase order as the administering agency may direct as a means of enforcing such provisions, including sanctions for non-compliance; provided, however, that in the event a contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the agency, the contractor may request the United States to enter into such litigation to protect the interests of the United States.

PROMISSORY NOTE

ALASKA

1102-A40

Anchora

Alaska

THIS PROMISSORY NOTE (hereinafter the "Note,") dated as of June 1, 2010, is made by **UNITED UTILITIES, INC.** (hereinafter the "Borrower,") a corporation duly organized and existing under the laws of the State of Alaska, to the **UNITED STATES OF AMERICA**, (hereinafter the "Government,") acting through the Administrator of the Rural Utilities Service ("RUS.") For value received, the Borrower promises to pay to the order of the Government, at the United States Treasury, Washington, D.C., Forty Four Million One Hundred Fifty Eight Thousand Five Hundred Twenty Two Dollars ($44,158,522), with interest payable, from the date of each advance, on the amount advanced by the Government (hereinafter the "Advance,") pursuant to a certain Loan/Grant and Security Agreement, dated the same date as this Note (hereinafter the "Loan/Grant Agreement,") made by and between the Borrower and the Government, and remaining unpaid from time to time, in the time and manner herein provided:

1. *Interest Rate.* Interest on each Advance shall be at rate(s) per annum, published by the Secretary of the Treasury, which shall be equal to the cost of borrowing of the Department of Treasury for obligations, as determined by the Government, of comparable maturity (hereinafter the "Cost-of-Money Interest Rate.")

2. *Maturity Date.* On a date Twenty Four (24) years after the date hereof, the principal hereof advanced pursuant to the Loan/Grant Agreement and remaining unpaid, if any, and interest thereon, shall be due and payable (hereinafter the "Maturity Date.")

3. *Fund Advance Period*. Funds will be advanced pursuant to the Loan/Grant Agreement. The fund advance period for this Note begins on the date hereof and terminates three (3) years from the date of this Note (hereinafter the "Termination Date.") No funds will be advanced subsequent to the Termination Date.

4. *Payments on Advances.*

   (a) *Made Within One (1) Year.* Interest on Advances made during the first year from the date of the first Advance hereunder, and remaining unpaid, shall be payable on the last day of each month (hereinafter the "Monthly Payment Date,") beginning on the last day of the month following the month of each Advance for the period ending one (1) year from the date of the first Advance hereunder. Thereafter, to and including the Maturity Date, the Borrower shall make a payment every Monthly Payment Date on each Advance made during such period which shall be: (i) substantially equal to all subsequent monthly payments and (ii) in an amount that will pay all principal and interest due on each Advance no later than the Maturity Date.

(b) *Made After One (1) Year.* Interest and principal payments on Advances made more than one (1) year after the date of the first Advance hereunder shall be repaid in installments beginning with the Monthly Payment Date of the month following each Advance and ending on the Maturity Date. The first such payment on an Advance shall be increased by the amount of interest accruing between the date of the Advance and the first day of the next month. Thereafter, to and including the Maturity Date, the Borrower shall make a payment every Monthly Payment Date on each Advance (i) substantially equal to every other monthly payment on such Advance, and (ii) in an amount that will pay all principal and interest of each Advance no later than the Maturity Date. This payment shall be in addition to the payment on the Advances made within one (1) year from the date of the first Advance hereunder and remaining unpaid.

5. *Application of Payments*. Each payment made on this Note shall be applied as follows: First, to expenses, costs and penalties; Second, to late charges; Third, to the payment of interest on principal; and Fourth, to principal.

6. *Prepayment.* All, or a portion of the outstanding balance, of any Advance may be prepaid on any payment date, as herein provided. However, so long as any of the principal advanced pursuant to the Loan/Grant Agreement shall remain unpaid, the Borrower shall be obligated to make the monthly payment on account of principal and interest, in the amount provided herein, unless the Borrower and the Government shall otherwise agree, in writing.

7. *Late Payments.* A late charge shall be charged on any payment not made within five (5) days of the date the payment becomes due. The late charge rate shall be computed on the payment from the due date at a rate equal to the rate of the cost of funds to the United States Treasury as prescribed and published by the Secretary of the Treasury. In addition, the Borrower shall pay administrative costs and penalty charges assessed in accordance with applicable Government regulations. Acceptance by the Government of a late payment shall not be deemed to be a waiver of any right or remedy of the Government.

8. *Security.* This Note is secured by a security interest in collateral described in the Loan/Grant Agreement as such agreement may be amended, supplemented, consolidated or restated from time to time. Rights and obligations with respect to the collateral are stated herein.

9. *Noteholder.* This Note evidences indebtedness created by a loan made pursuant to the American Recovery and Reinvestment Act of 2009, Pub. L. 111-5, 123 Stat. 115 (2009), the Notice of Funds Availability published at 74 Fed. Reg. 33104 and Title VI of the Rural Electrification Act of 1936 (7 U.S.C. 901 *et seq.*) The Government shall be and shall have all rights as holder of this Note.

10. *Default.* In an event of default, as provided in the Loan/Grant Agreement, all principal advanced pursuant to the Loan/Grant Agreement and remaining unpaid on this Note, and all interest thereon may be declared or may become due and payable in the manner and with the effect provided in the Loan/Grant Agreement.

11. *Costs.* The Borrower shall pay any and all costs and expenses incurred in connection with the exercise of rights or the enforcement of remedies, as set forth in the Loan/Grant Agreement.

12. *Waivers.* The Borrower waives demand, presentment for payment, notice of non-payment, notice of dishonor, protest, and notice of non-payment of this Note.

13. *Obligations.* The obligations hereunder of the Borrower on this Note are absolute and unconditional, irrespective of any defense or any right to set off, recoupment, or counterclaim it might otherwise have against the Government.

IN WITNESS WHEREOF, the Borrower has caused this Note to be signed in its corporate or legal name and its corporate seal, if any, to be hereunto affixed and attested by its officers thereunto duly authorized, all as of the day and year first above written.

UNITED UTILITIES, INC.

by _/s/ Steve Hamlen_____

Name: Steve Hamlen

(SEAL)

Title: President & CEO

Attested to by: _/s/ Bonnie J. Paskvan_____

SUBSIDIARIES OF THE REGISTRANT

Entity	Jurisdiction of Organization	Name Under Which Subsidiary Does Business
Alaska United Fiber System Partnership	Alaska	Alaska United Fiber System Partnership, Alaska United Fiber System, Alaska United
GCI Communication Corp.	Alaska	GCI, GCC, GCICC, GCI Communication Corp.
GCI, Inc.	Alaska	GCI, GCI, Inc.
GCI Cable, Inc.	Alaska	GCI Cable, GCI Cable, Inc.
GCI Holdings, Inc.	Alaska	GCI Holdings, Inc.
Potter View Development Co., Inc.	Alaska	Potter View Development Co., Inc.
GCI Fiber Communication, Co., Inc.	Alaska	GCI Fiber Communication, Co., Inc., GFCC, Kanas
Unicom, Inc.	Alaska	Unicom, Inc., Unicom
United-KUC, Inc.	Alaska	United-KUC, Inc., United-KUC, KUC
United Utilities, Inc.	Alaska	United Utilities, Inc. United Utilities, UUI

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated March 14, 2011, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of General Communication, Inc. on Form 10-K for the year ended December 31, 2010. We hereby consent to the incorporation by reference of said reports in the Registration Statements of General Communication, Inc. on Forms S-8 (File No.'s 33-60728, effective April 5, 1993, 333-8760, effective September 27, 1995, 333-66877, effective November 6, 1998, 333-45054, effective September 1, 2000, 333-106453, effective June 25, 2003, 333-152857, effective August 7, 2008, 33-60222, effective April 5, 1993, 333-8758, effective August 24, 1995, 333-8762, effective February 20, 1998, 333-87639, effective September 23, 1999, 333-59796, effective April 30, 2001, 333-99003, effective August 30, 2002, 333-117783, effective July 30, 2004, and 333-144916, effective July 27, 2007).

/s/ GRANT THORNTON LLP

Seattle, Washington
March 14, 2011

Consent of Independent Registered Public Accounting Firm

The Board of Directors

General Communication, Inc.:

We consent to the incorporation by reference in the registration statements (No.'s 33-60728, 333-8760, 333-66877, 333-45054, 333-106453, 333-152857, 33-60222, 333-8758. 333-8762, 333-87639, 333-59796, 333-99003, 333-117783 and 333-144916) on Form S-8 of General Communication, Inc. of our report dated March 20, 2009, except for Note 13, as to which the date is March 12, 2010, with respect to the consolidated statements of operations, stockholders' equity, and cash flows of General Communication, Inc. and subsidiaries for the year ended December 31, 2008, which report appears in the December 31, 2010, annual report on Form 10-K of General Communication, Inc.

(signed) KPMG LLP

Anchorage, Alaska

March 14, 2011

Exhibit 31.1

SECTION 302 CERTIFICATION

I, Ronald A. Duncan, certify that:

1. I have reviewed this annual report on Form 10-K of General Communication, Inc. for the period ended December 31, 2010;

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: March 14, 2011

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

Exhibit 31.2

SECTION 302 CERTIFICATION

I, John M. Lowber, certify that:

1. I have reviewed this annual report on Form 10-K of General Communication, Inc. for the period ended December 31, 2010;

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: March 14, 2011

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

Exhibit 32.1

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

In connection with the Annual Report of General Communication, Inc. (the "Company") on Form 10-K for the period ended December 31, 2010 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: March 14, 2011

/s/ Ronald A. Duncan

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

Exhibit 32.2

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

In connection with the Annual Report of General Communication, Inc. (the "Company") on Form 10-K for the period ended December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John M. Lowber, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: March 14, 2011

/s/ John M. Lowber

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