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ATTORNEYS AT LAW

22 August 2006

Ex Parte

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Re: *Petition of ACS of Anchorage, Inc. Pursuant to Section 10 of the Communications Act of 1934, as amended, for Forbearance from Sections 251(c)(3) and 252(d)(1) in the Anchorage LEC Study Area,* WC Docket No. 05-281.

Dear Ms. Dortch:

General Communication, Inc. ("GCI"), by and through counsel, hereby updates the Commission on its deployment of full-facilities-based Digital Local Phone Service ("DLPS") over its cable network in Anchorage. In its press release discussing its second quarter 2006 financial performance, GCI reduced its projections of the number of UNE lines it expects to convert to its cable facilities statewide in 2006.[1] This reflects, *inter alia*, some delays in the overall node upgrade schedule, both within Anchorage and in other markets.[2] GCI has, however, rearranged its node upgrade schedule such that it still expects to complete the same number of node upgrades in Anchorage as was previously planned, albeit with some upgrades occurring later in the year than had previously been anticipated. This means that some of the actual conversion of customers in those nodes will slip from the fourth quarter 2006 into 2007. GCI continues to believe that it will complete the vast majority of node upgrades on its cable network by the end of 2007 and

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1 August 8, 2006 Press Release ("Press Release") at 2 (attached as Exhibit 1) (announcing that GCI's second quarter 2006 conversions were 1200 lines below the projected amount and that GCI now expects to serve over 35,000 lines on its Digital Local Phone Service (DLPS) facilities by the end of 2006).

2 August 9, 2006 GCI Earnings Conference Call Transcript ("2Q 2006 Transcript"), at 5 (Statement of Ron Duncan, GCI President & CEO) (attached as Exhibit 2).

complete node upgrades by the end of 2008, which GCI expects will enable it to serve substantially all of its residential customers over its own facilities by sometime in 2008.[3]

Although GCI believes that this delay does nothing more than slightly lengthen GCI's conversion schedule, it does illustrate the difficulty of predicting future deployment. GCI's experience demonstrates the inherent uncertainty of any projection, and, given this uncertainty, the Commission should evaluate ACS of Anchorage's ("ACS") forbearance petition on the basis of actual full-facilities-based competition rather than projections. It likewise shows the importance of providing a sufficient period for GCI to transition to its own facilities before releasing ACS of its obligations to provide UNE loops.[4]

The reasons for the reduced expectations are varied. For one, GCI based earlier projections on its experience of deploying DLPS through network-powered, outdoor-provisioned eMTAs. For reasons discussed at length previously in this proceeding,[5] GCI has this year begun provisioning DLPS through less expensive, more readily available, customer-powered, indoor-provisioned eMTAs.[6] The shift in technology, however, forced GCI to reassess its plant structure and operational requirements, which in turn delayed the outdoor plant work that must precede actual deployment of customer eMTAs. Moreover, GCI needed to increase the bandwidth capacity of portions of its network, which prolonged outdoor construction work.[7]

Most importantly, these delays do not signify a lessening of GCI's commitment to full-facilities-deployment in Anchorage. In fact, because of the very real benefits of providing voice service over its own facilities, GCI continues to effectuate this transition as quickly as is reasonably and economically feasible. Indeed, as GCI President and CEO Ron Duncan stated in the most recent GCI investor conference call, "we have higher reliability, lower mean time to repair, and slightly lower churn on customers on

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3 2Q 2006 Transcript at 9 (Statement of Ron Duncan, GCI President & CEO) ("We should have almost all of our outside plant in the Anchorage, Fairbanks, [and] Juneau markets upgraded by the end of next year. . . ."); March 2, 2005, GCI Earnings Conference Call Transcript ("1Q 2005 Transcript"), at 5 (Statement of Ron Duncan, GCI President & CEO) (predicting that it would serve substantially all of its residential customers within two-and-a-half years).

4 *See* 2Q 2006 Transcript at 9; *see also* 1Q 2005 Transcript at 5.

5 *See Opposition of General Communications, Inc. to the Petition for Forbearance from Sections 251(c) (3) and 252(d)(1) of the Communications Act filed by ACS of Anchorage* WC Docket No. 05-281, (filed January 9, 2005) ("GCI Opposition"); *see also Ex Parte Submission of GCI, Petition of ACS of Anchorage, Inc. In Support of Its Petition for Forbearance from Sections 251(c)(3) and 252(d)(1) Letter to Marlene Dortch* (filed July 3, 2006) ("GCI July 3, 2006 Ex Parte").

6 GCI July 3, 2006 Ex Parte at 20-23.

7 2Q 2006 Transcript at 5.

our own facilities as opposed to customers on the facilities of the other guy and slightly better voice quality."[8]

GCI's commitment to providing service over its own facilities is evident, further, in its continuing success addressing and overcoming the challenges that inevitably accompany the roll-out of evolving technology. In particular, GCI reported that it now has equipment that addresses many of the technological problems that previously hampered delivery of DLPS service to the residential MDU market.[9] Nonetheless, the operational barriers to rapidly serving the residential MDU market remain.[10]

The fact remains that GCI continues its march towards providing a full-facilities-based competitive alternative to ACS's long-held last-mile dominance in Anchorage. The Commission should prevent ACS from blocking GCI's access to UNE loops, which would disrupt GCI's march toward completing this competitive transition.

Sincerely yours,

John T. Nakahata
Brita D. Strandberg
Christopher P. Nierman
Counsel to General Communication, Inc.

cc: Renee Crittendon
Marcus Maher
Pam Megna
Thomas Navin
Carol Simpson
Julie Veach

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8 2Q 2006 Transcript at 5.

9 *Id.* at 5.

10 *See* GCI July 3, 2006 Ex Parte at 20–22.

Exhibit 1

August 8, 2006

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FOR IMMEDIATE RELEASE

GCI REPORTS SECOND QUARTER 2006 FINANCIAL RESULTS

- Consolidated revenue of $118.2 million
- Net income of $5.4 million or $0.09 per diluted share
- EBITDA of $39.5 million

ANCHORAGE, AK -- GCI (NASDAQ:GNCMA) today reported net income of $5.4 million, or earnings per diluted share of $0.09, for the second quarter of 2006. The company's second quarter net income compares to income of $5.3 million, or earnings per diluted share of $0.09 in the same period of 2005.

GCI's second quarter 2006 revenues totaled $118.2 million, an increase of 6.8 percent over the second quarter of 2005. Revenue increases in GCI's consumer and network access segments were partially offset by decreased revenue in the commercial and managed broadband segments.

Second quarter 2006 earnings before interest, taxes, depreciation, amortization and non-cash share based compensation expense (EBITDA) totaled $39.5 million. EBITDA increased $3.1 million or 8.5 percent from the second quarter of 2005. Second quarter 2005 EBITDA totaled $36.4 million including the MCI credit utilized of $1.0 million.

Sequentially, revenues for the company increased $5.4 million over first quarter 2006 revenues of $112.8 million. As expected, second quarter EBITDA of $39.5 million increased from EBITDA of $37.1 million in the first quarter of 2006.

For the second quarter of 2006, GCI exceeded its revenue and EBITDA guidance. The company expected revenues of approximately $112 million to $114 million, and EBITDA in excess of $37.1 million, excluding non-cash stock based compensation expense. GCI reaffirms its guidance for revenues of $450 million to $460 million and EBITDA of $150 million to $154 million for the year 2006. Third quarter revenues are expected to range between $116 million to $118 million and EBITDA is expected to remain approximately the same as the second quarter.

"Our second quarter results were on the high side of our expectations," said Ron Duncan, GCI President. "The first half of 2006 positions us well for another record year for total revenues and EBITDA. We face challenges in accelerating the provisioning of local phone service on our own facilities. Our plant upgrades are behind schedule resulting in fewer customers to convert and it has taken longer than anticipated to turn up service in new markets. However, we are addressing these issues and by the end of this year the company expects to be very well positioned for the expansion of local service on our own facilities."

Highlights

- Consumer revenues increased to $44.2 million, an increase of 9.6 percent over the prior year and increased 3.7 percent from the first quarter of 2006. The increases were due primarily to increases in video, data and wireless sales.

- Network access revenues increased to $41.4 million, an increase of 12.1 percent over the prior year and increased 9.4 percent over the first quarter of 2006. The increase in revenues is due primarily to a 22.2 percent increase in long distance minutes carried on GCI's network for other common carriers for the second quarter of 2006 as compared to the second quarter of 2005. Minutes for the second quarter of 2006 increased 15.1 percent from the first quarter of 2006. The effect on revenues of increases in minutes for the second quarter of 2006 were partially offset by rate decreases.

- Commercial revenues decreased 1.5 percent from the prior year and 0.4 percent from the first quarter of 2006. A significant customer on GCI's fiber optic cable from Prudhoe Bay to Valdez began transition of their traffic to our competitor's microwave system in June of 2006. We expect to sign an agreement to lease capacity on our system in connection with the competitor's contract. We expect this transition to result in an approximate $9.5 million annual decrease in revenues when completed. The decrease for 2006 will be approximately one half of the expected annual decrease depending upon the pace of the transition.

- GCI has provisioned 26,400 consumer and commercial lines on its Digital Local Phone Service (DLPS) facilities at the end of the second quarter of 2006, an increase of 1,300 lines over the first quarter of 2006. Second quarter conversions were approximately 1,200 below the planned number due to delays in upgrading plant for phone service. Continued delays are expected to materially reduce total conversions for the year. GCI now expects to serve more than 35,000 lines on its own facilities by year end.

- GCI local access lines declined by 1,100 for the quarter. Consumer, network access and commercial local access lines totaled 111,400 at the end of the second quarter of 2006 representing an estimated 26 percent share of the total access lines market in Alaska. Long distance subscribers decreased sequentially by 1,100 comparable to the decrease in local access lines. The decrease in wire line customers is due to wireless substitution and a reduction in customers taking second lines.

- GCI had 82,100 consumer and commercial cable modem access customers at the end of the second quarter of 2006, an increase of 1,200 over the 80,900 cable modem customers at the end of the first quarter 2006. GCI customers continue to migrate from dial up access service to cable modem. Average monthly revenue per cable modem totaled $31.54 for the second quarter of 2006 as compared to $31.22 for the first quarter of 2006.

- Beginning May 1, 2006 and ending July 31, 2006 GCI repurchased 1,280,600 shares of its Class A Common shares at a cost of approximately $15.5 million or $12.13 per share. The company is authorized to purchase an additional $10.2 million of Class A shares by the end of the third quarter of 2006. GCI will repurchase shares depending on market conditions and the availability of free cash flows.

Consumer

Total consumer revenues increased 9.6 percent to $44.2 million as compared to $40.3 million in the second quarter of 2005 and increased 3.7 percent from the first quarter of 2006. The increase in revenue is due primarily to an increase in video, data and wireless sales.

Consumer voice revenues were relatively unchanged from the prior year and from the first quarter of 2006. Consumer local access lines in service were down 500 from second quarter of 2005 and 900 from the first quarter of 2006. GCI converted 1,200 consumer access lines to its own facilities during the second quarter.

Consumer video revenue increased 5.6 percent over the prior year and increased 1.5 percent over the first quarter of 2006. The increase in revenue is due to increasing average revenue per customer in certain markets and increases in video subscribers purchasing digital service and renting high definition/digital video recorder converters.

Consumer data revenues increased 14.8 percent over the prior year and 4.3 percent over the first quarter of 2006. The increase in consumer data revenues is due to an increase in cable modem customers. GCI added 10,700 consumer cable modem customers over the prior year and 1,000 customers during the second quarter of 2006.

Consumer wireless revenues increased substantially during the second quarter of 2006.

Network Access

Network access revenues increased 12.1 percent to $41.4 million as compared to $36.9 million in the second quarter of 2005 and increased 9.4 percent from the first quarter of 2006.

Voice revenues increased 16.3 percent over the prior year and increased 13.7 percent from the first quarter of 2006. Network access minutes increased 22.2 percent to 331.5 million minutes for the second quarter of 2006 as compared to the second quarter of 2005. Minutes for the second quarter of 2006 increased 15.1 percent from the first quarter of 2006. The effect on revenues of increases in minutes for the second quarter of 2006 was partially offset by rate decreases.

Data revenues were up 4.4 percent compared to second quarter 2005 and 1.5 percent over the prior quarter.

Commercial

Commercial revenues decreased 1.5 percent to $26.0 million as compared to $26.4 million in the second quarter of 2005 and were relatively unchanged from the first quarter of 2006. A significant customer on GCI's fiber optic cable from Prudhoe Bay to Valdez began transition of their traffic to our competitor's microwave system in June of 2006. We expect to sign an agreement to lease capacity on our system in connection with the competitor's contract. We expect this transition to result in an approximate $9.5 million annual decrease in revenues when completed. The decrease for 2006 will be approximately one half of the expected annual decrease depending upon the pace of the transition.

Increases in video and wireless revenues were offset by decreases in voice and data revenues when compared to the prior year.

GCI converted 100 commercial local access lines to its own facilities during the first quarter.

Basic commercial video customers, as expected, increased by 1,800 subscribers from the prior year and increased by 2,600 subscribers from the first quarter of 2006. Commercial video customers are primarily hotel video customers.

Managed Broadband

Managed broadband revenues totaled $6.6 million in the second quarter of 2006, a decrease of 5.7 percent from $7.0 million in the second quarter of 2005 and an increase of 6.4 percent over $6.2 million in the first quarter of 2006. The decrease from the prior year quarter is due to fewer multi-site SchoolAccess customers and a decrease in rates charged for certain services provided to rural health customers. The increase from the prior sequential quarter was due to the sale of new services and circuits to rural health customers.

Other Items

Total selling, general and administrative expenses (SG&A) increased 7.0 percent to $40.7 million as compared to $38.0 million in the second quarter of 2005 and increased 2.7 percent from the first quarter of 2006. The increase was due primarily to share-based compensation expense from the adoption of a new accounting rule on January 1, 2006. SG&A expenses are recorded by segment using a combination of direct charges and an allocation based on prior year gross margins by segment.

During the second quarter of 2006 GCI's capital expenditures totaled $23.9 million as compared to $14.9 million in the first quarter of 2006.

GCI will hold a conference call to discuss the quarter's results on Wednesday, August 9, 2006 beginning at 1 p.m. (Eastern). To access the briefing on August 9, dial 800-369-2012 (International callers should dial 210-234-0006) and identify your call as "GCI." In addition to the conference call, GCI will make available net conferencing. To access the call via net conference, log on to www.gci.com and follow the instructions. A replay of the call will be available for 72-hours by dialing 866-415-2337, access code 7461 (International callers should dial 203-369-0682.)

GCI is the largest telecommunications company in Alaska. A pioneer in bundled services, GCI provides local, wireless, and long distance telephone, cable television, Internet and data communication services throughout Alaska. More information about the company can be found at www.gci.com.

The foregoing contains forward-looking statements regarding the company's expected results that are based on management's expectations as well as on a number of assumptions concerning future events. Actual results might differ materially from those projected in the forward looking statements due to uncertainties and other factors, many of which are outside GCI's control. Additional information concerning factors that could cause actual results to differ materially from those in the forward looking statements is contained in GCI's cautionary statement sections of Form 10-K and 10-Q filed with the Securities and Exchange Commission.

# # #

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Amounts in thousands) Assets	(Unaudited) June 30, 2006	December 31, 2005
Current assets:		
Cash and cash equivalents	$ 45,686	44,362
Receivables	80,731	78,279
Less allowance for doubtful receivables	5,550	5,317
Net receivables	75,181	72,962
Deferred income taxes, net	20,801	19,596
Prepaid expenses	6,286	8,347
Inventories	2,881	1,556
Notes receivable from related parties	2,685	922
Property held for sale	2,315	2,312
Other current assets	5,938	2,572
Total current assets	161,773	152,629
Property and equipment in service, net of depreciation	434,847	453,008
Construction in progress	24,306	8,337
Net property and equipment	459,153	461,345
Cable certificates	191,565	191,565
Goodwill	42,181	42,181
Other intangible assets	7,813	6,201
Deferred loan and senior notes costs, net of amortization of $1,953 and $1,451 at June 30, 2006 and December 31, 2005, respectively	7,509	8,011
Notes receivable from related parties	84	2,544
Other assets	8,143	9,299
Total other assets	257,295	259,801
Total assets	$ 878,221	873,775

(Continued)

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

(Amounts in thousands) Liabilities and Stockholders' Equity	(Unaudited) June 30, 2006	December 31, 2005
Current liabilities:		
Current maturities of obligations under long-term debt and capital leases	$ 1,894	1,769
Accounts payable	26,640	23,217
Deferred revenue	15,139	16,439
Accrued payroll and payroll related obligations	13,176	17,925
Accrued interest	8,703	9,588
Accrued liabilities	6,759	6,814
Subscriber deposits	408	361
Total current liabilities	72,719	76,113
Long-term debt	473,360	474,115
Obligation under capital lease, excluding current maturity	1,192	-
Obligation under capital lease due to related party, excluding current maturity	597	628
Deferred income taxes, net of deferred income tax benefit	77,955	69,753
Other liabilities	12,146	9,546
Total liabilities	637,969	630,155
Stockholders' equity:		
Common stock (no par):		
Class A. Authorized 100,000 shares; issued 51,568 and 51,200 shares at June 30, 2006 and December 31, 2005, respectively	177,108	178,351
Class B. Authorized 10,000 shares; issued 3,380 and 3,843 shares at June 30, 2006 and December 31, 2005, respectively; convertible on a share-per-share basis into Class A common stock	2,855	3,247
Less cost of 290 and 291 Class A and Class B common shares held in treasury at June 30, 2006 and December 31, 2005, respectively	(1,723)	(1,730)
Paid-in capital	17,856	16,425
Notes receivable with related parties issued upon stock option exercise	(1,279)	(1,722)
Retained earnings	45,435	49,049
Total stockholders' equity	240,252	243,620
Commitments and contingencies		
Total liabilities and stockholders' equity	$ 878,221	873,775

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Amounts in thousands, except per share amounts)	2006	2005	2006	2005
Revenues	$ 118,220	110,665	231,042	217,175
Cost of goods sold (exclusive of depreciation and amortization shown separately below)	38,598	36,045	74,782	71,245
Selling, general and administrative expenses	40,667	38,019	80,281	75,199
Bad debt expense (recovery)	1,338	194	1,839	(159)
Depreciation and amortization expense	20,172	18,348	40,333	36,052
Operating income	17,445	18,059	33,807	34,838
Other income (expense):				
Interest expense	(8,696)	(8,403)	(17,250)	(16,735)
Amortization of loan and senior notes fees	(251)	(448)	(502)	(931)
Interest income	482	112	639	291
Other	282	-	169	-
Other expense, net	(8,183)	(8,739)	(16,944)	(17,375)
Net income before income taxes and cumulative effect of a change in accounting principle	9,262	9,320	16,863	17,463
Income tax expense	3,856	4,036	7,535	7,516
Net income before cumulative effect of a change in accounting principle	5,406	5,284	9,328	9,947
Cumulative effect of a change in accounting principle, net of income tax benefit of $425	-	-	(608)	-
Net income	5,406	5,284	8,720	9,947
Preferred stock dividends	-	55	-	148
Net income available to common shareholders	$ 5,406	5,229	8,720	9,799
Basic net income per common share:				
Net income before cumulative effect of a change in accounting principle	$ 0.10	0.10	0.17	0.18
Cumulative effect of a change in accounting principle	-	-	(0.01)	-
Net income	$ 0.10	0.10	0.16	0.18
Diluted net income per common share:				
Net income before cumulative effect of a change in accounting principle	$ 0.09	0.09	0.16	0.18
Cumulative effect of a change in accounting principle	-	-	(0.01)	-
Net income	$ 0.09	0.09	0.15	0.18
Common shares used to calculate basic EPS	55,688	54,637	55,526	54,815
Common shares used to calculate diluted EPS	57,260	55,612	56,941	55,919

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
SUPPLEMENTAL SCHEDULES
(Unaudited)

(Amounts in thousands)

	Second Quarter 2006					Second Quarter 2005				
	Consumer	Network Access Services	Commercial	Managed Broadband	Totals	Consumer	Network Access Services	Commercial	Managed Broadband	Totals
Revenues										
Voice	$ 11,451	27,844	8,097	-	47,392	11,593	23,940	8,796	-	44,329
Video	22,329	-	1,933	-	24,262	21,142	-	1,889	-	23,031
Data	7,258	13,533	15,400	6,607	42,798	6,321	12,967	15,468	7,002	41,758
Wireless	3,185	-	583	-	3,768	1,293	-	254	-	1,547
Total	44,223	41,377	26,013	6,607	118,220	40,349	36,907	26,407	7,002	110,665
Cost of goods sold	17,124	8,794	11,605	1,075	38,598	15,712	7,791	11,151	1,391	36,045
Contribution	27,099	32,583	14,408	5,532	79,622	24,637	29,116	15,256	5,611	74,620
Less SG&A	18,544	9,771	8,857	3,495	40,667	17,629	8,547	8,309	3,534	38,019
Less / add bad debt expense (recovery)	677	-	395	266	1,338	(220)	-	(114)	528	194
Add other income	-	-	-	282	282	-	-	-	-	-
EBITDA	7,878	22,812	5,156	2,053	37,899	7,228	20,569	7,061	1,549	36,407
Add share-based compensation	508	605	348	121	1,582	-	-	-	-	-
EBITDA, as adjusted	$ 8,386	23,417	5,504	2,174	39,481	7,228	20,569	7,061	1,549	36,407

	Second Quarter 2006					First Quarter 2006				
	Consumer	Network Access Services	Commercial	Managed Broadband	Totals	Consumer	Network Access Services	Commercial	Managed Broadband	Totals
Revenues										
Voice	$ 11,451	27,844	8,097	-	47,392	11,311	24,485	8,023	-	43,819
Video	22,329	-	1,933	-	24,262	22,003	-	1,726	-	23,729
Data	7,258	13,533	15,400	6,607	42,798	6,961	13,338	15,910	6,208	42,417
Wireless	3,185	-	583	-	3,768	2,388	-	469	-	2,857
Total	44,223	41,377	26,013	6,607	118,220	42,663	37,823	26,128	6,208	112,822
Cost of goods sold	17,124	8,794	11,605	1,075	38,598	15,923	8,776	10,424	1,061	36,184
Contribution	27,099	32,583	14,408	5,532	79,622	26,740	29,047	15,704	5,147	76,638
Less SG&A	18,544	9,771	8,857	3,495	40,667	18,406	9,178	8,909	3,121	39,614
Less bad debt expense	677	-	395	266	1,338	257	-	139	105	501
Add other income (expense)	-	-	-	282	282	-	-	-	(113)	(113)
EBITDA	7,878	22,812	5,156	2,053	37,899	8,077	19,869	6,656	1,808	36,410
Add share-based compensation	508	605	348	121	1,582	262	206	161	49	678
EBITDA, as adjusted	$ 8,386	23,417	5,504	2,174	39,481	8,339	20,075	6,817	1,857	37,088

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
SUPPLEMENTAL SCHEDULES
(Unaudited)

(Amounts in thousands)

	Six Months Ended June 30, 2006					Six Months Ended June 30, 2005				
	Consumer	Network Access Services	Commercial	Managed Broadband	Totals	Consumer	Network Access Services	Commercial	Managed Broadband	Totals
Revenues										
Voice	$ 22,763	52,328	16,120	-	91,211	23,589	44,909	17,577	-	86,075
Video	44,331	-	3,659	-	47,990	42,136	-	3,533	-	45,669
Data	14,219	26,872	31,310	12,815	85,216	12,566	26,142	30,214	13,817	82,739
Wireless	5,573	-	1,052	-	6,625	2,250	-	442	-	2,692
Total	86,886	79,200	52,141	12,815	231,042	80,541	71,051	51,766	13,817	217,175
Cost of goods sold	33,047	17,570	22,029	2,136	74,782	30,663	15,578	22,536	2,468	71,245
Contribution	53,839	61,630	30,112	10,679	156,260	49,878	55,473	29,230	11,349	145,930
Less SG&A	36,950	18,949	17,766	6,616	80,281	35,161	16,624	16,713	6,701	75,199
Less / add bad debt expense (recovery)	934	-	534	371	1,839	(464)	-	(208)	513	(159)
Add other income	-	-	-	169	169	-	-	-	-	-
EBITDA	15,955	42,681	11,812	3,861	74,309	15,181	38,849	12,725	4,135	70,890
Add share-based compensation	770	811	509	170	2,260	-	-	-	-	-
EBITDA, as adjusted	$ 16,725	43,492	12,321	4,031	76,569	15,181	38,849	12,725	4,135	70,890

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
KEY PERFORMANCE INDICATORS
(Unaudited)

				June 30, 2006 as compared to		June 30, 2006 as compared to	
	June 30, 2006	June 30, 2005	March 31, 2006	June 30, 2005	March 31, 2006	June 30, 2005	March 31, 2006
Consumer							
Voice							
Long-distance subscribers	92,757	NA	93,760	NA	(1,003)	NA	-1.1%
Total local access lines in service	67,700	68,200	68,600	(500)	(900)	-0.7%	-1.3%
DLPS local access lines in service	25,300	12,400	24,100	12,900	1,200	104.0%	5.0%
Video							
Basic subscribers	121,900	121,200	122,100	700	(200)	0.6%	-0.2%
Digital programming tier subscribers	55,100	48,700	54,900	6,400	200	13.1%	0.4%
HD/DVR converter boxes	18,800	7,400	16,200	11,400	2,600	154.1%	16.0%
Homes passed	217,100	211,000	216,000	6,100	1,100	2.9%	0.5%
Data							
Cable modem subscribers	75,000	64,300	74,000	10,700	1,000	16.6%	1.4%
Network Access Services							
Voice:							
Long-distance subscribers	30	NA	31	NA	(1)	NA	-3.2%
Total local access lines in service	3,300	3,600	3,300	(300)	-	-8.3%	0.0%
Commercial							
Voice:							
Long-distance subscribers	11,676	NA	11,765	NA	(89)	NA	-0.8%
Total local access lines in service	40,400	40,100	40,600	300	(200)	0.7%	-0.5%
DLPS access lines in service	1,100	400	1,000	700	100	175.0%	10.0%
Video							
Hotels and mini-headend subscribers	16,500	14,800	13,900	1,700	2,600	11.5%	18.7%
Basic subscribers	1,500	1,400	1,500	100	-	7.1%	0.0%
Total basic subscribers	18,000	16,200	15,400	1,800	2,600	11.1%	16.9%
Data							
Cable modem subscribers	7,100	5,900	6,900	1,200	200	20.3%	2.9%
Broadband							
SchoolAccess® customers	45	43	47	2	(2)	4.7%	-4.3%
Rural health customers	21	21	21	-	-	0.0%	0.0%
Combined Consumer & Commercial							
Wireless							
Total lines in service	22,900	12,161	20,100	10,739	2,800	88.3%	13.9%

	Three Months Ended			June 30, 2006 as Compared to		June 30, 2006 as Compared to	
	June 30, 2006	June 30, 2005	March 31, 2006	June 30, 2005	March 31, 2006	June 30, 2005	March 31, 2006
Consumer							
Voice							
Long-distance minutes carried (in millions)	35.9	40.5	36.9	(4.6)	(1.0)	-11.3%	-2.6%
Video							
Average monthly gross revenue per subscriber	$ 60.92	$ 59.22	$ 63.87	$ 1.70	$ (2.95)	2.9%	-4.6%
Network Access Services							
Voice							
Long-distance minutes carried (in millions)	331.5	271.3	288.0	60.2	43.5	22.2%	15.1%
Commercial							
Voice:							
Long-distance minutes carried (in millions)	34.4	35.9	35.1	(1.5)	(0.7)	-4.2%	-2.0%

General Communication, Inc.
Non-GAAP Financial Reconciliation Schedule
(Unaudited, Amounts in Millions)

	Three Months Ended		
	June 30, 2006	June 30, 2005	March 31, 2006
EBITDA, as adjusted (Note 1)	$ 39.5	36.4	37.1
Share-based compensation expense	(1.6)	---	(0.7)
EBITDA (Note 2)	37.9	36.4	36.4
Depreciation and amortization expense	(20.2)	(18.4)	(20.1)
Other	(0.3)	---	0.1
Operating income	17.4	18.0	16.4
Other income (expense):			
Interest expense	(8.7)	(8.4)	(8.6)
Amortization of loan and senior notes fee expense	(0.2)	(0.4)	(0.3)
Interest income	0.5	0.1	0.2
Other	0.3	---	(0.1)
Other expense, net	(8.1)	(8.7)	(8.8)
Net income before income taxes and cumulative effect of a change in accounting principle	9.3	9.3	7.6
Income tax expense	(3.9)	(4.0)	(3.7)
Net income before cumulative effect of a change in accounting principle	5.4	5.3	3.9
Cumulative effect of change in accounting principle, net of income tax benefit of $0.4	---	---	(0.6)
Net income	$ 5.4	5.3	3.3

		Six Months Ended	
		June 30, 2006	June 30, 2005
EBITDA, as adjusted (Note 1)	$	76.6	70.9
Share-based compensation expense		(2.3)	---
EBITDA (Note 2)		74.3	70.9
Depreciation and amortization expense		(40.3)	(36.1)
Other		(0.2)	---
Operating income		33.8	34.8
Other income (expense):			
Interest expense		(17.3)	(16.8)
Amortization of loan and senior notes fee expense		(0.5)	(0.9)
Interest income		0.6	0.3
Other		0.2	---
Other expense, net		(17.0)	(17.4)
Net income before income taxes and cumulative effect of a change in accounting principle		16.8	17.4
Income tax expense		(7.5)	(7.5)
Net income before cumulative effect of a change in accounting principle		9.3	9.9
Cumulative effect of change in accounting principle, net of income tax benefit of $0.4		(0.6)	---
Net income	$	8.7	9.9

Notes:

(1) EBITDA (as defined in Note 2 below) before deducting share-based compensation expense.

(2) EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is the sum of Net Income, Interest Expense, Amortization of Loan and Senior Notes Fees, Interest Income, Income Tax Expense, and Depreciation and Amortization Expense. EBITDA is not presented as an alternative measure of net income, operating income or cash flow from operations, as determined in accordance with accounting principles generally accepted in the United States of America. GCI's management uses EBITDA to evaluate the operating performance of its business, and as a measure of performance for incentive compensation purposes. GCI believes EBITDA is a measure used as an analytical indicator of income generated to service debt and fund capital expenditures. In addition, multiples of current or projected EBITDA are used to estimate current or prospective enterprise value. EBITDA does not give effect to cash used for debt service requirements, and thus does not reflect funds available for investment or other discretionary uses. EBITDA as presented herein may not be comparable to similarly titled measures reported by other companies.

Exhibit 2

FINAL TRANSCRIPT

Thomson StreetEvents℠

GNCMA - Q2 2006 General Communication Earnings Conference Call

Event Date/Time: Aug. 09. 2006 / 1:00PM ET

CORPORATE PARTICIPANTS

John Lowber
General Communication - CFO

Ron Duncan
General Communication - President, CEO

CONFERENCE CALL PARTICIPANTS

Anthony Klarman
Deutsche Bank - Analyst

Ian Zaffino
Oppenheimer and Company - Analyst

Ari Moses
Kaufman Brothers - Analyst

Liam Burke
Ferris, Baker Watts - Analyst

Jonathan Schildkraut
Jefferies - Analyst

PRESENTATION

Operator

[OPERATOR INSTRUCTIONS] Today's conference is being recorded. If you have any objections you may disconnect at this time. I would like to introduce your host for today's conference, GCI's Chief Financial Officer, Mr. John Lowber, sir, you may begin.

John Lowber - *General Communication - CFO*

Okay, thank you. Thank you all very much for taking the time to join us today. I'm John Lowber, the Company's Chief Financial Officer. We've got the usual supporting cast here today. Ron Duncan who is our President and CEO; and we've [Bonnie Pasven], our Corporate Counsel; and [Greg Shapidos] who is our Senior VP of Federal Regulatory Affairs; also have my usual supporting cast of Fred Walker; our Chief Accounting Officer, Bruce Broquet; and [Peter Pounds]. We will all be a available to participate in the Q&A session which will follow my initial comments.

A copy of our detailed press release can be found on our website. The conference call is being recorded and will be available for playback for 72 hours beginning at 4:00 p.m. Eastern time today. The playback number is 1-866-415-2337 with an access code of 7461. In addition to the conference call, you may access the conference through the Internet. To access the call via net conferencing log on to our website at www.Gci.com and follow the instructions. Webcast will be available for replay for the next two weeks. I will now read the customary cautionary statement about forward-looking comments and then we'll get started.

Some of the statements made by GCI in this presentation are forward-looking in nature. Actual results may differ from those projected in forward-looking statements due to a number of factors. Additional information concerning such factors can be found in GCI's filings with the Securities and Exchange Commission. We're pleased for the most part with our second quarter results. We set another new record for revenues with second quarter revenues totaling 118.2 million, representing an increase of 6.8% over the prior year quarter. EBITDA excluding share based compensation expense totaled 39.5 million which compares to the 36.4 million we recorded last year. Excluding the $1 million benefit of the MCI credit we recorded in the year ago quarter, adjusted EBITDA increased 11.6%. The second quarter results were consistent with our guidance in that we expected them to surpass those of the first quarter which they did quite handily.

Net income for the quarter was up slightly over the prior year quarter in spite of fairly large increases in non-cash expenses including depreciation and share based compensation. Selling and general administrative expenses excluding share based compensation expense dropped to 33.1% of revenues. A sequential improvement of 145 basis points. On a sequential basis revenues were up almost 4.8% and adjusted EBITDA was up almost 6.5%. On a year-to-date basis net income and earnings per share are down slightly from last year due to the new accounting treatment for stock options and an increase in depreciation expense resulting from our ongoing capital expenditures programs. The quarter was pretty straightforward in that it did not include much in the way of one offer on usual activity other than continued application of the new accounting rules related to share based compensation expense.

Now we'll talk about our segment performance starting with consumer. The consumer segment experienced a strong quarter led by growth in wireless, video, and data revenues. Consumer revenues were up 9.6% over the prior year and almost 3.7% on a sequential basis. Wireless, video, and data revenue increases overcame a slight decrease in voice revenues on a year-over-year basis. The gross margin percentage was up slightly from the year ago quarter and decreased 140 basis points sequentially. A few of the more significant metrics for the consumer segment for the quarter included an increase of 1,000 cable modems, 1,200 local service lines converted to our own facilities, and additional 2,600 HD DVR converter boxes deployed. These and other related metrics are detailed in the attachment to the press release.

Consumer EBITDA excluding share based compensation expense totaled 8.39 million for the quarter as compared to 7.23 million a year ago, and 8.34 million in the prior quarter. The increase compared to a year ago was in spite of an increase in bad debt expense resulting from depletion of the remaining MCI credit during the prior quarter and was driven by an increase in revenues and a decrease in SG&A costs as a percentage of consumer revenues.

Commercial. Second quarter revenues were down 1.5% versus the same quarter of 2005 and were down slightly on a sequential basis. Wireless and video revenue growth did not quite compensate for the anticipated decline in commercial voice revenues as compared to a year ago. The decline in revenues on a sequential basis was due primarily to a decrease in data revenues during the current quarter. As expected we're beginning to see some of the traffic move off of our fiber system that runs along the oil pipeline to the north slope. This transition is expected to put pressure on our commercial revenues over the next year or so.

The commercial gross profit margin declined at 238 basis points compared to the prior year quarter and 472 basis points sequentially. The decline was partially due to increases in intrastate access charges as well as the decline in our north slope fiber revenues. Selling, general, and administrative costs excluding share based compensation expense as a percentage of revenues increased 124 basis points compared to the second quarter of last year, but declined 77 basis points sequentially.

The combination of the decrease in revenues in margin, the increase in SG&A expense, and an increase in bad debts primarily due to the end of the MCI credit led to a 22% decline in commercial EBITDA as compared to the prior year quarter. But for the improvement in SG&A costs, the same factors contributed to a sequential decrease in EBITDA. Notable commercial metrics include an increase during the quarter of 200 cable modem subscribers, 2,600 commercial video subscribers, and an additional 100 local service lines moved to our own facilities. We added a combined 2,800 commercial and consumer wireless subscribers during the quarter and at quarter's end we had a total of 22,900 wireless subs.

Network access services. The network access business enjoyed a very strong quarter. Revenues were up more than 12.1% over the prior year and were up 9.4% sequentially. The gross margin percentage was down slightly versus the prior year quarter due to anticipated scheduled rate reductions, but was up almost 200 basis points sequentially due to operating leverage. We carried 331.5 million network access minutes during the second quarter representing an increase of more than 22% over the prior year quarter. Network access minutes were up more than 15% sequentially. EBITDA increased by approximately 2.8 million or 13.9% over the prior year quarter, and increase by $3.3 million or 16.7% on a sequential basis. Our average rate per minute for all of our long distance traffic totaled $0.0888 per minute compared to $0.094 per minute a year ago and $0.09 per minute in the prior quarter. The decrease from the prior year is largely due to a rate decrease effective the first of this year while the sequential decrease is due primarily to the seasonal change in the traffic mix.

Managed broadband. Managed broadband revenues were down 5.7% compared to the year ago quarter but were up 6.4% on a sequential basis. Revenues for the second quarter totaled 6.6 million as compared to 7 million in the same quarter of the prior year and just over 6.2 million in the prior quarter. Quarterly EBITDA was up $625,000 as compared to the year ago quarter and was up approximately $317,000 on a sequential basis. Reductions in SG&A costs and bad debt expense more than compensated for the reduced revenues as compared to the prior year. Rate compression experienced during our last renewal cycle is putting downward pressure on revenues which we're working to mitigate through sales of additional services.

Other items of interest. Legal and regulatory. Our efforts on the legal and regulatory front continue to be focused primarily on negotiating inter connection agreements with the incumbent carriers in the service areas in which we obtained authority to provide local service. We're also continuing to work through the process to gain approval from the FCC to close our pending acquisition of a majority interest in Alaska Digitel.

Stock repurchase program. Our stock repurchase program continued during the second quarter and up to the blackout period. Year-to-date we've acquired slightly more than 2.173 million shares at an average cost of approximately $11.81 per share for a total of $25.68 million. Since our last conference call, we've acquired almost 1.3 million shares at an average cost of $12.13 for a total of approximately 15.5 million. Of that amount, 3.8 million was spent after June 30, and is therefore not reflected in the second quarter financial statements. Subsequent to the date the Board authorized stock option exercise proceeds to be utilized for share repurchases, we've realized approximately 5.5 million in option proceeds to be dedicated to that purpose. We're currently cleared to purchase up to an additional additional $15.2 million worth of shares through year-end plus proceeds we may realize from option exercises subject to market conditions, available resources and continued financial performance by the Company. In the event we don't purchase the full amount authorized, it is likely that the remaining funds would be carried forward for purchases in subsequent periods.

Guidance and economic prospects. Last quarter I mentioned that we expected that our second quarter revenues would total 112 to 114 million, and our adjusted EBITDA would exceed the 37.1 million that we recorded in the first quarter this year. Second quarter revenues surpassed the high range of our guidance by 4.2 million and adjusted EBITDA surpassed the first quarter by almost 2.4 million. The first two quarters results along with our current expectations for the Alaska economy allow us to reaffirm our guidance for the full year with revenues expected to total 450 to 460 million and adjusted EBITDA expected to total 150 to 154 million, notwithstanding BP's recent announcement that they're shutting down the Prudhoe Bay oil fields for pipeline repairs.

Liquidity and capital expenditures. We ended the second quarter with more than 45 million in cash hand and just over 50 million available to draw under a revolving facility. Our senior facility will require only 1.6 million in principal amortization during the next 12 months. We don't currently expect to draw down our facility during 2006 as we expect to continue to generate free cash flow during the year, most of which will likely be used to continue our stock repurchase program. Depending on timing, we may use the facility to fund our pending purchase of an interest in Alaska Digitel. We invested approximately 23.9 million in capital expenditures during the second quarter.

Investments were made in the following areas. For our business lines, primarily cable modems and set-top boxes, 3.5 million, for broadband and other 2.7 million, for IT projects 4.8 million, for support of our network, 4.4 million, for product management including local services initiatives 4.8 million, and for other administrative support including inventory approximately 3.7 million. Capital expenditures requirements beyond approximately 25 million per year in maintenance capital are largely success driven. We expect the capital expenditures run rate for the second half of the year to pick up a bit and that we spent at an annualized rate of approximately 77.2 million during the first half of the year. Our capital requirements for all of 2006 remain unchanged from last quarter's guidance of approximately 85 million.

To recap our cash sources and uses for the first six months on a simplified basis, we generated approximately 76.6 million in adjusted EBITDA. Out of that we spent about 38.6 million in capital expenditures and 18 million in interest expense which left over 20 million available for stock repurchases and other items. The interest rate on approximately 318 million of our 477 million in debt is fixed. Our cash interest expense at current rates on our existing facilities is now running at approximately 34.7 million per year. Compared to the last two quarters, annualized cash flow of approximately 153 million, our cash interest coverage is approximately 4.4 times and our leverage at quarter's end on net debt is 2.82 times cash flow. On gross debt our leverage is 3.12 times.

In conclusion, we met our revenue and cash flow guidance for the first half of the year and we're well positioned to meet expectations for the remainder of the year. We're pleased with what we've accomplished so far this year but there remains much to be done. We will now be happy to answer your questions.

QUESTIONS AND ANSWERS

Operator

[OPERATOR INSTRUCTIONS] Our first question comes from Anthony Klarman of Deutsche Bank. You may ask your question.

Anthony Klarman - *Deutsche Bank - Analyst*

Thank you. A couple of questions. First, just I guess to clarify. It sounded like you reiterated your guidance but were still assessing what impact, if any, BP's decision to shut down part or all of the Prudhoe Bay pipeline project. Have you assessed what type of impact that might have if any? Maybe it would spur more telecommunication minutes or have you been able to point to anything that would lead you to indicate that it might cause some drop off in any of your business categories?

Ron Duncan - *General Communication - President, CEO*

I think it's much too early, Anthony, to tell what the impact of it is going to be. They can't even figure out what they're doing. This mornings headlines are that maybe they don't have to shut down the whole field. Maybe they are only going to shut down part of the field. It could be, we're assuming that it's more than a matter of weeks but months, how many months. The principal issue from direct impact on the states economy would be spending by the state government and fortunately with oil prices having run as high as they are, it looks like the state government has more than ample liquidity to maintain it's current budget and spending rate for probably about a year before it really gets into any kind of liquidity crunch as a result from -- as a result of the loss of the Prudhoe Bay revenues. I would anticipate that the efforts to repair this would create increased economic activity in the state, not reduced economic activity. It may have some collateral effects on the politics or on a pipeline decision, but I don't see anything at this point that suggests a near term adverse impact on our operations or the level of the state economy in the near term, and I'm skeptical if there would really be any material layoffs. There may be some job rearrangements on the slope as people move from production activities to repair activities, but I just don't see a downturn as a result of that in the next 12 months.

Anthony Klarman - *Deutsche Bank - Analyst*

Okay. On the cable telephony side and the conversion process, what's really at issue there? For a while it sounded like maybe it was finding the right equipment, particularly for the MDU's I guess in Anchorage and then it sounded like you had at least gotten part of that alleviated last quarter, but what's really leading to sort of the slowdown or the conversion rate being slightly slower than expected?

Ron Duncan - *General Communication - President, CEO*

I think there are three things happening that are affecting the turn up of facilities on our owned plant. Number one is a delay in the upgrades of the outside plant that we need to complete before launching the telephony on that section of the plant. The second is the delay of new markets which -- well, I'll come back to that. And the third is actually a reduction in the absolute number of local lines. In the near term the most significant is the delay in the turn up of the outside plant. That comes from a combination of factors including our shift late last year, early this year from external line units to internal line units and when we did that, we reassessed the plant construction and the plant focus plans and actually delayed some of the engineering releases for this year's plant which means that the plants coming on a little later than anticipated.

We also shifted our focus as to which markets we were going to do. ACS filed a petition for preemption of it's obligation to provide unis in Anchorage and in part in preparation for any downside risk there, we shifted resources away from the Fairbanks and Juneau markets and back to the Anchorage markets, but because of bandwidth upgrade issues, we wound up taking longer than anticipated to upgrade an equivalent number of nodes in Anchorage so we're seeing those nodes come on more slowly. And I think the net effect is that it's going to be late in the year before we have as many available nodes as we would like to make the conversions. That's going to impact the overall conversion process for the year because realistically, we can do 5 to 600 conversions a year. By not having the plant -- or 5 to 600 conversions a week, I'm sorry. By not having the plant available already, to run that 5 to 600 pace, we're losing days where we really can't recover that amount of conversion production and when the plant gets delayed, that just has the impact of mitigating the total number that we can do this year. Some of that may result in some catch up next year, some it may be permanently pushed out just because of the long run conversion rate.

Our original anticipation for this year also included the expectation that we would be up and operating in several new markets in the third quarter due to delays mostly in getting interconnection agreements. It's going to be very late in the year before we're up and operating in two new markets which have approximately 25,000 lines that we'll be addressing with our own facilities. Now we'll have to gain share in those markets, but obviously that won't show as any line gains on our own facilities this year and we had originally anticipated that it would. So I think that sort of covers the issue there.

The MDU problem has largely been solved. The new MDU boxes work. We've encountered some additional delays getting noise out of the network to turn up in nodes that have high concentrations of MDUs, but I think that sort of covers the lay of the land as to what happened there.

Anthony Klarman - *Deutsche Bank - Analyst*

What's been the customer response at this point? Has there been any appreciable notice or difference in churn or any of the other customer satisfaction statistics you might be able to site?

Ron Duncan - *General Communication - President, CEO*

We're not seeing change from what we had experienced with the outdoor units which is that we have higher reliability, lower mean time to repair and slightly lower churn on customers on our own facilities as opposed to customers on the facilities of the other guy and slightly better voice quality.

Anthony Klarman - *Deutsche Bank - Analyst*

Finally, wireless. Could you just update us on your wireless strategy? Obviously you got a resale arrangement in Dobson. With Dobson. How is that going? Do you feel it's kind of adding a lot to the bundle and just remind us again of the strategy with respect to Alaska Digitel. Is that kind of the hedge against ultimately being able to own something up there in Alaska outright with respect to Dobson's assets?

Ron Duncan - *General Communication - President, CEO*

I think you summarized it pretty well, and I'd just add that we're happy with the Dobson relationship and we think it's proceeding well.

Anthony Klarman - *Deutsche Bank - Analyst*

But do you feel in anyway that I guess -- has using Dobson's GSM product as part of the bundle has helped accelerate growth or contributed to customer retention in a way that you didn't have previously?

Ron Duncan - *General Communication - President, CEO*

Yes. I think it's a very important part of the bundle. We're now offering a bundle that includes local service only through wireless so you can buy video high speed data and wireless only. You don't have to have a fixed local line anymore. The one thing I left out when I was talking about the facilities conversions was that we're seeing a shrinkage in the three local markets we're in today, Anchorage, Fairbanks, and Juneau. A shrinkage of about 8,000 lines a year across the market in total usage of wired lines since we've got about half the market that means about half of that about 4,000 lines a year on the wired side are really shrinking on our side. Most of that represents wireless migration and wireless substitution, so we're very pleased to have a wireless product that allows us to address those customers and Dobson is filling that niche very well.

Anthony Klarman - *Deutsche Bank - Analyst*

Okay, thank you.

Ron Duncan - *General Communication - President, CEO*

Sure, Anthony.

Operator

Our next question comes from Will Peters Oppenheimer Company. You may ask your question.

Ian Zaffino - *Oppenheimer and Company - Analyst*

Great. Thank you. It's Ian Zaffino. The question will be, you mentioned that you will be losing this commercial customer and the guidance is relatively unchanged. Is there better strength in the remainder of the business if you could comment on that, that would be great. Thanks.

John Lowber - *General Communication - CFO*

Yes, Ian. Obviously when you have to recover I think the ultimate run rate is going to be something like 10 million bucks. We're actually not losing the customer, what we're doing is we're scaling back the revenues that we're receiving from that customer and substituting from other services to a contractor who is going to be the primary carrier of the remaining services that are being transferred. But yes, we've got to overcome a ultimate shrinkage in that area of 10 million a year. It's going to happen over time but we think that the growth in the remainder of the commercial business will compensate for that. We're not projecting any decreases in overall companywide revenues going forward, so we think we have enough initiatives working to compensate for that.

Ian Zaffino - *Oppenheimer and Company - Analyst*

Okay, so if you didn't lose that customer, we would have maybe seen an increase in guidance then? Am I understanding that right?

John Lowber - *General Communication - CFO*

Yes, that is right. That's one of the reasons that we didn't see a big improvement in cash flow from what you might have expected this year versus last year is because we baked that into the projections.

Ron Duncan - *General Communication - President, CEO*

I think it's worth noting that the loss of this customer was cooked into the guidance for the year at the start of the year as well. The timing of the turn down was uncertain and we were speculating a little bit as to exactly when that was going to occur, although our speculations were not far off the mark, but I think it speaks to the strength of the underlying business both the commercial and the rest of the business that we can absorb over the course of the next year a $10 million revenue hit and continue to grow the revenues as well as we're growing them. We have spoken in the past about headwinds and we knew we were going to have one with this customer and I think your point is correct. It shows that there's good underlying resiliency in the rest of the business.

Ian Zaffino - *Oppenheimer and Company - Analyst*

Okay. And final question here, on the buyback. Is there a particular price that you would stop buying it back? I mean, is there a level where you just tend to [Inaudible] company? What are the thoughts here? The more you buy back the less growth there is, the less an investment opportunity there is with you at that point and just the whole thing. Thanks.

Ron Duncan - *General Communication - President, CEO*

I'm sure there's a price at which we stop buying back. If it opened tomorrow morning at 25 we might pause the buyback program a little bit, but we adjust and evaluate the price as we go. We obviously think the Company is under valued at the present time and we would like to be the long run owners, so we're continuing the repurchase. I think that's a continuous re-evaluation based on both the trading multiple and the float levels.

Ian Zaffino - *Oppenheimer and Company - Analyst*

Great. Thank you very much.

Operator

Your next question comes from Ari Moses of Kaufman Brothers. You may ask your question.

Ari Moses - *Kaufman Brothers - Analyst*

Hey, guys, good afternoon. A couple of things. First, John, just a follow-up on the discussion of this lost customer. I think you talked in the press release, the number was somewhere around 9, 9.5 million of lost revenues but it looks like that's a net number, netting out what you expect to recoup in return by leasing some facilities to their new provider. Can you tell us what the gross number on that was?

John Lowber - *General Communication - CFO*

No.

Ari Moses - *Kaufman Brothers - Analyst*

Okay. Fair enough. Well, that tells me the answer!

John Lowber - *General Communication - CFO*

I've given you what you need to know, Ari.

Ari Moses - *Kaufman Brothers - Analyst*

Okay, as far as the business, I think you sort of alluded to this. I'm not sure if these were connected, but you talked about kind of a slowdown on the sale of north slope fiber. A) was this along that line and B) are there any other customers here that you see kind of are in the near term at risk of losing revenues in a similar manner to this one?

John Lowber - *General Communication - CFO*

I think I'd give that one another no, too.

Ari Moses - *Kaufman Brothers - Analyst*

No, as in no you're not going to answer it or no there aren't--?

John Lowber - *General Communication - CFO*

No, we don't foresee any other similar situations occurring that I can think of and we view that north slope fiber as a very important asset and we do see a lot of continued demand for additional services on that fiber route.

Ron Duncan - *General Communication - President, CEO*

This was an issue that was not a surprise to us. We've been working this for a long time, and quite frankly, what happened was that a competitor was willing to invest a substantial amount of capital at a much lower rate of return than we felt we could justify and use that to pry away a piece of the business from us from this one particular customer who had a unique requirement that needed some additional capital expended and we didn't see either the upside or couldn't get comfortable with the hurdle rate on the capital required, so we lost our position as prime contractor. Our assets going to be redeployed at a lower revenue stream to us, but still providing service to that customer but it will be as a subcontractor to the new prime who either had a much lower cost of capital or a different business plan.

Ari Moses - *Kaufman Brothers - Analyst*

Got it. Turning for a second to the DLPS model. What is the impact on the business, if any, in the slowdown of that migration? I mean, I know a large part of it was the access line savings from the leased lines, so from that cost savings perspective, I guess that gets slowed, but is there any broader impact on the business? I don't believe there's one on the revenue line, but if you can highlight direct or indirect impacts from that slowdown and just tied into that, Ron, you mentioned the 5 to 600 conversions per week. My guess is that's kind of an average but when you start hitting the end of the year when you expect to kind of be back on track with it, that you run into the winter months this year in terms of construction and how those -- how that might tie into that slowdown as well.

Ron Duncan - *General Communication - President, CEO*

Actually, the conversions once the plant is upgraded are not terribly seasonal. The plant upgrades themselves are seasonal, so having nodes where you can make the conversions is what today is the pacing factor. You can do the actual conversions of the individual homes pretty much year around. In fact last year our conversions peaked in the fourth quarter because we had the maximum amount of plant available. I think we'll probably see a similar sequence again this year because it's going to be -- you got to make the upgrades in the field, do the line work during the summer months, and then whatever you manage to get converted provides an available pool of -- or whatever you manage to get upgraded provides an available pool of convertible lines that you can work on until you reduce that pool down to zero at which point you have to wait for another construction season to have the appropriate outside plant upgraded. We should have almost all of our outside plant in the Anchorage, Fairbanks, Juneau markets upgraded by the end of next year, so by the end of next year almost all of those three markets should be addressable on our own facilities.

Now, it's easier to address the consumer customers than it is the commercial customers just due to the nature of that plant, but that problem in terms of the addressable market should largely go away by the end of next year. The impact is that when you don't get the cost savings from conversions to your own facilities to keep your EBITDA growth going you got to find other sources. So far we've managed to do that. You could assume had we not had the slowdown in DLPS conversions you could assume either that we would have more rapid EBITDA growth or that our focus wouldn't have been as keen on some of the other areas where we have extracted the growth and you would have substituted one for another, but the net/net answer is the Company stayed on plan by finding other opportunities to keep the growth coming in. We're not addressing the guidance and the DLPS conversions become part of subsequent increases rather than today's increases.

Ari Moses - *Kaufman Brothers - Analyst*

Got it. Great. Thanks.

Operator

The next question comes from Liam Burke with Ferris, Baker Watts. You may ask your question.

Liam Burke - *Ferris, Baker Watts - Analyst*

Thank you. Ron, I know managed broadband is a smaller piece of your revenue, but it looks like you're having rate decreases. It's a fairly specialized service. You seen pricing pressure there and what are your clients alternatives?

Ron Duncan - *General Communication - President, CEO*

There's pretty intense competitive pressure in that business, both AT&T and to some extent individual stand alone data satellite providers are competitors for that business, occasionally ALEC becomes a competitor for that business. We have a vast majority of that business, we've probably got an 80% plus share of the school access in telehealth market in rural Alaska which is what that business is and we've had to keep increasing capacity and reducing prices to sustain that business. We've done a relatively good job of sustaining it, but it's not a revenue growth sector in the current environment because it does see significant price pressure. We address a lot of that with new technologies and by expanding the options that are available to our customers in terms of both the technology and some of the software application issues. It's not going to provide a huge growth stream going forward like it has in the past, but I think it's a very healthy cash flow stream that we'll manage to sustain at a slow rate of decrease.

Liam Burke - *Ferris, Baker Watts - Analyst*

Thank you.

Operator

Our next question comes from Jonathan Schildkraut of Jefferies. You may ask your question.

Jonathan Schildkraut - *Jefferies - Analyst*

Hello. Thanks for taking the questions. A couple of questions. First, if the Company could talk a little bit about margin performance. Margins expanded this quarter, it looks like you're on a better run rate than you were over the first half of last year which is encouraging, particularly in light of the fact that you haven't been able to convert as many customers on to your own DLPS platform as you had hoped for. What's driving the margin expansion and as we look out into the future, how can we think about where these margins might be able to go?

John Lowber - *General Communication - CFO*

Good question. I think the widening that you're seeing is, continues to be driven by the increased traffic that we're seeing on our owned facilities, a little bit of that as you mentioned is the DLPS as we're moving more and more lines through our own facilities, obviously that didn't have a big effect this quarter but a lot of it is I think I alluded to some operating leverage on the network access platform. We're carrying significantly increasing amounts of traffic on that and if we've got facilities in place to carry that a lot of the variable costs start to shrink, and the fixed costs are spread over more minutes so you see improvements in operating leverage.

In general, we're still faced with continued pressure on the revenue side, so it's kind of an unexpected surprise when you see a widening of the margins from one quarter to the next. I think we're going to continue to see pressure on the revenue side to the extent we can continue to drive more traffic on the network. That's going to mitigate some of the pressures on the revenue side. So it's certainly not an exact science. It kind of, as you've noticed probably a little bit, it's kind of like a pendulum that kind of swings back and fourth a little bit, but fortunately, it looked good for this particular quarter and I'm hopeful that it will continue in the seasonally strong third quarter. We'll see what happens as we get further down the road but it's a continuing struggle to try to grow those margins.

On the G&A side, seeing G&A costs shrink as a percentage of revenues is partly due to the benefits of growing revenues. The nominal amount of G&A costs are still escalating, not as bad when you back out the non-cash stock compensation expense but we're still struggling in that area with increasing benefits costs and so on. So we've got pressures in the G&A side too.

Ron Duncan - *General Communication - President, CEO*

With that said, I think that our expectation is as we move more and more of our operations on to our owned facilities and today, we're still two thirds on the other guy's facility the and one third on our own and over the next two to three years we hope to reverse and go beyond that proportion. As we move on to our own facilities as we increase the utilization of those facilities and as we continue to see increases in average revenue per customer, I mean we're continuing to see the average customer spend go up. Cable modem average revenues climbed in the last quarter as we sell more bandwidth. The incremental variable cost of that additional bandwidth is small relative to the average revenue increase, so those all drive gradually improving margins.

I wouldn't want to leave you with the impression that we don't think the long run trend for margins continues to march up. I think we've said in the past that we think in the long run we ought to be approaching something in the order of a 40% overall EBITDA margin for the business after we're converted completely to our own facilities and addressing the new markets. So it's steady progress towards that goal of delivering everything on your own facilities. I think John's comments highlight that it's kind of two steps forward one step back because you make key improvements in the underlying cost structure and you get things deployed on your own facilities, but you're walking against a -- running against a headwind in the form of rate compressions or occasionally something like this quarter's contract loss.

Jonathan Schildkraut - *Jefferies - Analyst*

Understood. Could we talk a little bit about CapEx? I know that that you mentioned in your prepared comments that CapEx relative to the first half would accelerate in the back half of this year? I'm just wondering about the impact of the DLPS rollout as it applies to the capital spend. I guess I have two questions. One, is the shift towards more CapEx in the back half of the year have to do with some of the delays that you mentioned? And two, is the total aggregate amount of capital that you planned on spending on the infrastructure for the conversion the same or are you finding that you need to spend more money in order to accomplish the same amount?

Ron Duncan - *General Communication - President, CEO*

I think what we're finding on DLPS is that and on the conversion to our own local facilities is that the spend level is lower. One of the reasons we moved from the outside to the inside powered units was a significant reduction in overall cost of deployment as well as in the long run an increase in the speed of that deployment in the new markets by not having to wait as long for as extensive a plant upgrade. I think what you'll see this year when we get to the end of the year is that we're probably going to underspend our $25 million DLPS local services capital budget perhaps by a material amount and the portion that isn't spent there will go to other projects that's part of how we're mitigating the delay and realizing the benefit of the DLPS facilities is that we're spending that money on other projects that are generating return. So while the general guidance is 25 million or so a year on the local facilities, I think we'll probably be significantly below that this year.

We'll fill that portion of the CapEx budget with some other projects including plant expansion and some data upgrades and things like that that generate other incremental revenues allowing us to sustain the targeted growth metrics and then I would anticipate coming back much closer, maybe going over a little bit on our generalized target of 25 million for local facilities next year. We originally had expected to turn up three or four or five new markets this year. We're going to as a result of delays in the regulatory process be able to turn up two new markets by the very end of this year. We're still anticipating turning up about ten new markets next year, that shouldn't be a problem from a construction perspective, but it is posing significant challenges from the perspective of getting all of the inter connection elements in order so that you can actually carry traffic in those markets so that's some of what's happening there.

Jonathan Schildkraut - *Jefferies - Analyst*

All right that makes sense. Last question, on option exercises during the quarter. Just appears that there were a number of option exercises during the quarter. Just appears that there were a number of option exercises during the quarter, obviously we don't have the full Q yet, but I was wondering if you might comment on whether the activity in the quarter was anything unusual or just pretty much steady as she goes.

Ron Duncan - *General Communication - President, CEO*

Yes. I think it was unusually heavy due to I think the stock price. I think when the stock price spikes up that motivates a lot of folks to monetize their options and we saw that happen in the first half of the year, so if you look at option exercises this year versus last year it's up dramatically. I think the gross proceeds surrounds February of this year was slightly over 5 million. I think for the first six months of this year, we're looking at gross proceeds of 5, 6 million versus a year ago I think they were less than 1 million during the same time period. So a significant spike and I think that will settle out as folks get used to the higher stock price. Part of it I think too was some options that were coming up for expiration that needed to be exercised before they expired so unusually high activity. Whether it will continue or not I think not. I think it will probably slow down and normalize.

Jonathan Schildkraut - *Jefferies - Analyst*

Thank you very much for taking the questions.

Operator

That was our last question.

Ron Duncan - *General Communication - President, CEO*

Okay, let's give it another minute and see if anybody has any last minute questions.

Operator

[OPERATOR INSTRUCTIONS] One moment, sir.

Ron Duncan - *General Communication - President, CEO*

Minute's up. I think that will wrap the call then if there's no more questions and thank you very much for participating. We appreciate your interest.

Operator

Thank you for your participation. Your call has ended, you may now disconnect.
