

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2017

OR

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

For the transition period from to
Commission File No. 0-15279

GENERAL COMMUNICATION, INC.

(Exact name of registrant as specified in its charter)

State of Alaska

(State or other jurisdiction of
incorporation or organization)

**2550 Denali Street
Suite 1000**

Anchorage, Alaska

(Address of principal
executive offices)

92-0072737

(I.R.S Employer
Identification No.)

99503

(Zip Code)

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

Not Applicable

Former name, former address and former fiscal year, if changed since last report

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer," "smaller reporting company," and "emerging growth 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

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares outstanding of the registrant's classes of common stock as of July 31, 2017 was:

33,049,000 shares of Class A common stock; and
3,052,000 shares of Class B common stock.

GENERAL COMMUNICATION, INC.
FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2017

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Cautionary Statement Regarding Forward-Looking Statements

You should carefully review the information contained in this Quarterly Report, but should particularly consider any risk factors that we set forth in this Quarterly Report and in other reports or documents that we file from time to time with the Securities and Exchange Commission ("SEC"). In this Quarterly Report, in addition to historical information, we state our future strategies, plans, objectives or goals and our beliefs of future events and of our future operating results, financial position and cash flows. In some cases, you can identify these so-called "forward-looking statements" by words such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "project," or "continue" or the negative of these words and other comparable words. All forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance, achievements, plans and objectives to differ materially from any future results, performance, achievements, plans and objectives expressed or implied by these forward-looking statements. In evaluating these statements, you should specifically consider various factors, including those identified under "Risk Factors" in Item 1A of our annual report on Form 10-K for the year ended December 31, 2016, and of this Form 10-Q. Those factors may cause our actual results to differ materially from any of our forward-looking statements. For these forward looking statements, we claim the protection of the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995.

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

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

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

(Amounts in thousands)

ASSETS	June 30, 2017	December 31, 2016
Current assets:		
Cash and cash equivalents	\$ 23,022	19,297
Receivables	208,118	184,296
Less allowance for doubtful receivables	3,788	4,407
Net receivables	204,330	179,889
Prepaid expenses	23,221	18,599
Inventories	10,837	11,945
Other current assets	167	167
Total current assets	261,577	229,897
Property and equipment	2,682,580	2,614,875
Less accumulated depreciation	1,538,272	1,452,957
Net property and equipment	1,144,308	1,161,918
Goodwill	242,110	239,263
Cable certificates	191,635	191,635
Wireless licenses	93,753	92,347
Other intangible assets, net of amortization	76,082	74,444
Other assets	75,120	76,435
Total other assets	678,700	674,124
Total assets	\$ 2,084,585	2,065,939

See accompanying condensed notes to interim consolidated financial statements.

(Continued)

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

(Amounts in thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY	June 30, 2017	December 31, 2016
Current liabilities:		
Current maturities of obligations under long-term debt, capital leases, and tower obligation	\$ 13,703	13,229
Accounts payable	49,360	72,937
Deferred revenue	39,960	37,618
Accrued payroll and payroll related obligations	30,979	30,305
Accrued liabilities	15,147	14,729
Accrued interest (including \$2,296 and \$5,132 to a related party at June 30, 2017 and December 31, 2016, respectively)	11,461	13,926
Subscriber deposits	1,224	917
Total current liabilities	161,834	183,661
Long-term debt, net (including \$57,642 and \$56,640 to a related party at June 30, 2017 and December 31, 2016, respectively)	1,384,105	1,333,446
Obligations under capital leases, excluding current maturities (including \$1,738 and \$1,769 due to a related party at June 30, 2017 and December 31, 2016, respectively)	45,393	50,316
Deferred income taxes	136,473	137,982
Long-term deferred revenue	137,359	135,877
Tower obligation	90,990	87,653
Other liabilities (including \$71,400 and \$29,700 for derivative stock appreciation rights with a related party at June 30, 2017 and December 31, 2016, respectively)	126,820	83,756
Total liabilities	2,082,974	2,012,691
Commitments and contingencies		
Stockholders' equity:		
Common stock (no par):		
Class A. Authorized 100,000 shares; issued 33,082 and 32,668 shares at June 30, 2017 and December 31, 2016, respectively; outstanding 33,056 and 32,642 shares at June 30, 2017 and December 31, 2016, respectively	—	—
Class B. Authorized 10,000 shares; issued and outstanding 3,052 and 3,153 shares at June 30, 2017 and December 31, 2016, respectively; convertible on a share-per-share basis into Class A common stock	2,578	2,663
Less cost of 26 Class A common shares held in treasury at June 30, 2017 and December 31, 2016	(249)	(249)
Paid-in capital	11,686	3,237
Retained earnings (deficit)	(45,407)	17,068
Total General Communication, Inc. stockholders' equity (deficit)	(31,392)	22,719
Non-controlling interests	33,003	30,529
Total stockholders' equity	1,611	53,248
Total liabilities and stockholders' equity	\$ 2,084,585	2,065,939

See accompanying condensed notes to interim consolidated financial statements.

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

(Amounts in thousands, except per share amounts)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Revenues	\$ 224,346	233,766	452,461	464,864
Cost of goods sold (exclusive of depreciation and amortization shown separately below)	68,329	78,141	137,603	154,432
Selling, general and administrative expenses	96,229	88,022	189,787	175,668
Depreciation and amortization expense	48,757	48,072	98,694	95,214
Operating income	11,031	19,531	26,377	39,550
Other income (expense):				
Interest expense (including amortization of deferred loan fees)	(20,946)	(19,362)	(40,782)	(38,533)
Interest expense with related party	(1,915)	(1,846)	(3,792)	(3,677)
Derivative instrument unrealized income (loss) with related party	(38,790)	6,510	(41,700)	11,040
Other	645	587	1,272	1,089
Other expense, net	(61,006)	(14,111)	(85,002)	(30,081)
Income (loss) before income taxes	(49,975)	5,420	(58,625)	9,469
Income tax (expense) benefit	40,975	(2,122)	(5,621)	(5,189)
Net income (loss)	(9,000)	3,298	(64,246)	4,280
Net loss attributable to non-controlling interests	(118)	(117)	(235)	(234)
Net income (loss) attributable to General Communication, Inc.	\$ (8,882)	3,415	(64,011)	4,514
Basic net income (loss) attributable to General Communication, Inc. common stockholders per Class A common share	\$ (0.26)	0.09	(1.86)	0.12
Basic net income (loss) attributable to General Communication, Inc. common stockholders per Class B common share	\$ (0.26)	0.09	(1.86)	0.12
Diluted net loss attributable to General Communication, Inc. common stockholders per Class A common share	\$ (0.26)	(0.01)	(1.86)	(0.05)
Diluted net loss attributable to General Communication, Inc. common stockholders per Class B common share	\$ (0.26)	(0.01)	(1.86)	(0.05)

See accompanying condensed notes to interim consolidated financial statements.

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2017 AND 2016
(Unaudited)

(Amounts in thousands)	Shares of Class A and B Common Stock	Class A Common Stock	Class B Common Stock	Class A Shares Held in Treasury	Paid-in Capital	Retained Earnings (Deficit)	Non- controlling Interests	Total Stockholders' Equity
Balances at January 1, 2016	38,747	\$ —	2,664	(249)	6,631	79,217	30,998	119,261
Net income (loss)	—	—	—	—	—	4,514	(234)	4,280
Common stock repurchases and retirements	(1,200)	(196)	—	—	—	(20,336)	—	(20,532)
Issuance of restricted stock awards	582	—	—	—	—	—	—	—
Share-based compensation expense	—	—	—	—	5,115	—	—	5,115
Other	16	196	—	—	—	—	—	196
Balances at June 30, 2016	<u>38,145</u>	<u>\$ —</u>	<u>2,664</u>	<u>(249)</u>	<u>11,746</u>	<u>63,395</u>	<u>30,764</u>	<u>108,320</u>
Balances at January 1, 2017	35,821	\$ —	2,663	(249)	3,237	17,068	30,529	53,248
Cumulative effect of ASU 2016-09 adoption	—	—	—	—	18	7,077	—	7,095
Net loss	—	—	—	—	—	(64,011)	(235)	(64,246)
Common stock repurchases and retirements	(285)	(7)	—	—	—	(5,626)	—	(5,633)
Issuance of restricted stock awards	597	—	—	—	—	—	—	—
Share-based compensation expense	—	—	—	—	8,431	—	—	8,431
Conversion of Class B to Class A shares	—	—	(85)	—	—	85	—	—
Investment by non-controlling interest	—	—	—	—	—	—	2,709	2,709
Other	1	7	—	—	—	—	—	7
Balances at June 30, 2017	<u>36,134</u>	<u>\$ —</u>	<u>2,578</u>	<u>(249)</u>	<u>11,686</u>	<u>(45,407)</u>	<u>33,003</u>	<u>1,611</u>

See accompanying condensed notes to interim consolidated financial statements.

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2017 AND 2016
(Unaudited)

(Amounts in thousands)

	2017	2016
Cash flows from operating activities:		
Net income (loss)	\$ (64,246)	4,280
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	98,694	95,214
Unrealized (income) loss on derivative instrument with related party	41,700	(11,040)
Deferred income tax expense	5,621	5,156
Share-based compensation expense	8,883	5,010
Other noncash income and expense items	6,710	6,222
Change in operating assets and liabilities	(29,208)	(15,652)
Net cash provided by operating activities	68,154	89,190
Cash flows from investing activities:		
Purchases of property and equipment	(93,977)	(89,802)
Purchases of other assets and intangible assets	(6,658)	(7,109)
Purchase of business, net of cash received	(6,341)	—
Note receivable payment from an equity method investee	—	3,000
Proceeds from sale of investment	—	675
Other	(1,284)	126
Net cash used for investing activities	(108,260)	(93,110)
Cash flows from financing activities:		
Borrowing on Amended Senior Credit Facility	77,000	35,000
Repayment of debt, capital lease, and tower obligations	(31,491)	(25,943)
Purchase of treasury stock to be retired	(5,633)	(20,532)
Proceeds from tower sale	3,656	—
Payment of debt modification costs	(2,417)	—
Other	2,716	196
Net cash provided by (used for) financing activities	43,831	(11,279)
Net increase (decrease) in cash and cash equivalents	3,725	(15,199)
Cash and cash equivalents at beginning of period	19,297	26,528
Cash and cash equivalents at end of period	\$ 23,022	11,329

See accompanying condensed notes to interim consolidated financial statements.

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

The accompanying unaudited interim consolidated financial statements include the accounts of General Communication, Inc. ("GCI") and its direct and indirect subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. They should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2016, filed with the SEC on March 2, 2017, as part of our annual report on Form 10-K. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results of operations for interim periods are not necessarily indicative of the results that may be expected for an entire year or any other period.

(1) Business and Summary of Significant Accounting Principles

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

(a) Business

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

(b) Basis of Presentation and Principles of Consolidation

Our consolidated financial statements include the consolidated accounts of GCI and its wholly owned subsidiaries, as well as five variable interest entities ("VIEs") for which we are the primary beneficiary after providing certain loans and guarantees. These VIEs are Terra GCI Investment Fund, LLC ("TIF"), Terra GCI 2 Investment Fund, LLC ("TIF 2"), Terra GCI 2-USB Investment Fund, LLC ("TIF 2-USB"), Terra GCI 3 Investment Fund, LLC ("TIF 3"), and Twain Investment Fund 210, LLC ("TIF 4"). We also include in our consolidated financial statements non-controlling interests in consolidated subsidiaries for which our ownership is less than 100 percent. All significant intercompany transactions between non-regulated affiliates of our company are eliminated. Intercompany transactions generated between regulated and non-regulated affiliates of our company are not eliminated in consolidation.

(c) Non-controlling Interests

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

(d) Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers. This standard provides guidance for the recognition, measurement and disclosure of revenue resulting from contracts with customers and will supersede virtually all of the current revenue recognition guidance under GAAP. In August 2015, the FASB issued ASU 2015-14, which deferred the effective date to fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. In March 2016, the FASB issued ASU 2016-08, which amended the guidance in the new standard in order to clarify the principal versus agent assessment and is intended to make the guidance more operable and lead to more consistent application. In April 2016, the FASB issued ASU 2016-10, which clarifies the identification of performance obligations and the licensing implementation guidance in ASU 2014-09. In May 2016, the FASB issued ASU 2016-11, which rescinds SEC paragraphs pursuant to SEC staff announcements regarding ASU 2014-09. These rescissions include changes to topics pertaining to accounting for shipping and handling fees and costs and accounting for consideration given by a vendor to a customer. In May 2016, the FASB issued ASU 2016-12, which provides clarifying guidance in certain narrow areas and adds some practical expedients to ASU 2014-09. Finally, ASU 2016-20 makes minor corrections or improvements to ASU 2014-09 that are not expected to have a significant effect on accounting practices under ASU 2014-09.

The standard permits the use of either the retrospective or cumulative effect transition method. We anticipate using the modified retrospective method to adopt this standard. Early adoption is permitted for

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

annual periods beginning after December 15, 2016, however, we do not plan to early adopt this standard. We have assessed our material revenue streams and we do not anticipate significant changes to the timing and amount of our revenue recognition as a result of this new standard. We will have additional revenue recognition disclosures upon adoption of the new standard.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Lease accounting by the lessor remains largely unchanged by the new standard. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and is required to be adopted using the modified retrospective approach. We are currently evaluating the impact of the provisions of this new standard on our financial position and results of operations, but we expect that adoption will have a material impact on our long-term assets and liabilities.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The update introduces a new forward-looking approach, based on expected losses, to estimate credit losses on certain types of financial instruments, including trade receivables. The estimate of expected credit losses will require entities to incorporate consideration of historical information, current information and reasonable and supportable forecasts. This ASU also expands the disclosure requirements to enable users of financial statements to understand the entity's assumptions, models and methods for estimating expected credit losses. ASU 2016-13 is effective for annual and interim reporting periods beginning after December 15, 2019, and is required to be adopted using the modified retrospective approach. Early adoption is permitted for annual and interim reporting periods beginning after December 15, 2018. We are currently evaluating the impact of the provisions of this new standard on our financial position and results of operations.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This update addresses eight specific cash flow issues with the objective of reducing diversity in practice. The issues identified within the ASU include: debt prepayments or extinguishment costs; contingent consideration made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (including bank-owned life insurance policies); distributions received from equity method investees; beneficial interests in securitization transactions; and separately identified cash flows and application of the predominance principle. ASU 2016-15 is effective for annual and interim reporting periods beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted for annual and interim reporting periods. The adoption of this guidance is not expected to have a material effect on our statement of cash flows.

In January 2017, the FASB issued ASU No. 2017-04, Simplifying the Test for Goodwill Impairment. The update eliminates step 2 of the goodwill impairment test. Instead, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, with the maximum impairment being the total value of goodwill allocated to the reporting unit. ASU 2017-04 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. Early adoption is permitted and should be applied prospectively. The adoption of this guidance is not expected to have a material effect on our financial position or results of operations.

In May 2017, the FASB issued ASU 2017-09, Compensation—Stock Compensation (Topic 718) — Scope of Modification Accounting. ASU 2017-09 applies to entities that change the terms or conditions of a share-based payment award. The FASB adopted ASU 2017-09 to provide clarity and reduce diversity in practice as well as cost and complexity when applying the guidance in Topic 718, Compensation—Stock Compensation, to the modification of the terms and conditions of a share-based payment award. The amendments provide guidance on determining which changes to the terms and conditions of share-based payment awards require an entity to apply modification accounting under Topic 718. Effective for all entities for annual periods, including interim periods within those annual periods, beginning after December 15,

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

2017. Early adoption is permitted, including adoption in any interim period, for public business entities for reporting periods for which financial statements have not yet been issued. The adoption of this guidance is not expected to have a material effect on our financial position or results of operations.

(e) Recently Adopted Accounting Pronouncements

In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting, which amends ASC 718, Compensation - Stock Compensation. The update includes provisions intended to simplify various aspects related to how share-based payments are accounted for and presented in the financial statements. ASU 2016-09 requires all excess tax benefits to be recorded in income even if they have not yet been realized. ASU 2016-09 also provides an election to account for forfeitures as they occur as opposed to estimating the amount of forfeitures. We adopted ASU 2016-09 as of January 1, 2017 on a modified retrospective basis. We have elected to account for forfeitures as they occur. As a result of adoption of this standard, we have recorded a \$7.1 million adjustment to Retained Earnings (Deficit) as of January 1, 2017.

(f) Regulatory Accounting

We account for the regulated operations of our incumbent local exchange carriers 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 (Loss) per Common Share

We compute net income (loss) attributable to GCI per share of Class A and Class B common stock using the "two class" method. Therefore, basic net income (loss) per share is computed by dividing net income (loss) applicable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common and dilutive common equivalent shares outstanding during the period. The computation of the dilutive net income (loss) per share of Class A common stock assumes the conversion of Class B common stock to Class A common stock, while the dilutive net income (loss) per share of Class B common stock does not assume the conversion of those shares. The computation of the dilutive net income (loss) per share of Class A common stock also assumes the conversion of our derivative financial instrument that may be settled in cash or shares (as described in Note 5 of this Form 10-Q), shares associated with unexercised stock options and deferred compensation that may be settled in cash or shares if the effect of conversion is dilutive. Additionally, in applying the "two-class" method, undistributed earnings are allocated to both common shares and participating securities. Our restricted stock grants are entitled to dividends and meet the criteria of a participating security.

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

(h) Common Stock

We have a common stock buyback program to repurchase GCI's Class A and Class B common stock. The cost of the repurchased common stock reduces Retained Earnings (Deficit) in our Consolidated Balance Sheets and is treated as constructively retired when purchased.

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

(i) Accounts Receivable and Allowance for Doubtful Receivables

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful receivables is our best estimate of the amount of probable credit losses in our existing accounts receivable. We base our estimates on the aging of our accounts receivable balances, financial health of specific customers, regional economic data, changes in our collections process, regulatory requirements and our customers' compliance with Universal Service Administrative Company ("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 for all accounts greater than 120 days past due, a pooled basis using a percentage of related accounts, or a specific identification method. When a specific identification method is used, potentially uncollectible accounts due to bankruptcy or other issues are reviewed individually for collectability. Account balances are charged off against the allowance when we believe it is probable the receivable will not be recovered. We do not have any off-balance-sheet credit exposure related to our customers.

Wireless Equipment Installment Plan ("EIP") Receivables

We offer new and existing wireless customers the option to participate in Upgrade Now, a program that provides eligible customers with the ability to purchase certain wireless devices in installments over a period of up to 24 months. Participating customers have the right to trade-in the original equipment for a new device after making the equivalent of 12 monthly installment payments, provided their handset is in good working condition. Upon upgrade, the outstanding balance of the EIP is exchanged for the used handset.

At the time of sale, we impute interest on the receivables associated with Upgrade Now. We record the imputed interest as a reduction to the related accounts receivable. Interest income, which is included in Other Income and (Expense) in our Consolidated Statements of Operations, is recognized over the financed installment term.

We assess the collectability of our EIP receivables based upon a variety of factors, including payment trends and other qualitative factors. The credit profiles of our customers with an Upgrade Now plan are similar to those of our customers with a traditional subsidized plan. Customers with a credit profile which carries a higher risk are required to make a down payment for equipment financed through Upgrade Now.

(j) Derivative Financial Instrument

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

(k) Guarantees

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

For customers who enroll in Upgrade Now, we defer the portion of equipment sales revenue which represents the estimated value of the trade-in right guarantee. The estimated value of the guarantees are based on various economic and customer behavioral assumptions, including the customer's estimated

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remaining EIP balance at trade-in, the expected fair value of the used handset at trade-in and the probability and timing of a trade-in.

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

(l) Revenue Recognition

The Universal Services Fund Rural Health Care ("RHC") Program subsidizes the rates for services provided to rural health providers. For the funding year that runs from July 1, 2016 through June 30, 2017, the USAC received requests for funds that exceeded the funding available for the RHC Program. USAC allocated the funding on a pro-rata basis to rural health providers who submitted their funding requests during a certain period. We provide services to rural health providers who were impacted by the pro-rata allocation and as a result certain of our customers did not receive the full subsidy that was expected under the program. Under the program rules, we are forbidden from lowering our rates for services previously provided, however, the Federal Communications Commission ("FCC") published an order on June 30, 2017 to assist eligible remote Alaska rural health providers by allowing Alaska service providers, such as us, to retroactively lower their rates, or effectively giving a credit against amounts owed, for services provided. Based on these specific circumstances, we decided to retroactively lower our rates to these customers pursuant to the FCC waiver, and as a result we reduced revenue by \$5.5 million to aid our rural health customers who were impacted by the pro-rata allocation.

(m) Use of Estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on our historical experience, terms of existing contracts, observance of trends, and other factors, as appropriate. Additionally, changes in accounting estimates are reasonably likely to occur from period to period. These factors could have a material impact on our financial statements.

Significant estimates include, but are not limited to, the following: revenue recognition, the valuation of the derivative stock appreciation rights, impairment and useful lives of intangible assets, and the valuation allowance for net operating loss deferred tax assets.

(n) Classification of Taxes Collected from Customers

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Surcharges reported gross	\$ 818	991	1,650	2,022

(o) Reclassifications

Reclassifications have been made to the 2016 financial statements to make them comparable with classifications used in the current year.

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(2) Tower Sale and Leaseback

In August 2016 and March 2017, we sold to Vertical Bridge Towers II, LLC (“Vertical Bridge”) tower sites in exchange for net proceeds of \$90.8 million and \$3.7 million, respectively (“Tower Transactions”). The sale included, where applicable, the towers, the land on which the towers were situated if owned by us, the obligation to pay land leases, and other executory costs.

We entered into a master lease agreement in which we lease back space at the tower sites for an initial term of ten years, followed by the option to renew for eight additional five year periods, for a total possible lease term of 50 years. Each lease is subject to a 2% annual increase in lease payments throughout the life of the initial lease and all subsequent lease renewals.

Prior to the Tower Transaction, we had the legal obligation to remove the towers upon termination of the land lease agreements. The obligation is now reduced to the removal of our equipment from the towers. Therefore, we reduced our asset retirement obligation related to the tower sites by \$3.4 million as of December 31, 2016.

Per the master lease agreement, we have the right to cure land lease defaults on behalf of Vertical Bridge and have negotiated fixed rate lease renewals as described above. Due to this continuing involvement with the tower sites, we determined we were precluded from applying sale-leaseback accounting. We recorded a long-term financial obligation (“Tower Obligation”) in the amount of the net proceeds received and recognize interest on the Tower Obligation at a rate of 7.1% using the effective interest method. The Tower Obligation is increased by interest expense and amortized through contractual leaseback payments made by us to Vertical Bridge. Our historical tower site asset costs continue to be depreciated and reported in Net Property and Equipment.

The following table summarizes the impacts to the Consolidated Balance Sheets (amounts in thousands):

	June 30, 2017	December 31, 2016
Property and equipment ⁽¹⁾	\$ 19,262	18,792
Tower obligation ⁽²⁾	\$ 90,990	87,653

⁽¹⁾ Property conveyed to Vertical Bridge as part of the Tower Transaction, but remains on our Consolidated Balance Sheets.

⁽²⁾ Excluding current portion and net of deferred transaction costs.

Future minimum payments related to the Tower Obligation, including expected renewals and excluding deferred transaction costs, are summarized below (amounts in thousands):

Years ending December 31,	Total
2017	\$ 3,594
2018	7,339
2019	7,486
2020	7,635
2021	7,788
2022 and thereafter	154,528
Total minimum payments	188,370
Less amount representing interest	95,022
Tower obligation	\$ 93,348

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(3) Consolidated Statements of Cash Flows Supplemental Disclosures

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

Six Months Ended June 30,	2017	2016
Increase in accounts receivable, net	\$ (23,239)	(15,513)
Increase in prepaid expenses	(4,568)	(4,582)
Decrease in inventories	1,108	745
(Increase) decrease in other current assets	58	(51)
(Increase) decrease in other assets	2,325	(3,925)
Decrease in accounts payable	(2,844)	(3,541)
Increase in deferred revenues	2,342	212
Increase (decrease) in accrued payroll and payroll related obligations	314	(1,733)
Increase (decrease) in accrued liabilities	(44)	1,594
Decrease in accrued interest	(2,465)	(2,821)
Increase (decrease) in subscriber deposits	307	(207)
Increase (decrease) in long-term deferred revenue	(1,506)	12,808
Increase (decrease) in components of other long-term liabilities	(996)	1,362
Total change in operating assets and liabilities	<u>\$ (29,208)</u>	<u>(15,652)</u>

The following item is for the six months ended June 30, 2017 and 2016 (amounts in thousands):

Net cash paid or received:	2017	2016
Interest paid including capitalized interest	\$ 47,863	44,068

The following items are non-cash investing and financing activities for the six months ended June 30, 2017 and 2016 (amounts in thousands):

	2017	2016
Non-cash additions for purchases of property and equipment	\$ 17,226	15,878
Net asset retirement obligation additions to property and equipment	\$ 978	769

(4) Intangible Assets and Goodwill

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Amortization expense	<u>\$ 3,210</u>	<u>3,276</u>	<u>6,557</u>	<u>6,036</u>

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,	
2017	\$ 12,715
2018	\$ 10,972
2019	\$ 8,478
2020	\$ 6,513
2021	\$ 4,726

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(5) Fair Value Measurements and Derivative Instrument

Recurring Fair Value Measurements

Assets and liabilities measured at fair value on a recurring basis as of June 30, 2017 and December 31, 2016 are as follows (amounts in thousands):

June 30, 2017	Level 1 ⁽¹⁾	Level 2 ⁽²⁾	Level 3 ⁽³⁾	Total
Assets:				
Deferred compensation plan assets (mutual funds)	\$ 1,354	—	—	1,354
Liabilities:				
Derivative stock appreciation rights	\$ —	—	71,400	71,400
December 31, 2016				
Assets:				
Deferred compensation plan assets (mutual funds)	\$ 1,477	—	—	1,477
Liabilities:				
Derivative stock appreciation rights	\$ —	—	29,700	29,700

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

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

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

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

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

Current and Long-Term Debt

The carrying amounts and approximate fair values of our current and long-term debt, excluding capital leases, at June 30, 2017 and December 31, 2016 are as follows (amounts in thousands):

	June 30, 2017		December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Current and long-term debt	\$ 1,387,401	1,476,286	1,336,772	1,393,865

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

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

Derivative Financial Instrument

In connection with the \$75.0 million unsecured promissory note issued to Searchlight on February 2, 2015, we entered into a stock appreciation rights agreement pursuant to which we issued to Searchlight three million stock appreciation rights. Each stock appreciation right entitles Searchlight to receive, upon exercise, an

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amount payable at our election in either cash or shares of GCI's Class A common stock equal in value to the excess of the fair market value of a share of GCI Class A common stock on the date of exercise over the price of \$13.00. The instrument is exercisable on the fourth anniversary of the grant date and will expire eight years from the date of grant. We have determined that the stock appreciation rights are required to be separately accounted for as a derivative instrument and subject to fair value liability accounting under ASC 815-10.

We use a lattice based valuation model to value the stock appreciation rights liability at each reporting date. The model incorporates transaction details such as our stock price, instrument term and settlement provisions, as well as highly complex and subjective assumptions about volatility, risk-free interest rates, issuer behavior, holder behavior, and the impact of a change of control (please see Note 11 for additional information regarding a change of control contingency). The lattice model uses highly subjective assumptions and the use of other reasonable assumptions could provide different results. The following table shows our significant assumptions and inputs used in the lattice-based valuation model to value the stock appreciation right liability at June 30, 2017:

	June 30, 2017
Contractual term (in years)	1.8 to 5.8
Volatility	20% to 40%
Risk-free interest rate	1.1% to 2.0%
Stock Price	\$ 36.64

The following table summarizes the changes in fair value of our financial instrument measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the six months ended June 30, 2017 and 2016 (amounts in thousands):

Fair Value Measurement Using Level 3 Inputs

	Derivative Stock Appreciation Rights
Balance at January 1, 2016	\$ 32,820
Fair value adjustment at end of period, included in Other Income (Expense)	(11,040)
Balance at June 30, 2016	\$ 21,780
Balance at January 1, 2017	\$ 29,700
Fair value adjustment at end of period, included in Other Income (Expense)	41,700
Balance at June 30, 2017	\$ 71,400

(6) Stockholders' Equity

Common Stock

GCI's Board of Directors had authorized a common stock buyback program for the repurchase of GCI's Class A and Class B common stock in order to reduce the outstanding shares of Class A and Class B common stock. We have temporarily suspended the buyback program due to the Reorganization Agreement that we entered into with Liberty (see Note 11).

During the three months ended June 30, 2016, we repurchased 0.5 million shares of our Class A common stock under the stock buyback program at a cost of \$8.3 million. During the six months ended June 30, 2017 and 2016, we repurchased 0.2 million and 1.1 million shares of our Class A common stock under the stock buyback program at a cost of \$4.0 million and \$19.5 million, respectively.

Share-based Compensation

Our Amended and Restated 1986 Stock Option Plan ("Stock Option Plan"), provides for the grant of options and restricted stock awards (collectively "award") for a maximum of 15.7 million shares of GCI Class A common stock, subject to adjustment upon the occurrence of stock dividends, stock splits, mergers, consolidations or

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certain other changes in corporate structure or capitalization. We have issued only restricted stock awards since 2010. 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. The requisite service period of our awards is generally the same as the vesting period. New shares are issued when restricted stock awards are granted. We have 1.0 million shares available for grant under the Stock Option Plan at June 30, 2017.

A summary of nonvested restricted stock award activity under the Stock Option Plan as of June 30, 2017 and changes during the period then ended is presented below:

	Shares (in thousands)	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2016	1,465	\$ 14.41
Granted	597	\$ 22.94
Vested	(360)	\$ 17.24
Forfeited	(1)	\$ 18.56
Nonvested at June 30, 2017	<u>1,701</u>	<u>\$ 16.80</u>

The weighted average grant date fair value of awards granted during the six months ended June 30, 2017 and 2016, were \$22.94 and \$17.68, respectively. The total fair value of awards vesting during the six months ended June 30, 2017 and 2016 were \$8.7 million and \$4.3 million, respectively. We have recorded share-based compensation expense of \$8.9 million and \$5.0 million for the six months ended June 30, 2017 and 2016, respectively. Share-based compensation expense is classified as Selling, General and Administrative Expense in our Consolidated Statements of Operations. Unrecognized share-based compensation expense was \$17.6 million as of June 30, 2017. We expect to recognize share-based compensation expense over a weighted average period of 1.7 years for restricted stock awards.

(7) Earnings (Loss) per Common Share

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

	Three Months Ended June 30,			
	2017		2016	
	Class A	Class B	Class A	Class B
Basic net income (loss) per share:				
Numerator:				
Net income (loss) available to common stockholders	\$ (8,086)	(796)	3,134	281
Less: Undistributed net income allocable to participating securities	—	—	(167)	—
Undistributed net income (loss) allocable to common stockholders	<u>(8,086)</u>	<u>(796)</u>	<u>2,967</u>	<u>281</u>
Denominator:				
Weighted average common shares outstanding	<u>31,276</u>	<u>3,078</u>	<u>33,308</u>	<u>3,155</u>
Basic net income (loss) attributable to GCI common stockholders per common share	<u>\$ (0.26)</u>	<u>(0.26)</u>	<u>0.09</u>	<u>0.09</u>

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	Three Months Ended June 30,			
	2017		2016	
	Class A	Class B	Class A	Class B
Diluted net loss per share:				
Numerator:				
Undistributed net income (loss) allocable to common stockholders for basic computation	\$ (8,086)	(796)	2,967	281
Reallocation of undistributed earnings as a result of conversion of Class B to Class A shares	(796)	—	281	—
Reallocation of undistributed earnings as a result of conversion of dilutive securities	—	—	189	(319)
Effect of derivative instrument that may be settled in cash or shares	—	—	(3,834)	—
Effect of share based compensation that may be settled in cash or shares	—	—	(39)	—
Undistributed net loss adjusted for allocation of undistributed earnings (loss) and effect of contracts that may be settled in cash or shares	\$ (8,882)	(796)	(436)	(38)
Denominator:				
Number of shares used in basic computation	31,276	3,078	33,308	3,155
Conversion of Class B to Class A common shares outstanding	3,078	—	3,155	—
Effect of derivative instrument that may be settled in cash or shares	—	—	611	—
Effect of share based compensation that may be settled in cash or shares	—	—	26	—
Number of shares used in per share computation	34,354	3,078	37,100	3,155
Diluted net loss attributable to GCI common stockholders per common share	\$ (0.26)	(0.26)	(0.01)	(0.01)

	Six Months Ended June 30,			
	2017		2016	
	Class A	Class B	Class A	Class B
Basic net income (loss) per share:				
Numerator:				
Net income (loss) available to common stockholders	\$ (58,207)	(5,804)	4,144	370
Less: Undistributed net income allocable to participating securities	—	—	(210)	—
Undistributed net income (loss) allocable to common stockholders	(58,207)	(5,804)	3,934	370
Denominator:				
Weighted average common shares outstanding	31,248	3,116	33,502	3,155
Basic net income (loss) attributable to GCI common stockholders per common share	\$ (1.86)	(1.86)	0.12	0.12

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	Six Months Ended June 30,			
	2017		2016	
	Class A	Class B	Class A	Class B
Diluted net loss per share:				
Numerator:				
Undistributed net income (loss) allocable to common stockholders for basic computation	\$ (58,207)	(5,804)	3,934	370
Reallocation of undistributed earnings as a result of conversion of Class B to Class A shares	(5,804)	—	370	—
Reallocation of undistributed earnings as a result of conversion of dilutive securities	—	—	304	(536)
Effect of derivative instrument that may be settled in cash or shares	—	—	(6,501)	—
Effect of share based compensation that may be settled in cash or shares	—	—	(62)	—
Undistributed net loss adjusted for allocation of undistributed earnings (loss) and effect of contracts that may be settled in cash or shares	\$ (64,011)	(5,804)	(1,955)	(166)
Denominator:				
Number of shares used in basic computation	31,248	3,116	33,502	3,155
Conversion of Class B to Class A common shares outstanding	3,116	—	3,155	—
Effect of derivative instrument that may be settled in cash or shares	—	—	744	—
Effect of share based compensation that may be settled in cash or shares	—	—	26	—
Number of shares used in per share computation	34,364	3,116	37,427	3,155
Diluted net loss attributable to GCI common stockholders per common share	\$ (1.86)	(1.86)	(0.05)	(0.05)

Weighted average shares associated with outstanding securities for the three and six months ended June 30, 2017 and 2016, which have been excluded from the computations of diluted EPS, because the effect of including these securities would have been anti-dilutive, consist of the following (shares, in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Derivative instrument that may be settled in cash or shares, the effect of which is anti-dilutive	1,921	—	1,616	—
Share-based compensation that may be settled in cash or shares, the effect of which is anti-dilutive	26	—	26	—
Shares associated with anti-dilutive unexercised stock options	1	3	1	5
Total excluded	1,948	3	1,643	5

(8) Segments

We operate our business under a single reportable segment. Effective in the first quarter of 2017, we merged our former Wireless and Wireline segments into one operating segment in order to make our operations more efficient. We reassessed and reorganized our management and internal reporting structures and realigned our external financial reporting to support this change. Our chief operating decision maker assesses our financial performance as follows:

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- Capital expenditure decisions are based on the support they provide to all revenue streams
- Revenues are managed on the basis of specific customers and customer groups
- Costs are generally managed and assessed by function and generally support the organization across all customer groups or revenue streams
- Profitability is assessed at the consolidated level

Prior to 2017, we operated our business under two reportable segments - Wireline and Wireless. As a result of the reorganization of our reporting structure, assets, including goodwill, and liabilities were reassigned to a single reporting unit.

(9) Related Party Transactions

On July 11, 2016, we repurchased 1,000,000 shares of our Class A common stock for \$16.1 million from John W. Stanton and Theresa E Gillespie, husband and wife, who continue to be significant shareholders of our Class B common stock.

We entered into a long-term capital lease agreement in 1991 with the wife of GCI's President and CEO for property occupied by us. The leased asset was capitalized in 1991 at the owner's cost of \$0.9 million and the related obligation was recorded. The lease agreement was amended in April 2008 and our existing capital lease asset and liability increased by \$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 GCI's President and CEO. The lease was amended several times, most recently in May 2011. The lease term of the aircraft may be terminated at any time by us upon 12 months written notice. The monthly lease rate of the aircraft is \$132,000. In 2001, we paid a deposit of \$1.5 million in connection with the lease. The deposit will be repaid to us no later than six months after the agreement terminates.

As disclosed in Note 5 of this Form 10-Q, we have an unsecured promissory note and stock appreciation rights with Searchlight. Searchlight is a related party because one of its principals is a member of our Board of Directors.

(10) Variable Interest Entities

New Markets Tax Credit Entities

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

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

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

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

On March 21, 2017, we entered into the fourth arrangement ("NMTC #4"). In connection with the NMTC #4 transaction, we loaned \$6.7 million to TIF 4, a special purpose entity created to effect the financing arrangement, at 1% interest due March 21, 2040. Simultaneously, US Bancorp invested \$3.3 million in TIF 4. TIF 4 then contributed US Bancorp's contributions and the loan proceeds to a CDE. The CDE then paid a placement fee of \$0.2 million and loaned the remaining \$9.8 million, at an interest rate of 0.7337%, to Unicom, as partial financing for TERRA-NW.

US Bancorp is the sole investor in TIF, TIF 2, TIF 2-USB, TIF 3, and TIF 4, and as such, is entitled to substantially all of the benefits derived from the NMTCs. All of the loan proceeds to Unicom net of syndication and arrangement fees, were restricted for use on various phases of the TERRA-NW project. We plan to complete construction of the TERRA-NW phases for which these funds will be used during 2017. Restricted cash of \$2.2 million was held by Unicom at June 30, 2017, and is included in our Consolidated Balance Sheets.

These transactions include put/call provisions whereby we may be obligated or entitled to repurchase US Bancorp's interests in TIF, TIF 2, TIF 2-USB, TIF 3, and/or TIF 4. We believe that US Bancorp will exercise the put options in August 2018, October 2019, December 2019, and March 2024, at the end of the compliance periods for NMTC #1, NMTC #2, NMTC #3, and NMTC #4, respectively. The NMTCs are subject to 100% recapture for a period of seven years as provided in the Internal Revenue Code. We are required to be in compliance with various regulations and contractual provisions that apply to the NMTC arrangements. Non-compliance with applicable requirements could result in projected tax benefits not being realized by US Bancorp. We have agreed to indemnify US Bancorp for any loss or recapture of NMTCs until such time as our obligation to deliver tax benefits is relieved. There have been no credit recaptures as of June 30, 2017. The value attributed to the puts/calls is nominal.

We have determined that TIF, TIF 2, TIF 2-USB, TIF 3, and TIF 4 are VIEs. The consolidated financial statement of TIF, TIF 2, TIF 2-USB, TIF 3, and TIF 4 include the CDEs discussed above. The ongoing activities of the VIEs – collecting and remitting interest and fees and NMTC compliance – were all considered in the initial design and are not expected to significantly affect economic performance throughout the life of the VIEs. Management considered the contractual arrangements that obligate us to deliver tax benefits and provide various other guarantees to US Bancorp; US Bancorp's lack of a material interest in the underlying economics of the project; and the fact that we are obligated to absorb losses of the VIEs. We concluded that we are the primary beneficiary of each and consolidated the VIEs in accordance with the accounting standard for consolidation.

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

The assets and liabilities of our consolidated VIEs were \$150.9 million and \$110.9 million, respectively, as of June 30, 2017, and \$140.9 million and \$104.2 million, respectively, as of December 31, 2016.

(11) Commitments and Contingencies

On April 4, 2017, Liberty Interactive Corporation, a Delaware corporation ("Liberty") entered into an Agreement and Plan of Reorganization (the "Reorganization Agreement" and the transactions contemplated thereby, the "Transactions") with GCI, an Alaska corporation, and Liberty Interactive LLC, a Delaware limited liability company and a direct wholly owned subsidiary of Liberty ("LI LLC"), whereby Liberty will acquire GCI through a reorganization in which certain Liberty Ventures Group ("Liberty Ventures") assets and liabilities will be contributed to GCI in exchange for a controlling interest in GCI. Liberty and LI LLC will contribute to the

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combined company (to be named GCI Liberty, Inc. ("GCI Liberty")) its entire equity interest in Liberty Broadband Corporation, Charter Communications, Inc. and LendingTree, Inc., together with the Evite, Inc. operating business and certain other assets and liabilities (including, subject to certain conditions, Liberty's equity interest in FTD Companies, Inc.), in exchange for (a) the issuance to LI LLC of (i) a number of shares of reclassified GCI Class A Common Stock and a number of shares of reclassified GCI Class B Common Stock equal to the number of outstanding shares of Series A Liberty Ventures common stock and Series B Liberty Ventures common stock outstanding on the closing date of the Contribution, respectively, (ii) certain exchangeable debentures and (iii) cash, and (b) the assumption of certain liabilities by GCI Liberty (the "Contribution").

Liberty will then effect a tax-free separation of its controlling interest in GCI Liberty to the holders of Liberty Ventures common stock in full redemption of all outstanding shares of such stock. Holders of GCI Class A common stock and GCI Class B common stock each will receive (i) 0.63 of a share of reclassified GCI Liberty Class A common stock and (ii) 0.20 of a share of new GCI Liberty Series A preferred stock in exchange for each share of their existing GCI stock. The exchange ratios were determined based on total consideration of \$32.50 per share for the existing GCI common stock, comprised of \$27.50 per share in reclassified GCI Class A common stock and \$5.00 per share in newly issued GCI Liberty Series A preferred stock, and a Liberty Ventures reference price of \$43.65 (with no premium paid for shares of GCI Class B common stock). The GCI Liberty Series A preferred shares will accrue dividends at an initial rate of 5% per annum (which would increase to 7% in connection with a future reincorporation of GCI Liberty in Delaware) and will be redeemable upon the 21st anniversary of the closing. The Transactions are expected to be consummated during the fourth quarter of 2017, subject to the satisfaction of customary closing conditions, including receipt of regulatory approval and the requisite stockholder approvals.

On April 12, 2017, we announced that our wholly owned subsidiary, GCI, Inc., is soliciting consents from the holders of its outstanding 6.75% Senior Notes due 2021 ("6.75% Senior Notes") and 6.875% Senior Notes due 2025 ("6.875% Senior Notes" and together with the 6.75% Senior Notes, the "Notes") to effect certain amendments to the indentures governing the Notes (the "Indentures") to facilitate the Transactions, upon the terms and subject to the conditions set forth in the Consent Solicitation Statement, dated April 12, 2017, and the related Letter of Consent. The consent solicitation expired on April 24, 2017 and we received consents from holders of: (a) \$312,418,000 in aggregate principal amount of the 6.75% Senior Notes, representing 96.13% of the total principal amount outstanding of the 6.75% Senior Notes, and (b) \$443,538,000 in aggregate principal amount of the 6.875% Senior Notes, representing 98.56% of the total principal amount outstanding of the 6.875% Senior Notes. The consent of holders of at least a majority in aggregate principal amount of a series of Notes then outstanding was required to approve the proposed amendment with respect to that series of Notes.

On April 26, 2017, we paid to the tabulation agent for the benefit of registered holders of Notes as of the record date for the Consent Solicitation that validly delivered (and did not validly revoke) a properly completed letter of consent (a "Consent") on or prior to the expiration date (x) with respect to the proposed amendment relating to the 6.75% Senior Notes, an aggregate consent fee of \$812,500 payable to the holders of 6.75% Senior Notes, on a pro rata basis, who validly delivered (and did not validly revoke) a properly completed Consent and (y) with respect to the proposed amendment relating to the 6.875% Senior Notes, an aggregate consent fee of \$1,125,000 payable to the holders of 6.875% Senior Notes, on a pro rata basis, who validly delivered (and did not validly revoke) a properly completed Consent. The proposed amendments will be effected by supplemental indentures to the Indentures.

We believe the Transactions will result in a change of control for the Searchlight stock appreciation rights that will result in us settling that instrument in cash.

Part I

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

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

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our interim consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, we evaluate our estimates and judgments, including those described in Note 1 in the accompanying "Condensed Notes to Interim Consolidated Financial Statements" included in Part I of this quarterly report on Form 10-Q. We base our estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. See also our "Cautionary Statement Regarding Forward-Looking Statements."

Update on Economic Conditions

We offer wireless and wireline telecommunication services, data services, video services, and managed 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 oil industry, state government spending, United States military spending, investment earnings and tourism. Prolonged periods of low oil prices will adversely impact the Alaska economy, which in turn could have an adverse impact on the demand for our products and services and on our results of operations and financial condition.

Oil prices have continued to remain low which has put significant pressure on the Alaska state government budget since the majority of its revenues come from the oil industry. While the Alaska state government has significant reserves that we believe will help fund the state government for the next couple of years, major structural budgetary reforms will need to be implemented in order to offset the impact of declining oil prices.

The Alaska economy is officially in a recession. If the recession continues, it could negatively affect our business including our financial position, results of operations, or liquidity, as well as our ability to service debt, pay other obligations and enhance shareholder returns. While it is difficult for us to predict the impact of the recession 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.

General Overview

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

Major Development

On April 4, 2017, Liberty Interactive Corporation, a Delaware corporation ("Liberty") entered into an Agreement and Plan of Reorganization (the "Reorganization Agreement" and the transactions contemplated thereby, the "Transactions") with General Communication, Inc. ("GCI"), an Alaska corporation, and Liberty Interactive LLC, a Delaware limited liability company and a direct wholly owned subsidiary of Liberty ("LI LLC"), whereby Liberty will acquire GCI through a reorganization in which certain Liberty Ventures Group ("Liberty Ventures") assets and liabilities will be contributed to GCI in exchange for a controlling interest in GCI. Liberty and LI LLC will contribute to the combined company (to be named GCI Liberty, Inc. ("GCI Liberty")) its entire equity interest in Liberty Broadband Corporation, Charter Communications, Inc. and LendingTree, Inc., together with the Evite, Inc. operating business and certain other assets and liabilities (including, subject to certain conditions, Liberty's equity interest in FTD

Companies, Inc.), in exchange for (a) the issuance to LI LLC of (i) a number of shares of reclassified GCI Class A Common Stock and a number of shares of reclassified GCI Class B Common Stock equal to the number of outstanding shares of Series A Liberty Ventures common stock and Series B Liberty Ventures common stock outstanding on the closing date of the Contribution, respectively, (ii) certain exchangeable debentures and (iii) cash, and (b) the assumption of certain liabilities by GCI Liberty (the "Contribution").

Liberty will then effect a tax-free separation of its controlling interest in GCI Liberty to the holders of Liberty Ventures common stock in full redemption of all outstanding shares of such stock. Holders of GCI Class A common stock and GCI Class B common stock each will receive (i) 0.63 of a share of reclassified GCI Liberty Class A common stock and (ii) 0.20 of a share of new GCI Liberty Series A preferred stock in exchange for each share of their existing GCI stock. The exchange ratios were determined based on total consideration of \$32.50 per share for the existing GCI common stock, comprised of \$27.50 per share in reclassified GCI Class A common stock and \$5.00 per share in newly issued GCI Liberty Series A preferred stock, and a Liberty Ventures reference price of \$43.65 (with no premium paid for shares of GCI Class B common stock). The GCI Liberty Series A preferred shares will accrue dividends at an initial rate of 5% per annum (which would increase to 7% in connection with a future reincorporation of GCI Liberty in Delaware) and will be redeemable upon the 21st anniversary of the closing. The Transactions are expected to be consummated during the fourth quarter of 2017, subject to the satisfaction of customary closing conditions, including receipt of regulatory approval and the requisite stockholder approvals.

Results of Operations

Revenues

The components of revenue for the three and six months ended June 30, 2017 and 2016 are as follows (amounts in thousands):

	Three Months Ended June 30,		Percentage Change	Six Months Ended June 30,		Percentage Change
	2017	2016		2017	2016	
Consumer¹						
Wireless	\$ 40,115	44,145	(9)%	80,215	87,549	(8)%
Data	35,418	34,818	2 %	71,506	69,778	2 %
Video	24,937	26,813	(7)%	49,876	55,160	(10)%
Voice	5,910	6,764	(13)%	11,971	13,806	(13)%
Business²						
Wireless	26,580	27,703	(4)%	51,942	52,559	(1)%
Data	73,651	73,189	1 %	151,717	145,200	4 %
Video	4,794	4,832	(1)%	8,916	9,894	(10)%
Voice	12,941	15,502	(17)%	26,318	30,918	(15)%
Total revenue	\$ 224,346	233,766	(4)%	452,461	464,864	(3)%

¹ Includes revenues from sales to residential customers and, for the three and six months ended June 30, 2017, also includes sales to small business customers.

² Includes revenues from sales to businesses, governmental entities, educational and medical institutions, and common carrier customers and for the three and six months ended June 30, 2016 includes sales to small business customers.

Selected key performance indicators follow:

	June 30,		Percentage
	2017	2016	Change
Consumer			
Data:			
Cable modem subscribers ¹	128,100	130,100	(2)%
Video:			
Basic subscribers ²	102,700	110,500	(7)%
Homes passed	251,200	249,500	1 %
Voice:			
Total local access lines in service ³	51,700	54,300	(5)%
Business			
Data:			
Cable modem subscribers ¹	10,000	9,900	1 %
Voice:			
Total local access lines in service ³	40,200	41,400	(3)%
Combined Consumer and Business			
Wireless			
Consumer wireless lines in service ⁴	201,200	203,900	(1)%
Business wireless lines in service ⁴	23,300	24,200	(4)%
Total wireless lines in service	<u>224,500</u>	<u>228,100</u>	(2)%

¹ A cable modem subscriber is defined by the purchase of cable modem service regardless of the level of service purchased. If one entity purchases multiple cable modem service access points, each access point is counted as a subscriber. On January 1, 2017, we transferred 3,100 small business cable modem subscribers from Business to Consumer. We adjusted the previously reported subscriber numbers as of June 30, 2016 for the number of subscribers that were transferred on January 1, 2017.

² A basic subscriber is defined as one basic tier of service delivered to an address or separate subunits thereof regardless of the number of outlets purchased. On January 1, 2017, we transferred 500 small business basic subscribers from Business to Consumer. We adjusted the previously reported subscriber numbers as of June 30, 2016 for the number of subscribers that were transferred on January 1, 2017.

³ A local access line in service is defined as a revenue generating circuit or channel connecting a customer to the public switched telephone network. On January 1, 2017, we transferred 4,800 small business local access lines from Business to Consumer. We adjusted the previously reported subscriber numbers as of June 30, 2016 for the number of subscribers that were transferred on January 1, 2017.

⁴ A wireless line in service is defined as a revenue generating wireless device. On January 1, 2017, we transferred 3,700 small business wireless lines from Business to Consumer. We adjusted the previously reported subscriber numbers as of June 30, 2016 for the number of subscribers that were transferred on January 1, 2017.

Consumer

The decrease in wireless revenues is primarily due to the following:

- A \$2.5 million or 14% and \$5.6 million or 15% decrease in plan fee revenue for the three and six months ended June 30, 2017 when compared to the same periods in 2016, respectively, primarily due to a decrease in the number of subscribers and discounts given to customers who finance or bring their own device, and
- A \$2.0 million or 29% and \$2.4 million or 19% decrease in device sales revenue for the three and six months ended June 30, 2017 when compared to the same periods in 2017, respectively, primarily due to a decrease in the number of wireless devices sold.

The decrease in Consumer video revenue is primarily due to the following:

- A \$4.1 million or 10% decrease in plan fee revenue for the six months ended June 30, 2017 when compared to the same period in 2016 primarily due to a decrease in the number of subscribers. Consumer video revenue faces challenges as more customers choose to have their video content delivered via the Internet. However, as a major Internet-provider ourselves, this selection may result in additional data service revenue to the extent we grow average cable modem revenue per subscriber.

We expect Consumer voice revenue to continue to decrease due to a growing number of customers using wireless service as their primary voice phone service for local and long distance calling.

Business

Business data revenue is comprised of monthly recurring charges for data transport and storage services and charges billed on a time and materials basis largely for personnel providing on-site customer support. The time and materials revenue can vary significantly based on project activity. This revenue faces challenges due to the continued decline of oil prices which negatively impacts certain of our customers.

The increase in Business data revenue in the three months ended June 30, 2017 when compared to the same period in 2016 is primarily due to a \$2.1 million or 21% increase in variable time and materials revenue as a result of an acquisition in the first quarter of 2017. The increase in Business data revenue in the six months ended June 30, 2017 when compared to the same period in 2016 is primarily due to a \$3.5 million or 3% increase in data transport and storage revenue due to new customers and increased purchases by our existing customers. The increases are partially offset by decreases due to rate compression and a \$5.5 million reduction of revenue recorded during the three and six months ended June 30, 2017 as a result of a credit we provided to certain of our rural health provider customers (please see Note 1(l) in the accompanying "Condensed Notes to Interim Consolidated Financial Statements" included in Part I of this quarterly report on Form 10-Q for additional information). We are working with our rural health care provider customers and the FCC on alternative funding solutions for future years.

The decrease in Business voice revenue is primarily due to a \$1.4 million or 22% and \$2.7 million or 21% decrease in local service revenue in the three and six months ended June 30, 2017 when compared to the same periods in 2016, respectively, primarily due to a decrease in the number of subscribers and the transfer of small business local access lines to Consumer.

Cost of Goods Sold

Cost of Goods Sold for the three and six months ended June 30, 2017 and 2016 are as follows (amounts in thousands):

	Three Months Ended June 30,		Percentage Change	Six Months Ended June 30,		Percentage Change
	2017	2016		2017	2016	
Cost of Goods Sold	\$ 68,329	78,141	(13)%	137,603	154,432	(11)%

The decrease in Cost of Goods Sold for the three and six months ended June 30, 2017 when compared to the same periods in 2016 is primarily due to the following:

- A \$4.4 million or 24% and \$6.4 million or 18% decrease in wireless distribution and capacity costs for the three and six months ended June 30, 2017 when compared to the same periods in 2016, respectively, due to savings from a decrease in tariff rates, the migration of circuits to our own facilities, and a reduction of tower related costs due to our sales of towers in the third quarter of 2016,
- A \$2.1 million or 23% and \$5.5 million or 29% decrease in variable time and materials Cost of Goods Sold for the three and six months ended June 30, 2017 when compared to the same periods in 2016, respectively, due to a decrease in special project work,
- A \$1.8 million or 16% and \$2.9 million or 14% decrease in the three and six months ended June 30, 2017 when compared to the same periods in 2016 due to a decrease in the number of handsets sold,
- A \$2.0 million or 15% decrease in the six months ended June 30, 2017 when compared to the same period in 2016 due to a decrease in the number of local access lines and long-distance traffic carried on our network, and a
- A \$1.4 million or 7% and \$2.2 million or 6% decrease in video distribution costs and programming costs in the three and six months ended June 30, 2017 when compared to the same periods in 2016, respectively, primarily due to a decrease in subscribers.

The decreases above are partially offset by a \$0.5 million or 4% and \$2.1 million or 8% increase in the three and six months ended June 30, 2017 when compared to the same periods in 2016, respectively, in transport and storage Cost of Goods Sold primarily due to an increase in circuit costs in satellite served locations and network operating costs related to the increased data transport and storage revenue described above in "Revenues - Business."

Selling, General and Administrative Expenses

Selling, general and administrative expenses are as follows (amounts in thousands):

	Three Months Ended June 30,		Percentage Change	Six Months Ended June 30,		Percentage Change
	2017	2016		2017	2016	
Selling, general and administrative expenses	\$ 96,229	88,022	9%	189,787	175,668	8%

Individually significant items contributing to the increases in selling, general and administrative expenses include:

- A \$8.9 million and \$13.2 million increase in transaction costs related to the Transactions with Liberty in the three and six months ended June 30, 2017 when compared to the same periods in 2016, respectively,
- A \$3.1 million and \$3.9 million increase in share-based compensation in the three and six months ended June 30, 2017 when compared to the same periods in 2016, respectively, primarily due to an increase in our stock price,
- A \$3.5 million increase in labor and health insurance costs in the six months ended June 30, 2017 when compared to the same period in 2016, and
- A \$2.2 million increase in professional and contract services in the six months ended June 30, 2017 when compared to the same period in 2016.

The increases above are partially offset by the absence of \$1.1 million and \$2.2 million in the three and six months ended June 30, 2017, respectively, to support a campaign to encourage public action related to the State of Alaska budget for the three and six months ended June 30, 2016.

We expect to incur additional significant costs related to the Transactions with Liberty through the close date.

As a percentage of total revenues, selling, general and administrative expenses increased from 38% for the three and six months ended June 30, 2016 to 43% and 42% for the three and six months ended June 30, 2017, respectively. The increase in selling, general, and administrative expenses as a percentage of total revenues for the three and six months ended June 30, 2017 when compared to the same periods in 2016 is primarily due to the costs related to the Transactions with Liberty.

Depreciation and Amortization Expense

Depreciation and amortization expense follows (amounts in thousands):

	Three Months Ended June 30,		Percentage Change	Six Months Ended June 30,		Percentage Change
	2017	2016		2017	2016	
Depreciation and amortization expense	\$ 48,757	48,072	1%	98,694	95,214	4%

The increase is primarily due to new assets placed in service in the last six months of 2016 and in the first six months of 2017, partially offset by assets which became fully depreciated during the last six months of 2016 and in the first six months of 2017.

Other Expense, Net

Other expense, net of other income, follows (amounts in thousands):

	Three Months Ended June 30,		Percentage Change	Six Months Ended June 30,		Percentage Change
	2017	2016		2017	2016	
Other expense, net	\$ 61,006	14,111	332%	85,002	30,081	183%

The increase is primarily due to a \$38.8 million and \$41.7 million unrealized loss for the three and six months ended June 30, 2017, respectively, recorded for a derivative instrument where we issued 3.0 million stock appreciation rights to an affiliate of Searchlight Capital, L.P. compared to a \$6.5 million and \$11.0 million unrealized gain for the three and six months ended June 30, 2016, respectively.

Income Tax (Expense) Benefit

	Three Months Ended June 30,			Percentage Change	Six Months Ended June 30,			Percentage Change
	2017	2016			2017	2016		
Income tax (expense) benefit	\$ 40,975	(2,122)	(2,031)%	(5,621)	(5,189)	8%		
Effective income tax rate	82%	39%		(10)%	55%			

Our effective tax rate is impacted by the volatility of our income before income taxes and permanent differences. The primary drivers of our permanent difference volatility in 2017 were the unrealized gain (loss) recorded for adjusting to fair value a derivative instrument where we issued 3.0 million stock appreciation rights to an affiliate of Searchlight and the costs related to the Transactions with Liberty.

At June 30, 2017, we have income tax net operating loss carryforwards of \$307.1 million that will begin expiring in 2022 if not utilized, and alternative minimum tax credit carryforwards of \$1.7 million available to offset regular income taxes payable in future years.

We have recorded deferred tax assets of \$126.3 million associated with income tax net operating losses that were generated from 2000 to 2015 and that expire from 2020 to 2035, respectively.

Tax benefits associated with recorded deferred tax assets are considered to be more likely than not realizable through future reversals of existing taxable temporary differences and future taxable income exclusive of reversing temporary differences and carryforwards. The amount of deferred tax assets considered realizable, however, could be reduced if estimates of future taxable income during the carryforward period are reduced which would result in additional income tax expense. We estimate that our effective annual income tax expense rate for financial statement purposes will be (7%) to (12%) in the year ending December 31, 2017.

Liquidity and Capital Resources

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

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

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

The Transactions with Liberty may have a significant impact on our liquidity and capital. Please see Part II - Item 1A. Risk Factors for additional considerations as a result of the Transactions with Liberty.

Investing Activities

Net cash used for 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.

Our cash expenditures for property and equipment, including construction in progress, totaled \$94.0 million and \$89.8 million during the six months ended June 30, 2017 and 2016, respectively. Depending on available opportunities and the amount of cash flow we generate during 2017, we expect our 2017 capital expenditures to total approximately \$165.0 million. This estimate is based on purchases in 2017 regardless of the timing of cash payments.

Financing Activities

Net cash provided by financing activities for the six months ended June 30, 2017, consists primarily of cash received from borrowings on our Senior Credit Facility partially off-set by payments of long-term debt, capital leases, and repurchases of our stock. Net cash used by financing activities during the six months ended June 30, 2016, consists primarily of repurchases of our stock and payments of long-term debt and capital leases partially offset by borrowings on our Senior Credit Facility.

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

Available Borrowings Under Amended Senior Credit Facility

We had a \$107.0 million outstanding balance and \$21.0 million in letters of credit under the \$200.0 million Senior Credit Facility Revolver at June 30, 2017, which leaves \$72.0 million available for borrowing as of June 30, 2017. Following the close of the second quarter 2017, we have repaid \$47.0 million on the outstanding balance of the Senior Credit Facility Revolver.

Debt Covenants

We are subject to covenants and restrictions under our long-term debt agreements. We are in compliance with the covenants, and we believe that neither the covenants nor the restrictions in our long-term debt agreements 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. During the six months ended June 30, 2017 we repurchased 0.2 million shares of GCI common stock under the stock buyback program at a cost of \$4.0 million. We have temporarily suspended the buyback program due to the Reorganization Agreement that we entered into with Liberty.

Critical Accounting Policies and Estimates

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

Those policies considered to be critical accounting policies for 2017 are the allowance for doubtful receivables, valuation of derivative stock appreciation rights, impairment and useful lives of intangible assets, and the valuation allowance for net operating loss deferred tax assets. A complete discussion of our critical accounting policies can be found in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our December 31, 2016 annual report on Form 10-K.

Other significant accounting policies, not involving the same level of measurement uncertainties as those discussed above, are nevertheless important to an understanding of the financial statements. A complete discussion of our significant accounting policies can be found in Note 1 in "Part I - Item 1 - Condensed Notes to Interim Consolidated Financial Statements" and in Part IV of our annual report on Form 10-K for the fiscal year ended December 31, 2016.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

Interest Rate Risk

Our Senior Credit Facility and Wells Fargo note payable carry interest rate risk. Our Senior Credit Facility consists of a term loan, Term Loan B, and revolving credit facility. Amounts borrowed under the term loan and revolving credit facility bear interest at LIBOR plus 3.00% or less depending upon our Total Leverage Ratio (as defined in the Senior Credit Facility agreement). Amounts borrowed under the Term Loan B bear interest at LIBOR plus 3.00%. Amounts borrowed under the Wells Fargo note payable bear interest at LIBOR plus 2.25%. Should the LIBOR rate change, our interest expense will increase or decrease accordingly. As of June 30 2017, we have borrowed \$574.1 million subject to interest rate risk. On this amount, each 1% increase in the LIBOR interest rate would result in \$5.7 million of additional gross interest cost on an annualized basis. All of our other material borrowings have a fixed interest rate.

Other Market Risk

As our derivative stock appreciation rights are subject to fair value liability accounting, we revalue the instrument at each reporting date and recognize changes in the fair value of the derivative liability as a component of Other Income (Expense) included in our Consolidated Statements of Operations. The earnings effect of the fair value adjustment at each reporting date is sensitive to changes in our stock price. At June 30, 2017, a \$1.00 increase in our stock price used as an input to determine the fair value of our stock appreciation rights would result in recognition of \$3.0 million of additional derivative instrument unrealized loss.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 ("Exchange Act") is recorded, processed, summarized, accumulated and communicated to our management, including our principal executive and financial officers, to allow timely decisions regarding required financial disclosure, and reported as specified in the SEC's rules and forms. As of the end of the period covered by this Quarterly Report on Form 10-Q, we carried out an evaluation of the effectiveness of the design and operation of our "disclosure controls and procedures" (as defined in Exchange Act Rule 13a-15(e)) under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer. Based on that evaluation, our management, including our Chief Executive Officer and our Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of June 30, 2017.

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

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) identified in connection with the evaluation of our controls performed during the quarter ended June 30, 2017, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

Internal control over financial reporting has inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from

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

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

PART II. OTHER INFORMATION

Item 1A. Risk Factors

We expect to incur significant costs and expenses in connection with the Transactions.

We expect to incur certain nonrecurring costs in connection with the consummation of the Transactions contemplated by the Reorganization Agreement, including advisory, legal and other transaction costs. A majority of these costs have already been incurred or will be incurred regardless of whether the Transactions are completed. While many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time, we continue to assess the magnitude of these costs, and additional unanticipated costs may be incurred in connection with the Transactions. Although we expect that the realization of benefits related to the Transactions will offset such costs and expenses over time, no assurances can be made that this net benefit will be achieved in the near term, or at all.

Additionally, the inputs that impact the estimate of value of our derivative stock appreciation rights have been impacted and may continue to be impacted by the Transactions with Liberty which could adversely affect our financial position or results of operations.

The announcement and pendency of the Transactions could divert the attention of management and cause disruptions in our business, which could have an adverse effect on our business and financial results.

Liberty and GCI are unaffiliated companies that are currently operated independently of each other. Our management may be required to divert a disproportionate amount of attention away from their respective day-to-day activities and operations, and devote time and effort to consummating the Transactions. The risks, and adverse effects, of such disruptions and diversions could be exacerbated by a delay in the completion of the Transactions. These factors could adversely affect our financial position or results of operations, regardless of whether the Transactions are completed.

We are subject to contractual restrictions while the Transactions are pending, which could adversely affect our business.

The Reorganization Agreement imposes certain restrictive interim covenants on us. For instance, the consent of Liberty is required in respect of, among other things, amendments to our organizational documents, share repurchases, certain actions relating to material contracts, certain employee benefit changes, limitations on capital expenditures and limitations on dispositions, payments of dividends, and certain issuances of shares of our common stock. These restrictions may prevent us from taking certain actions before the closing of the Transactions or the termination of the Reorganization Agreement, including making certain acquisitions or otherwise pursuing certain business opportunities, or making certain changes to our capital stock, that our board of directors may deem beneficial.

Failure to complete the Transactions could negatively impact our stock price, future business, and financial results.

If the Transactions are not completed for any reason, including as a result of the GCI stockholders or the Liberty stockholders failing to approve the necessary proposals, we may be subject to numerous risks, including the following:

- We may experience negative reactions from the financial markets, including negative impacts on the price of our common stock, or from customers, regulators, and employees;
- We may be required to pay Liberty a termination fee in connection with the termination of the Reorganization Agreement under certain circumstances;

- We may experience reputational harm due to the adverse perception of any failure to successfully complete the Transactions; and
- We may experience harm to our business due to the following: (i) operating under the restrictions on the conduct of our business set forth in the Reorganization Agreement, (ii) having our management divert attention away from their respective day-to-day activities and operations and devoting time and effort to consummating the Transactions and (iii) incurring significant costs, including advisory, legal and other transaction costs, each as explained above, without realizing any of the benefits of having completed the Transactions.

In addition, we could be subject to the cost of litigation related to any dispute regarding an alleged failure of a closing condition or any related enforcement proceeding commenced against us to perform its obligations under the Reorganization Agreement or any of the other transaction documents, as well as any judgment potentially sustained against us in any such action. All of these risks, expenses and contingencies could adversely affect our financial position and results of operation.

Item 6. Exhibits

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

Exhibit No.	Description
4.1	Fifth Amendment to the Fourth Amended and Restated Credit and Guarantee Agreement dated as of May 3, 2017 (incorporated by reference to Exhibit 4.1 to Form 8-K filed by General Communication, Inc. on May 9, 2017)
10.1	Twenty-Ninth Amendment to the Full-Time Transponder Capacity Agreement (Pre-Launch) between Intelsat Corporation and GCI Communication, Corp. dated April 28, 2017 # *
31.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by our President and Director *
31.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by our Senior Vice President, Chief Financial Officer and Secretary *
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by our President and Director *
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by our Senior Vice President, Chief Financial Officer and Secretary *
101	The following materials from General Communication, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations; (iii) Consolidated Statements of Stockholders' Equity; (iv) Consolidated Statements of Cash Flows; and (v) Condensed Notes to Interim Consolidated Financial Statements *
#	CONFIDENTIAL PORTION has been omitted pursuant to a request for confidential treatment by us to, and the material has been separately filed with, the SEC. Each omitted Confidential Portion is marked by four asterisks.
*	Filed herewith.

SIGNATURES

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

GENERAL COMMUNICATION, INC.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Ronald A. Duncan</u> Ronald A. Duncan	President and Director (Principal Executive Officer)	<u>August 3, 2017</u>
<u>/s/ Peter J. Pounds</u> Peter J. Pounds	Senior Vice President, Chief Financial Officer and Secretary (Principal Financial Officer)	<u>August 3, 2017</u>
<u>/s/ Lynda L. Tarbath</u> Lynda L. Tarbath	Vice President, Chief Accounting Officer (Principal Accounting Officer)	<u>August 3, 2017</u>

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

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

This Twenty-Ninth Amendment to the Full-time Transponder Capacity Agreement (Pre-Launch) (the "**Twenty-Ninth Amendment**") is made and entered into by and between INTELSAT CORPORATION, a Delaware corporation ("**Intelsat**"), and GCI COMMUNICATIONS CORP., an Alaskan corporation ("**Customer**").

RECITALS

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

WHEREAS, Customer wishes to **** Transponder **** on ****, as further defined below;

AGREEMENT

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

1. Except as specifically provided herein, all terms and provisions of the Agreement shall remain in full force and effect.
 2. Article 2, Capacity Term. The Capacity Term for **** on Transponder **** shall be **** on ****.
 3. Section 3.1, **** Fee. Effective **** Customer's **** Fee for the **** shall be ****, as set forth in Appendix A.
 5. 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 Amendment as of the latest date set forth below (the "Execution Date").

INTELSAT CORPORATION

GCI COMMUNICATION CORP.

By: /s/ Stephen Chernow

By: /s/ Jimmy Sipes

Name: Stephen Chernow

Name: Jimmy Sipes

Title: VP & Deputy General Counsel

Title: VP Network Services & Chief Engineer

Date: April 28, 2017

Date: April 27, 2017

SECTION 302 CERTIFICATION

I, Ronald A. Duncan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of General Communication, Inc. for the period ended June 30, 2017;
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: August 3, 2017

/s/ Ronald A. Duncan

Ronald A. Duncan
President and Director

SECTION 302 CERTIFICATION

I, Peter J. Pounds, certify that:

1. I have reviewed this quarterly report on Form 10-Q of General Communication, Inc. for the period ended June 30, 2017;
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: August 3, 2017

/s/ Peter J. Pounds

Peter J. Pounds

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

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

In connection with the Quarterly Report of General Communication, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ronald A. Duncan, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: August 3, 2017

/s/ Ronald A. Duncan

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

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

In connection with the Quarterly Report of General Communication, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Peter J. Pounds, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: August 3, 2017

/s/ Peter J. Pounds

Peter J. Pounds

Chief Financial Officer

General Communication, Inc.

