

FORM 10-K

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

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

For the fiscal year ended December 31, 2001

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)

ALASKA 92-0072737
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

2550 Denali Street Suite 1000 Anchorage, Alaska 99503
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (907) 265-5600

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

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

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

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, and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the average bid and asked prices of such stock as of the close of trading on February 28, 2002 was approximately \$303,728,758.

The number of shares outstanding of the registrant's common stock as of March 13, 2002, was:

Class A common stock - 51,120,611 shares; and
Class B common stock - 3,882,843 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's definitive Proxy Statement to be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, in connection with the Annual Meeting of Stockholders of the registrant to be held on June 6, 2002 are incorporated by reference into Part III of this report.

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This Annual Report on Form 10-K is for the year ending December 31, 2001. This Annual Report modifies and supersedes documents filed prior to this Annual Report. The SEC allows us to "incorporate by reference" information that we file with them, which means that we can disclose important information to you by referring you directly to those documents. Information incorporated by reference is considered to be part of this Annual Report. In addition, information that we file with the SEC in the future will automatically update and supersede information contained in this Annual Report.

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Glossary

Access Charges -- Expenses incurred by an IXC and paid to LECs for accessing the local networks of the LECs in order to originate and terminate long-distance calls and provide the customer connection for private line services.

ACS -- Alaska Communications Systems, Inc., previously ALEC Holdings, Inc. -- ACS, one of our competitors, includes acquired properties from Century Telephone Enterprises, Inc. and the Anchorage Telephone Utility ("ATU"). ATU provided local telephone and long distance services primarily in Anchorage and cellular telephone services in Anchorage and other Alaska markets.

Alaska United -- Alaska United Fiber System Partnership -- an Alaska partnership wholly owned by The Company. Alaska United was organized to construct and operate a new fiber optic cable connecting various locations in Alaska and the Lower 49 states and foreign countries through Seattle, Washington.

AT&T -- AT&T Corp. -- Acquired Tele-Communications, Inc. ("TCI") in a 1999 merger; one of our competitors.

AT&T Alascom -- Alascom, Inc. -- a wholly owned subsidiary of AT&T and one of our competitors.

Basic Service -- The basic service tier includes, at a minimum, all signals of domestic television broadcast stations provided to any subscriber, any public, educational, and governmental programming required by the franchise to be carried on the basic tier, and any additional video programming service added to the basic tier by the cable operator.

BOC -- Bell System Operating Company -- A LEC owned by any of the remaining Regional Bell Operating Companies, which are holding companies established following the AT&T Divestiture Decree to serve as parent companies for the BOCs.

Backbone -- A centralized high-speed network that interconnects smaller, independent networks.

Bandwidth -- The number of bits of information that can move through a communications medium in a given amount of time.

Broadband -- A high-capacity communications circuit/path, usually implying a speed greater than 256 kbps.

CAP -- Competitive Access Provider -- A company that provides its customers with an alternative to the LEC for local transport of private line and special access telecommunications services.

Central Offices -- The switching centers or central switching facilities of the LECs.

CLEC -- Competitive Local Exchange Carrier. -- A company that provides its customers with an alternative to the ILEC for local transport of telecommunications services, as allowed under the 1996 Telecom Act.

Co-Carrier Status -- A regulatory scheme under which the incumbent LEC is required to integrate new, competing providers of local exchange service, into the systems of traffic exchange, inter-carrier compensation, and other inter-carrier relationships that already exist among LECs in most jurisdictions.

Collocation -- The ability of a CAP or CLEC to connect its network to the LEC's central offices. Physical collocation occurs when a connecting carrier places its network connection equipment inside the LEC's central offices. Virtual collocation is an alternative to physical collocation pursuant to which the LEC permits a CAP or CLEC to connect its network to the LEC's central offices on comparable terms, even though the CAP's or CLEC's network connection equipment is not physically located inside the central offices.

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The Company -- GCI and its direct and indirect subsidiaries, also referred to as "we," "us" and "our."

Compression / Decompression -- A method of encoding/decoding signals that allows transmission (or storage) of more information than the media would otherwise be able to support. Both compression and decompression require processing capacity, but with many products, the time is not noticeable.

CPS -- a Cable Programming Service -- (also known as CPST, Cable Programming Service Tier). CPS includes any video programming provided over a cable system, regardless of service tier, including installation or rental of equipment used for the receipt of such video programming, other than (1) video programming carried on the basic service tier, (2) video programming offered on a pay-per-channel or pay-per-programming basis, or (3) a combination of multiple channels of pay-per-channel or pay-per-programming basis so long as the combined service consists of commonly-identified video programming and is not bundled with any regulated tier of service.

DAMA -- Demand Assigned Multiple Access -- The Company's digital satellite earth station technology that allow calls to be made between remote villages using only one satellite hop thereby reducing satellite delay and capacity requirements while improving quality.

Dark Fiber -- An inactive fiber-optic strand without electronics or optronics. Dark fiber is not connected to transmitters, receivers and regenerators.

DBS -- Direct Broadcast Satellite -- Subscription television service obtained from satellite transmissions using frequency bands that are internationally allocated to the broadcast satellite services. Direct-to-home service such as DBS has its origins in the large direct-to-home satellite antennas that were first introduced in the 1970's for the reception of video programming transmitted via satellite. Because these first-generation direct-to-home satellites operated in the C-band frequencies at low power, direct-to-home satellite antennas, or dishes, as they are also known, generally needed to be seven to ten feet in diameter in order to receive the signals being transmitted. More recently, licensees have been using the Ku and extended Ku-bands to provide direct-to-home services enabling subscribers to use a receiving home satellite parabolic dish less than one meter in diameter. There are currently four companies licensed by the Commission to provide DBS service: DirecTV, EchoStar (marketed as the DISH Network), Dominion Video Satellite, Inc. (marketed as Sky Angel) and R/L DBS Company. Of these, DirecTV, EchoStar and Dominion currently provide service.

DS-3 -- A data communications circuit that is equivalent to 28 multiplexed T-1 channels capable of transmitting data at 44.736 mbps (sometimes called a T-3).

Dedicated -- Telecommunications lines dedicated or reserved for use by particular customers.

Digital -- A method of storing, processing and transmitting information through

the use of distinct electronic or optical pulses that represent the binary digits 0 and 1. Digital transmission and switching technologies employ a sequence of these pulses to represent information as opposed to the continuously variable analog signal. The precise digital numbers minimize distortion (such as graininess or snow in the case of video transmission, or static or other background distortion in the case of audio transmission).

DLC -- Digital Loop Carrier -- A digital transmission system designed for subscriber loop plant. Multiplexes a plurality of circuits onto very few wires or onto a single fiber pair.

DOCSIS 1.1 -- Data-Over-Cable Service Interface Specification 1.1 -- An industry specification that provides for high-speed Internet service tiers, using techniques known as data fragmentation and quality of service. Under this specification, which is compatible with the existing DOCSIS 1.0 specification, cable operators can deliver high-speed Internet services simultaneously over the same plant and in a path parallel to core video services.

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DSL - Digital Subscriber Line -- Technology that allows Internet access at data transmission speeds greater than those of modems over conventional telephone lines.

Equal Access -- Connection provided by a LEC permitting a customer to be automatically connected to the IXC of the customer's choice when the customer dials "1". Also refers to a generic concept under which the BOCs must provide access services to AT&T's competitors that are equivalent to those provided to AT&T.

FCC -- Federal Communications Commission -- A federal regulatory body empowered to establish and enforce rules and regulations governing public utility companies and others, such as the Company.

Frame Relay -- A wideband (64 kilobits per second to 1.544 mbps) packet-based data interface standard that transmits bursts of data over WANs. Frame-relay packets vary in length from 7 to 1024 bytes. Data oriented, it is generally not used for voice or video.

FTC -- Federal Trade Commission -- A federal regulatory body empowered to establish and enforce rules and regulations governing companies involved in trade and commerce.

GCC -- GCI Communication Corp., an Alaska corporation and a wholly owned subsidiary of Holdings.

GCI -- General Communication, Inc., an Alaska corporation and the Registrant.

GCI, Inc. -- a wholly owned subsidiary of GCI, an Alaska corporation and issuer of \$180 million of publicly traded bonds.

Holdings -- a wholly owned subsidiary of GCI, Inc., an Alaska corporation and party to The Company's Senior Holdings Loan.

HSD -- Home Satellite Dish - see DBS.

ILEC -- Incumbent Local Exchange Carrier -- with respect to an area, the LEC that -- (A) on the date of enactment of the Telecommunications Act of 1996, provided telephone exchange service in such area; and (B) (i) on such date of enactment, was deemed to be a member of the exchange carrier association pursuant to section 69.601(b) of the FCC's regulations (47 C.F.R. 69.601(b)); or (ii) is a person or entity that, on or after such date of enactment, became a successor or assign of a member described in clause (i).

Interexchange -- Communication between two different LATAs or, in Alaska, between two different local exchange serving areas.

ISDN -- Integrated Services Digital Network -- A set of standards for transmission of simultaneous voice, data and video information over fewer channels than would otherwise be needed, through the use of out-of-band signaling. The most common ISDN system provides one data and two voice circuits over a traditional copper wire pair, but can represent as many as 30 channels. Broadband ISDN extends the ISDN capabilities to services in the Gigabit range.

ISP -- Internet Service Provider -- a company providing retail and/or wholesale Internet services.

Internet -- A global collection of interconnected computer networks which use TCP/IP, a common communications protocol.

IXC -- Interexchange Carrier -- A long-distance carrier providing services between local exchanges.

Kanas -- Kanas Telecom, Inc. -- a 85% owned subsidiary of GCI Holdings, Inc., an Alaska corporation that was renamed in 2001 to GCI Fiber Communication Co., Inc., or GFCC. GFCC owns and operates a fiber optic cable system constructed along the trans-Alaska oil pipeline corridor extending from Prudhoe Bay to Valdez, Alaska.

LAN -- Local Area Network -- The interconnection of computers for sharing files, programs and various devices such as printers and high-speed modems. LANs may include dedicated computers or file servers that provide a centralized source of shared files and programs.

LATA -- Local Access and Transport Area -- The approximately 200 geographic areas defined pursuant to the AT&T Divestiture Decree. The BOCs are generally prohibited from providing long-distance service between the LATA in which they provide local exchange services, and any other LATA.

LEC -- Local Exchange Carrier -- A company providing local telephone services. Each BOC is a LEC.

LMDS -- Local Multipoint Distribution System -- LMDS uses microwave signals (millimeterwave signals) in the 28 GHz spectrum to transmit voice, video, and data signals within small cells 3-10 miles in diameter. LMDS allows license holders to control up to 1.3 GHz of wireless spectrum in the 28 GHz Ka-band. The 1.3 GHz can be used to carry digital data at speeds in excess of one gigabit per second. LMDS uses a specific band in the microwave spectrum, known as millimeter waves or the 28 GHz "Ka-band." The extremely high frequency used and the need for point to multipoint transmissions limits the distance that a receiver can be from a transmitter. This means that LMDS will be a "cellular" technology, based on multiple, contiguous, or overlapping cells. LMDS is expected to provide customers with multichannel video programming, telephony, video communications, and two-way data services. Incumbent LECs and cable companies may not obtain the in-region 1150 MHz license for three years. Within 10 years, licensees will be required to provide 'substantial service' in their service regions.

Local Exchange -- A geographic area generally determined by a PUC, in which calls generally are transmitted without toll charges to the calling or called party.

Local Number Portability -- The ability of an end user to change Local Exchange Carriers while retaining the same telephone number.

Lower 48 States or Lower 48 -- refers to the 48 contiguous states south of or below Alaska.

Lower 49 States or Lower 49 -- refers to Hawaii and the Lower 48 States.

MAN -- Metropolitan Area Network -- LANs interconnected within roughly a 50-mile radius. MANs typically use fiber optic cable to connect various wire LANs. Transmission speeds may vary from 2 to 100 Mbps.

MDU -- Multiple Dwelling Unit -- MDUs include multiple-family buildings, such as apartment and condominium complexes.

MMDS -- Multichannel Multipoint Distribution Service - also known as wireless cable. The FCC established the Multipoint Distribution Service (MDS) in 1972. Originally the Commission thought MDS would be used primarily to transmit business data. However, the service became increasingly popular in transmitting entertainment programming. Unlike conventional broadcast stations whose transmissions are received universally, MDS programming is designed to reach only a subscriber based audience. In 1983, the Commission reassigned eight channels from the Instructional Television Fixed Service (ITFS) to MDS. These eight channels make up the MMDS. Frequently, MDS and MMDS channels are used in combination with ITFS channels to provide video entertainment programming to subscribers.

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MVPD -- Multi-channel Video Programming Distribution -- The distribution of video programming over multiple platforms, such as cable and satellite.

NPT -- a New Product Tier -- a cable programming service tier offered to subscribers at prices set by the cable operator.

OCC -- Other Common Carrier -- A long-distance carrier other than the Company.

PCS -- Personal Communication Services -- PCS encompasses a range of advanced wireless mobile technologies and services. It promises to permit communications to anyone, anywhere and anytime while on the move. The Cellular Telecommunications Industry Association (CTIA) defines PCS as a "wide range of wireless mobile technologies, chiefly cellular, paging, cordless, voice, personal communications networks, mobile data, wireless PBX, specialized mobile radio, and satellite-based systems." The FCC defines PCS as a "family of mobile or portable radio communications services that encompasses mobile and ancillary fixed communications services to individuals and businesses and can be integrated with a variety of competing networks."

PBX -- Private Branch Exchange -- A customer premise communication switch used to connect customer telephones (and related equipment) to LEC central office lines (trunks), and to switch internal calls within the customer's telephone system. Modern PBXs offer numerous software-controlled features such as call forwarding and call pickup. A PBX uses technology similar to that used by a central office switch (on a smaller scale). (The acronym PBX originally stood for "Plug Board Exchange.")

POP -- Point of Presence -- The physical access location interface between a LEC and an IXC network. The point to which the telephone company terminates a subscriber's circuit for long-distance service or leased line communications.

PRI -- Primary Rate Interface -- An ISDN circuit transmitting at T1 (DS-1) speed (equivalent to 24 voice-grade channels). One of the channels ("D") is used for signaling, leaving 23 ("B") channels for data and voice communication.

Private Line -- Uses dedicated circuits to connect customer's equipment at both ends of the line. Does not provide any switching capability (unless supported by customer premise equipment). Usually includes two local loops and an IXC circuit.

Private Network -- A communications network with restricted (controlled) access usually made up of private lines (with some PBX switching).

RCA -- Regulatory Commission Of Alaska -- A state regulatory body empowered to establish and enforce rules and regulations governing public utility companies and others, such as the Company, within the State of Alaska (sometimes referred to as Public Service Commissions, or PSCs, or Public Utility Commissions, or PUCs). Previously known as the Alaska Public Utilities Commission (APUC).

Reciprocal Compensation -- The same compensation of a new CLEC for termination of a local call by the BOC on its network, as the new competitor pays the BOC for termination of local calls on the BOC network.

Schoolaccess(TM) -- The Company's Internet and related services offering to schools in Alaska. The federal mandate through the 1996 Telecom Act to provide universal service resulted in schools across Alaska qualifying for varying levels of discounts to support the provision of Internet services. The Universal Service Administrative Company through its Schools and Libraries Division administers this federal program.

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SDN -- Software Defined Network -- A switched long-distance service for very large users with multiple locations. Instead of putting together their own network, large users can get special usage rates for calls carried on regular switched long-distance lines.

Securities Reform Act - The Private Securities Litigation Reform Act of 1995.

Senior Holdings Loan -- Holding's \$150,000,000 and \$50,000,000 credit facilities. You should see note 5(b) to the accompanying Notes to Consolidated Financial Statements included in Part II of this Report for more information.

SMATV -- Satellite Master Antenna Television -- (also known as "private cable systems") are multichannel video programming distribution systems that serve residential, multiple-dwelling units ("MDUs"), and various other buildings and complexes. A SMATV system typically offers the same type of programming as a cable system, and the operation of a SMATV system largely resembles that of a cable system -- a satellite dish receives the programming signals, equipment processes the signals, and wires distribute the programming to individual dwelling units. The primary difference between the two is that a SMATV system typically is an unfranchised, stand-alone system that serves a single building or complex, or a small number of buildings or complexes in relatively close proximity to each other.

SONET -- Synchronous Optical Network -- A 1984 standard for optical fiber transmission on the public network. 52 mbps to 13.22 Gigabits per second, effective for ISDN services including Asynchronous Transfer Mode.

Sprint -- Sprint Corporation -- one of our significant customers.

TCP/IP -- Transmission Control Protocol/Internet Protocol -- A suite of network protocols that allows computers with different architectures and operating system software to communicate with other computers on the Internet.

T-1 -- A data communications circuit capable of transmitting data at 1.5 mbps.

Tariff -- The schedule of rates and regulations set by communications common carriers and filed with the appropriate federal and state regulatory agencies; the published official list of charges, terms and conditions governing provision of a specific communications service or facility, which functions in lieu of a contract between the subscriber or user and the supplier or carrier.

TRS Services -- Telecommunications Relay Services -- Enables telephone conversations between people with and without hearing or speech disabilities. TRS relies on communications assistants ("CA") to relay the content of calls between users of text telephones ("TTYs") and users of traditional handsets (voice users). For example, a TTY user may telephone a voice user by calling a TRS provider where a CA will place the call to the voice user and relay the conversation by transcribing spoken content for the TTY user and reading text aloud for the voice user.

UNE -- Unbundled Network Element -- A discrete piece part of a telephone network. Unbundled network elements are the basic network functions, i.e., the piece parts needed to provide a full range of telecommunications services. They are physical facilities as well as all the features, and capabilities provided by those facilities.

VSAT -- Very Small Aperture Terminal -- A portable satellite terminal that allows connection via a satellite link.

WAN -- Wide Area Network - A remote computer communications system. WANs allow file sharing among geographically distributed workgroups (typically at higher cost and slower speed than LANs or MANs). WANs typically use common carriers' circuits and networks. WANs may serve as a customized communication backbone

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that interconnects all of an organization's local networks with communications trunks that are designed to be appropriate for anticipated communication rates and volumes between nodes.

World Wide Web or Web -- A collection of computer systems supporting a communications protocol that permits multi-media presentation of information over the Internet.

WorldCom -- WorldCom, Inc. -- owns approximately 18% of our common stock, presently has two representatives on our Board, and is one of our major customers. Prior to May 1, 2000, the Company was named MCI WorldCom, Inc.

1984 Cable Act -- The Cable Communications Policy Act of 1984.

1992 Cable Act -- The Cable Television Consumer Protection and Competition Act of 1992.

1996 Telecom Act -- The Telecommunications Act of 1996 - The 1996 Telecom Act was signed into law February 8, 1996. Under its provisions, BOCs were allowed to immediately begin manufacturing, research and development; GTE Corp. could begin providing interexchange services through its telephone companies nationwide; laws in 27 states that foreclosed competition were knocked down; co-carrier status for CLECs was ratified; and the physical collocation of competitors' facilities in LECs central offices was allowed.

The legislation breaks down the old barriers that prevented three groups of companies, the LECs, including the BOCs, the long-distance carriers, and the cable TV operators, from competing head-to-head with each other. The Act requires LECs to let new competitors into their business. It also requires the LECs to open up their networks to ensure that new market entrants have a fair chance of competing. The bulk of the legislation is devoted to establishing the terms under which the LECs, and more specifically the BOCs, must open up their networks.

The 1996 Telecom Act substantially changed the competitive and regulatory environment for telecommunications providers by significantly amending the Communications Act including certain of the rate regulation provisions previously imposed by the Cable Television Consumer Protection and Competition Act of 1992 (the "1992 Cable Act"). The 1996 Telecom Act eliminated rate regulation of the cable programming service tier in 1999. Further, the regulatory environment will continue to change pending, among other things, the outcome of legal challenges and FCC rulemaking and enforcement activity in respect of the 1992 Cable Act and the completion of a significant number of FCC rulemakings under the 1996 Telecom Act.

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Cautionary Statement Regarding Forward-Looking Statements

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

may cause our actual results, performance, achievements, plans and objectives to differ materially from any future results, performance, achievements, plans and objectives expressed or implied by these forward-looking statements. In evaluating those statements, you should specifically consider various factors, including those outlined below. Those factors may cause our actual results to differ materially from any of our forward-looking statements. For these statements, we claim the protection of the safe harbor for forward-looking statements provided by the Securities Reform Act. Such risks, uncertainties and other factors include but are not limited to those identified below and those further described in Part I, Item 1. Factors That May Affect Our Business and Future Results.

- Material adverse changes in the economic conditions in the markets we serve and in general economic conditions;
- The efficacy of the rules and regulations to be adopted by the FCC and state public regulatory agencies to implement the provisions of the 1996 Telecom Act; the outcome of litigation relative thereto; and the impact of regulatory changes relating to access reform;
- Our responses to competitive products, services and pricing, including pricing pressures, technological developments, alternative routing developments, and the ability to offer combined service packages that include local, cable and Internet services;
- The extent and pace at which different competitive environments develop for each segment of our business;
- The extent and duration for which competitors from each segment of the telecommunication industries are able to offer combined or full service packages prior to our being able to do so;
- The degree to which we experience material competitive impacts to our traditional service offerings prior to achieving adequate local service entry;
- Competitor responses to our products and services and overall market acceptance of such products and services;
- The outcome of our negotiations with incumbent local exchange carriers and state regulatory arbitrations and approvals with respect to interconnection agreements;
- Our ability to purchase network elements or wholesale services from incumbent local exchange carriers at a price sufficient to permit the profitable offering of local telephone service at competitive rates;
- Success and market acceptance for new initiatives, many of which are untested;
- The level and timing of the growth and profitability of new initiatives, particularly local telephone services expansion, Internet (consumer and business) services expansion and wireless services;
- Start-up costs associated with entering new markets, including advertising and promotional efforts;
- Risks relating to the operations of new systems and technologies and applications to support new initiatives;
- Local conditions and obstacles;
- The impact of oversupply of capacity resulting from excessive deployment of network capacity;
- Uncertainties inherent in new business strategies, new product launches and development plans, including local telephone services, Internet services, wireless services, digital video services, cable modem services, DSL services, and transmission services and the offering of these services in geographic areas with which we are unfamiliar;
- The risks associated with technological requirements, technology substitution and changes and other

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- technological developments;
- Development and financing of telecommunication, local telephone, wireless, Internet and cable networks and services;
- Future financial performance, including the availability, terms and deployment of capital; the impact of regulatory and competitive developments on capital outlays, and the ability to achieve cost savings and realize productivity improvements and the consequences of increased leverage;
- Availability of qualified personnel;
- Changes in, or failure, or inability, to comply with, government regulations, including, without limitation, regulations of the FCC, the RCA, and adverse outcomes from regulatory proceedings;
- Uncertainties in federal military spending levels and military base closures in markets in which we operate;
- The ongoing global and domestic trend towards consolidation in the telecommunications industry, which trend may be the effect of making the competitors larger and better financed and afford these competitors with extensive resources and greater geographic reach, allowing them to compete more effectively;
- Economic and other uncertainties arising from the terrorist attacks in America on September 11, 2001; and
- Other risks detailed from time to time in our periodic reports filed with the Securities and Exchange Commission.

You should not place undue reliance on any such forward-looking statements.

Further, any forward-looking statement, and such risks, uncertainties and other factors speak, only as of the date on which it was originally made and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement to reflect any change in our expectations with regard to those statements or any other change in events, conditions or circumstances on which any such statement is based, except as required by law. 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.

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Part I

Item 1. Business

General

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

GCI was incorporated in 1979 under the laws of the state of Alaska and has its principal executive offices at 2550 Denali Street, Suite 1000, Anchorage, AK 99503 (telephone number 907-265-5600). Internet users can access information about GCI and its services at <http://www.gci.com/>, <http://www.alaskaunited.com/>, and <http://www.gcisa.com/>. The Company hosts Internet services at <http://www.gci.net/>.

GCI is primarily a holding company and together with its direct and indirect subsidiaries, is a diversified telecommunications provider with a leading position in facilities-based long-distance service in the state of Alaska and is Alaska's leading cable television and Internet services provider.

We are a significant provider in Alaska of an integrated package of long-distance, local and wireless telecommunications services, cable television services and Internet services and are well positioned to take advantage of growth opportunities in the communications, data and entertainment markets.

Financial Information About Industry Segments

We have four reportable segments: long-distance services, cable services, local access services and Internet services. For information required by this section, you should see Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations. Also refer to Note 9 included in Part II, Item 8, Consolidated Financial Statements and Supplementary Data.

Historical Development of our Business During the Past Fiscal Year

Acquisitions

We finalized the acquisition of a cable system operator's assets in the Fairbanks area in the first quarter of 2001, adding approximately 1,000 subscribers to our network and an additional 2,000 homes passed.

We acquired customers from a local ISP in the second quarter of 2001 that added over 3,300 subscribers and about 150 domain names to our GCI.net domain.

Effective June 30, 2001, we acquired from WorldCom an 85% controlling interest in the corporation owning the 800-mile fiber optic cable system that extends from Prudhoe Bay, Alaska to Valdez, Alaska via Fairbanks. We issued to WorldCom shares of a new series of Class C preferred stock valued at \$10 million. See Note 1(e) included in Part II, Item 8, Consolidated Financial Statements and Supplementary Data. We are enhancing the system and have incorporated its operation into our operations control systems. We expect these enhancements to improve our voice, Internet and data services in interior Alaska, as well as third party vendors' services that utilize capacity on the fiber optic system. We entered into a fifteen year contract in July 2001 to provide communication services to a customer, including long distance service, voice and dedicated data circuits, cable television and private broadcast services, Internet and transparent local area network services. We entered into a second agreement in December 2001 to demonstrate our capabilities to support the customer's control systems communications. Such services support operations of the Trans-Alaska Pipeline System.

Effective November 19, 2001 we acquired from Rogers Cable, Inc., for \$19 million in cash, 100% of the common stock of Rogers American Cablesystems, Inc., a cable TV provider in the Wasilla and Palmer, Alaska areas. The acquisition added approximately 7,000 subscribers to our network and an additional 10,000 homes passed. We

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plan to invest \$4 to \$5 million over the next two years to migrate technical and billing functions onto our platform, upgrade the plant and implement digital programming.

Fiber Capacity Sale

We completed a \$19.5 million sale of long-haul capacity in the Alaska United

undersea fiber optic cable system in a cash transaction in the first quarter of 2001. The sale included both capacity within Alaska, and between Alaska and the Lower 48 states. We used the proceeds from the fiber capacity sale to repay \$11.7 million of the Fiber Facility debt and to fund capital expenditures and working capital.

Properties Expansion

We began efforts in 2001 to connect Palmer and Wasilla, Alaska to our fiber optic network in Anchorage. We completed the first phase of the project in February 2002, connecting our network in Anchorage to our Wasilla Call Center with fiber optic cable facilities. The second phase will connect and expand our facilities to provide cable and entertainment services to the Palmer-Wasilla area. We expect that work to be complete in 2002. Upon completion, we will provide cable television programming content from our Anchorage head end facility to Palmer and Wasilla.

Cable Services Expansion

We continued to upgrade and expand our cable infrastructure in 2001. These efforts increased the capacity and reliability of our systems, making possible further deployment of two-way applications such as cable modems and digital cable television programming, and provided capacity for additional program and service offerings.

We extended our digital cable service to the Juneau, Kenai and Soldotna, Alaska markets in 2001. Digital cable service allows us to use digital compression to substantially increase the capacity of our cable communications systems, improve picture quality and provide CD quality audio. Digital cable subscriber counts in all locations totaled approximately 24,500 in 2001, an increase of 62.5% as compared to 2000.

Cable modem subscriber counts increased 64.5% in 2001 as compared to 2000. Approximately 86.2% of our cable customers are able to receive cable modem service. Cable modems are deployed in approximately 11.2% of the homes passed by our cable systems in markets offering such service, which we believe is well above the national average. Cable modem services provide high-speed, dedicated access to the Internet through our coaxial cable network.

We launched video-on-demand service to certain of our Anchorage commercial customers and expect to provide this service to more customers in 2002. This service passed 877 hotel rooms at December 31, 2001. During 2001 we launched digital special interest channels and residential pay per view in the Kenai and Soldotna markets, digital special interest channels in the Juneau market, advanced analog programming in the Sitka market, and added new channels in several other markets.

We continue to evaluate technology and the feasibility of using our cable plant for telephone services that will enable us to deliver local telephone access services on our own network. Testing and design is underway with regard to alternative equipment, cable plant, the method of powering the system and operational support systems. Upgrades have been made to a node in our Anchorage plant to create a test platform for cable telephony.

Local Access Services Expansion

We had approximately 79,200 local access services lines in service in Anchorage and Fairbanks, Alaska at December 31, 2001, a 27.5% increase from December 31, 2000. In late 2001 we began selling GCI local services in Juneau with conversions beginning in the first quarter of 2002. We continue to evaluate expanded implementation of wireless local loop and cable telephony technologies.

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We filed a bona fide request with the ILEC, ACS of the Northland, Inc, in 2001 to negotiate rates and services in order to provide competitive local access services in Nenana, Ft. Greely, North Pole, Delta Junction, Kenai, Soldotna, Ninilchik, Homer, Seldovia and Kodiak, Alaska. The request will be negotiated, and possibly arbitrated before the RCA under the terms of the 1996 Telecom Act and the RCA must approve our entry into these markets before we can provide local access services. We are unable to predict when or if we will receive such approvals.

You should see Part I, Item 1. Business, Narrative Description of our Business - Local Access Services, and Part I, Item 1. Regulation, Franchise Authorities and Tariffs - Telecommunication Operations for more information.

Internet and Broadband Services Expansion

We provided Internet service to approximately 69,900 dial-up subscribers at December 31, 2001, a 11.8% increase from December 31, 2000. We provided service to approximately 26,500 cable modem subscribers at December 31, 2001, a 64.5% increase from December 31, 2000.

Our SchoolAccess(TM) program was first deployed successfully in Alaska where we provide satellite-delivered voice, video and data services to many of the state's rural communities. More than 70,000 rural Alaska students are now connected to the Internet with SchoolAccess(TM). We provide e-mail service, a custom user interface, a help desk, onsite training, security, network

optimization, network management, content filtering services and website hosting for 216 schools in rural Alaska using SchoolAccess(TM), and provide Internet only services to approximately 100 additional schools. We signed three-year contracts in 2001 with each of the 64 Alaska schools that re-bid their SchoolAccess(TM) service.

We signed agreements in April 2001 to deploy our SchoolAccess(TM) services to nine school districts comprising 22 schools in rural New Mexico and Arizona, serving more than 10,500 students. Service activation occurred in the third quarter of 2001. We began a SchoolAccess(TM) evaluation project in two rural Montana schools in November 2001, and plan to further market our SchoolAccess(TM) product in Montana and other suitable locations.

We deployed high-speed broadband TeleHealth services in 2001 using an advanced satellite network to 28 villages served by the Bristol Bay Health Corporation in the Dillingham, Alaska area; eight villages for the Yukon-Kuskokwim Health Corporation in the Bethel, Alaska area; 16 villages for the Norton Sound Health Corporation in the Nome, Alaska area; and six villages in the Eastern Aleutian area. At the end of 2001 we provided TeleHealth services to approximately 70 western Alaska communities. This broadband service allows remote communities to access health specialists and others in Alaska and elsewhere for consultation and diagnostic services using a combination of video, voice and data services.

We announced in 2001 our intent to provide Internet services to 152 Alaska communities that we currently serve by 2004. The estimated \$15 million project will deliver high-speed Internet by cable modem, DSL and wireless technologies. A considerable expansion of facilities was made in 2001 to support cable modem Internet service launches in Valdez, Sitka, Nome and Seward, Alaska, and to prepare for the launches in Kenai and Soldotna, Alaska in January 2002. We expect to deploy cable modem service in Petersburg and Wrangell, Alaska by the end of the second quarter 2002; and Ketchikan, Bethel, Cordova, Homer, Kodiak, and Kotzebue, Alaska by the end of 2002. The Kenai and Soldotna launches were the first U.S. deployment of a cable modem platform using the new DOCSIS 1.1 standard. This new standard supports tiered levels of service, provides quality of service measurement, and supports voice traffic over coaxial cable systems.

We began providing 56 kilobit and high-speed Internet access services in the third quarter of 2001 to 10 rural Alaska villages in the Northwest Arctic region of Alaska. We deliver high-speed Internet services locally in the villages through the ILEC's DSL service or our unlicensed 2.4 GHz band fixed wireless service. All long-haul transport is delivered through our satellite and associated facilities. Before this agreement, villages in the Northwest Arctic area did not have local access to Internet services.

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We converted our Internet technical support in early 2001 to an in-house service that operates 24 hours a day, seven days a week, and added approximately 30 jobs to the Anchorage area economy.

PCS and LMDS Licenses

We have invested approximately \$1.96 million in our PCS license at December 31, 2001. In June 2000 we began providing fixed wireless dial-tone services in Anchorage over our PCS system, meeting the FCC requirement to provide coverage of a commercial offering to at least one-third of our market population within five years of being licensed. We presently offer our fixed wireless service to customers that are not connected to the ILEC or our physical plant. We invested approximately \$275,000 in our LMDS license in 1998. LMDS licensees are required to provide 'substantial service' in their service regions within 10 years.

Digital Cellular Service

We began offering digital cellular telephone service in 2001 in addition to analog service. We are presently reselling cellular service to our customers.

The Link

We launched The Link product in 2001, an innovative service for professionals, business owners and others who cannot afford to miss a phone call, fax, e-mail or voice mail message. This convergent product gathers these incoming messages into a virtual mailbox. The Link users can use this virtual mailbox to stay in touch with clients, customers, family and more.

Contract Extensions

We re-negotiated and signed a contract in 2001 with WorldCom for an additional five-year term, and in 2002 with Sprint for an initial five-year term. The contracts allow us to continue to carry all of their traffic to and from Alaska. We signed a five-year contract in 2001 allowing us to continue providing entertainment and other cable services to Elmendorf Air Force Base.

State of Alaska Services

The State of Alaska announced in the fourth quarter of 2001 its intent to award a contract for comprehensive telecom services to one of our competitors beginning in the second half of 2002. The contract award was subject to a competitive bidding process that concluded in 2001. We estimate that we currently derive approximately \$3 million in annual revenues from the State of Alaska for services that will eventually be transitioned off of our network.

Telephone Relay Service Contract

The RCA notified us in the fourth quarter of 2001 that our bid to continue to provide telephone relay services in Alaska was not successful. Such service was transitioned to Sprint in early 2002. Sprint now provides this service through its service centers in the Lower 48 states. We carry Sprint's traffic to and from Alaska and will continue to generate revenues associated with this traffic in our Long Distance segment. Affected employees have been transitioned to customer service positions. Loss of the telephone relay services contract will not have a material impact on our liquidity, results of operations and cash flows.

Narrative Description of our Business

General

We operate a broadband communications network that permits the delivery of a seamless integrated bundle of communications, entertainment and information services. We offer a wide array of consumer and business communications and entertainment services--including local telephone, long-distance and wireless communications, cable television, consulting services, network and desktop computing outsourced services, and dial-up and broadband (cable modem, wireless and DSL) Internet access services at a wide range of speeds--all under the GCI brand name.

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We believe that the size and growth potential of the voice, video and data market, the increasing deregulation of telecommunication services, and the increased convergence of telephony, wireless, and cable services offer us considerable opportunities to continue to integrate our telecommunication, Internet and cable services and expand into communications markets both within and, longer-term, outside of Alaska.

Considerable deregulation has already taken place in the United States because of the 1996 Telecom Act with the barriers to competition between long-distance, local exchange and cable providers being lowered. We believe our acquisition of cable television systems and our development of local exchange service, Internet services, broadband services, and wireless services leave us well positioned to take advantage of deregulated markets.

We are one of Alaska's leading providers of telecommunication, Internet and cable television services and maintain a strong competitive position. There is active competition in the sale of substantially all products and services we offer.

Competition in the Communications Industry

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

Alaska Voice, Video and Data Markets

We estimate that the aggregate telecommunications, cable television, and Internet markets in Alaska generated revenues in 2001 of approximately \$1.1 billion. Of this amount, approximately \$480 million was attributable to interstate and intrastate long-distance service, \$350 million was attributable to local exchange services, \$88 million was attributed to cable television, and \$182 million was attributable to all other services, including wireless and Internet services.

The Alaskan voice, video and data markets are unique within the United States. Alaska is geographically distant from the rest of the United States and is generally characterized by large geographical size and relatively small, dense population clusters (with the exception of population centers such as Anchorage, Fairbanks and Juneau). It lacks a well-developed terrestrial transportation infrastructure, and the majority of Alaska's communities are accessible only by air or water. As a result, Alaska's telecommunication networks are different from those found in the Lower 49 states.

Alaska continues to rely extensively on satellite-based long-distance transmission for intrastate calling between remote communities where investment in a terrestrial network would be uneconomic or impractical. Also, given the geographic isolation of Alaska's communities and lack, in many cases, of major civic institutions such as hospitals, libraries and universities, Alaskans are dependent on telecommunications to access the resources and information of large metropolitan areas in Alaska, the rest of the U.S. and elsewhere. In addition to satellite-based communications, the telecommunications infrastructure in Alaska includes fiber optic cables between Anchorage, Valdez, Fairbanks, Prudhoe Bay, and Juneau, traditional copper wire, and digital microwave radio on the Kenai Peninsula and other locations. For interstate and international communication, Alaska is connected to the Lower 48 states by three fiber optic cables.

Fiber optics is the preferred method of carrying Internet, voice, video and data

communications over long distances, eliminating the delay commonly found in satellite connections. Widespread use of high capacity fiber optic facilities is expected to allow continued expansion of business, government and educational infrastructure in Alaska.

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Long-Distance Services

Industry

Until the 1970s, AT&T had a virtual monopoly on long distance service in the United States. In the 1970s, competitors such as MCI (now WorldCom) and Sprint began to offer long distance service. With the gradual emergence of competition, basic rates dropped, calling surged, and AT&T's dominance declined. More than 700 companies now offer long distance service. AT&T's 1984 toll revenues were about 90% of those reported by all long distance carriers. By 2000, AT&T's revenues had declined to less than 40% of those reported by all long distance carriers. The FCC's regulation of AT&T as a "dominant" carrier ended in 1995. The two largest market entrants, WorldCom and Sprint, have obtained a 32% combined market share through 2000.

Because of this competition, the cost of long distance calling dropped from 32 cents per minute in 1984 to 14 cents per minute in 1999. The average price of 14 cents per minute represents a mix of international calling (an average of 56 cents per minute) and domestic interstate calling (an average of 11 cents per minute). The decline in prices since 1984 is more than 70% after adjusting for the impact of inflation.

The FCC reports that more than twenty million households have been added to the nation's telephone system since November 1983. As of November 2000, 100.2 million households had telephone service. The FCC reports that approximately 2% of all consumer expenditures are devoted to telephone service. This percentage has remained relatively constant over the past 15 years, despite major changes in the telephone industry and in telephone usage. Average annual expenditures on telephone service increased from \$325 per household in 1980 to \$849 in 1999.

Since 1970, the FCC reports that over 90% of households and virtually all businesses have subscribed to telephone service. Line growth over time, averaging about 3% per year, has historically reflected growth in the population and the economy. In recent years, the growth in lines has increased as households have added additional lines. The percentage of additional lines for households with telephone service has increased from approximately 3% in 1988 to about 29% in 1999.

The FCC reports that approximately \$108 billion was derived from toll services in 2000. 99.1 million households had telephone services, an increase of 20 million households since 1983. Approximately \$33 billion is derived from intrastate, \$55 billion from interstate, and \$20 billion from international toll services. Interstate minutes of use quadrupled to 600 billion minutes from 1983, while long distance toll revenues increased 65%, from \$60 billion in 1983 to \$99 billion.

International telecommunications has become an increasingly important segment of the telecommunications market. The FCC reports that the number of calls made from the United States to other countries increased from 200 million in 1980 to 5.2 billion in 1999. Americans spent about \$14 billion on international calls in 1999. On average, carriers billed 51 cents per minute for international calls in 1999, a decline of more than 50% since 1980. Five markets, Canada, Mexico, the United Kingdom, Germany, and Japan, currently account for approximately 44% of the international calls billed in the United States.

The United States Congress passed the 1996 Telecom Act that permitted the local phone companies, the long-distance companies, and the cable service firms to compete in each other's market. Its purpose was to move from a regulated monopoly model of telecommunications to a deregulatory competitive markets model. The 1996 Telecom Act has provided the telecommunications industry with new capabilities resulting in an industry that is more competitive than ever before.

Advancements are expected to continue to combine wireline and wireless services directed toward voice communication with other activities such as data sharing, on-screen collaboration, faxing, Internet access, and game playing, among many other things.

Liquidity concerns add to the telecommunication industry's ongoing pressures such as reduced demand for telephone lines and high-speed data services, low per-minute rates for long-distance service, and a slowdown in

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the wireless telephone sector. The global telecommunications industry has reportedly cut tens of thousands of jobs and has put billions of dollars of spending on hold due to the economic slowdown occurring in markets across the world. With the U.S. economy still weak, traditional telephone companies have been cutting earnings forecasts, jobs and capital spending plans which has pushed the makers of equipment that directs voice and data traffic to delay or

abandon expansion plans.

Global telecommunication industry stocks as a group dropped 27% in 2001 through November and dropped 62% from a peak in March 2000, according to analysts from brokerage firm Merrill Lynch & Co., Inc. The telecom industry's capital spending forecasts project a decline in 2002 of from 10% to 25%. Analysts believe that growth will return over time to the traditional range of 10% to 12% annually.

Deteriorating conditions in the economy and in the telecommunications industry have led to reorganizations, mergers and divestitures. AT&T and Comcast Corporation announced in December 2001 their agreement to combine AT&T Broadband with Comcast in a transaction that values AT&T Broadband at an aggregate value of \$72 billion (approximately \$4,500 per subscriber). The resulting AT&T Comcast Corporation is expected to develop and deploy new broadband applications such as video-on-demand and interactive television. The transaction is expected to close at the end of 2002, subject to regulatory review, approval by both companies' shareholders, and certain other conditions.

AT&T also intends to proceed with other aspects of its previously announced restructuring, including the creation of a tracking stock for its consumer services unit, which is expected to be fully distributed to AT&T shareholders following shareholder approval in mid-2002.

WorldCom, also struggling with a declining stock price, created two separately traded tracking stocks: WorldCom Group which reflects the performance of its core data, Internet, hosting and international businesses, and MCI Group, which reflects the performance of its consumer, small business, wholesale long-distance voice and dial-up Internet access operations.

Industry analysts believe companies will be successful in the long-term if they can minimize regulatory battles and offer a full suite of integrated services to their customers, using a network that is largely under their control.

Growth in data is expected to continue to be a key component of industry revenue growth. We believe that the data telecommunications business will eventually rival and perhaps become larger than the traditional voice telephony market. ISPs have become major customers and many long-distance companies have acquired ISPs and web-hosting companies.

The U.S. House of Representatives in February 2002 adopted a measure that would allow LECs to offer long-distance data services without first opening their networks to competitors as they must under the 1996 Telecommunications Act. Local telephone carriers argue that the measure would accelerate the deployment of high-speed Internet service using DSL technology. These dominant carriers compete with cable companies for high-speed Internet access customers. Analysts report that cable operators have approximately 6.4 million subscribers compared to 3.1 million DSL customers. The future of the measure in the U.S. Senate is uncertain.

We believe that federal and state legislators and regulators will continue to influence the telecommunications industry in 2002. Consummation of mergers between and spin-offs from long-distance companies, local access services companies, and cable television companies have occurred which blur the distinction between product lines and competitors. Synergies developed through mergers and acquisitions and obtaining end-to-end connectivity with customers is expected to continue to drive long-run profitability and success in penetrating new markets. Several mergers received final regulatory approval in 2001. The FCC approved the AOL-Time Warner merger in January 2001, and WorldCom's merger with Intermedia Communications Inc. was completed in July 2001.

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General

We supply a full range of common carrier long-distance and other telecommunication products and services. We operate a modern, competitive telecommunications network employing the latest digital transmission technology based upon fiber optic and digital microwave facilities within and between Anchorage, Fairbanks and Juneau, Alaska. Our facilities include a self-constructed and financed digital fiber optic cable and additional owned capacity on another undersea fiber optic cable, both linking Alaska to the networks of other carriers in the Lower 49 states. We use satellite transponders to transmit voice and data traffic to remote areas of Alaska. Virtually all switched services are computer controlled, digitally switched, and interconnected by a packet switched SS7 signaling network.

We provide interstate and intrastate long-distance services throughout Alaska using our own facilities or facilities leased from other carriers. We also provide (or join in providing with other carriers) telecommunication services to and from Alaska, Hawaii, the Lower 48 states, and many foreign nations and territories.

We offer cellular services by reselling other cellular providers' services. We offer wireless local access services over our own facilities, and have purchased PCS and LMDS wireless broadband licenses in FCC auctions covering markets in Alaska.

Products

Our long-distance services industry segment is engaged in the transmission of interstate and intrastate-switched message telephone service and private line and private network communication service between the major communities in Alaska, and the remaining United States and foreign countries. Our message toll services include intrastate, interstate and international direct dial, toll-free 800, 888, 877 and 866 services, GCI calling card, operator and enhanced conference calling, frame relay, SDN, ISDN technology based services, as well as termination of northbound toll service for WorldCom, Sprint and several large resellers who do not have facilities of their own in Alaska. We also provide origination of southbound calling card and toll-free 800, 888, 877 and 866 toll services for WorldCom, Sprint, and other IXCs. We offer our message services to commercial, residential, and government subscribers. Subscribers may generally cancel service at any time. Toll, private line, broadband and related services account for approximately 53.5%, 60.4% and 57.0% of our 2001, 2000 and 1999 revenues, respectively. Broadband services include our SchoolAccess(TM) and Rural Health initiatives. Private line and private network services utilize voice and data transmission circuits, dedicated to particular subscribers, which link a device in one location to another in a different location.

We have positioned ourselves as a price and customer service leader in the Alaska telecommunication market. Rates charged for our long-distance services are generally designed to be equal to or below those for comparable services provided by our competitors.

In addition to providing communication services, we also design, sell, service and operate, on behalf of certain customers, dedicated communication and computer networking equipment and provide field/depot, third party, technical support, telecommunications consulting and outsourcing services through our Network Solutions business. We also supply integrated voice and data communication systems incorporating interstate and intrastate digital private lines, point-to-point and multipoint private network and small earth station services. Our Network Solutions sales and services revenue totaled \$16.3 million, \$9.2 million and \$5.7 million in the years ended December 31, 2001, 2000 and 1999, respectively, or approximately 4.6%, 3.2% and 2.1% of total revenues, respectively. Presently, there are 18 competing companies in Alaska that actively sell and maintain data and voice communication systems. Twelve are located in Anchorage, four in Fairbanks and two in Juneau.

Our ability to integrate telecommunications networks and data communication equipment has allowed us to maintain our market position based on "value added" support services rather than price competition. These services are blended with other transport products into unique customer solutions, including managed services and outsourcing.

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Facilities

Our telecommunication facilities include an undersea fiber optic cable connecting Whittier, Valdez and Juneau, Alaska and Seattle, Washington, which was placed into service in February 1999. We also own a portion of a second undersea fiber optic cable linking Alaska to the Lower 48 states. The fiber optic cables allow us to carry our Anchorage, Eagle River, Wasilla, Palmer, Kenai Peninsula, Valdez, Whittier, Delta Junction, Prudhoe Bay, Glenallen, Fairbanks, Juneau, Ketchikan, and Sitka, Alaska traffic to and from the contiguous Lower 48 states over terrestrial circuits, eliminating the one-quarter second delay associated with satellite circuits. We own other terrestrial fiber optic cables to transport our traffic from Anchorage to Whittier and from Whittier to Deadhorse, Alaska, including connectivity to intermediate communities of Valdez, Glenallen, Delta Junction, and Fairbanks.

Other facilities include major earth stations at Eagle River, Fairbanks, Juneau, Kodiak, Dutch Harbor, Barrow, Bethel, Nome, Dillingham, Kotzebue, King Salmon, Adak, and Cordova, all in Alaska, and at Issaquah, Washington, serving the communities in their vicinity. The Eagle River and Fairbanks earth stations are linked by digital microwave facilities to distribution centers in Anchorage and Fairbanks, respectively. We completed construction of a fiber optic cable system from the Anchorage distribution center to the Eagle River central office in the second quarter of 2000. The Issaquah earth station is connected with the Seattle distribution center by means of diversely routed leased fiber optic cable transmission systems, each having the capability to restore the other in the event of failure. The Juneau earth station and distribution centers are collocated. We also have digital microwave facilities serving the Kenai Peninsula communities.

We use our DAMA facilities to serve 56 additional locations throughout Alaska. The digital DAMA system allows calls to be made between remote villages using only one satellite hop thereby reducing satellite delay and capacity requirements while improving quality. We obtained the necessary RCA and FCC approvals waiving current prohibitions against construction of competitive facilities in certain rural Alaska communities, allowing for deployment of DAMA technology in 56 sites in rural Alaska on a demonstration basis. In addition, over 80 VSAT facilities provide dedicated Internet access to rural public schools throughout Alaska.

Our Anchorage, Fairbanks, and Juneau distribution centers contain electronic switches to route calls to and from local exchange companies and, in Seattle, to obtain access to WorldCom, Sprint and other facilities to distribute our southbound traffic to the remaining 49 states and international destinations. In Anchorage, a digital host switch manufactured by Lucent Technologies is connected with fiber to seven remote facilities that are co-located in the ILEC's switching centers, to provide both local and long distance service. Our extensive metropolitan area fiber network in Anchorage supports cable television, Internet and telephony services. The Anchorage, Fairbanks, and Juneau facilities also include digital access cross-connect systems, frame relay data switches, Internet platforms, and in Anchorage, a co-location facility for interconnecting and hosting equipment for other carriers. We also maintain an operator and customer service center in Wasilla, Alaska.

In 2001 we constructed a new switching center in Fairbanks and installed a new Lucent Technologies switch to enable the provisioning of local telephony services in the Fairbanks market. The existing Fairbanks long distance toll switch was decommissioned in December 2001 after over 15 years of service. Essentially all toll traffic from Fairbanks is now routed to Anchorage. The first ILEC collocation office was also constructed during 2001 to enable access to a portion of the Fairbanks ILEC UNE loop facilities. Fairbanks UNE loop provisioning began in early 2002. A second collocation office is currently under construction that we expect to complete in the second quarter of 2002.

We also installed a new, similar Lucent Technologies switch in our Juneau distribution center, also enabling local services to be launched in the Juneau market in early 2002. This new Juneau switch will replace the existing toll switch in Juneau, which we expect to decommission in 2002 after over 15 years of service. One collocation office and a second adjacent collocation facility are under construction at two of the Juneau ILEC central offices. We expect to place these collocation facilities in service in 2002 enabling UNE loop access to a portion of the Juneau ILEC's loop facilities.

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We completed construction and placed into service in February 1999 a fiber optic cable system that interconnects Anchorage, Whittier, Valdez, Fairbanks, Deadhorse and Juneau, Alaska and Seattle Washington. We also own a portion of a second undersea fiber optic cable that links Alaska with the Lower 48 states. The fiber optic cables allow us to carry our Anchorage, Eagle River, Wasilla, Palmer, Kenai Peninsula, Valdez, Whittier, Delta Junction, Prudhoe Bay, Glenallen, Fairbanks, Juneau, Ketchikan, and Sitka area traffic to and from the Lower 48 states over terrestrial circuits, eliminating the one-quarter second delay associated with satellite circuits. Our preferred routing for this traffic is via undersea fiber optic cable, which makes available satellite capacity to carry our rural interstate and intrastate traffic.

We employ satellite transmission for rural intrastate and interstate traffic and certain other major routes. We acquired satellite transponders on PanAmSat Corporation ("PanAmSat") Galaxy XR satellite in March 2000 to meet our long-term satellite capacity requirements.

In 2000 we began deploying a new packet data satellite transmission technology for the efficient transport of broadband data in support of our rural health and SchoolAccess(TM) initiatives. We continued to deploy and upgrade this network during 2001 and expect to further expand and upgrade this network during 2002.

We employ advanced digital transmission technologies to carry as many voice circuits as possible through a satellite transponder without sacrificing voice quality. Other technologies such as terrestrial microwave systems, metallic cable, and fiber optics tend to be favored more for point-to-point applications where the volume of traffic is substantial. With a sparse population spread over a wide geographic area, neither terrestrial microwave nor fiber optic transmission technology is considered to be economically feasible in rural Alaska in the foreseeable future.

Customers

We had approximately 87,900, 88,600 and 90,800 active Alaska message telephone service subscribers at December 31, 2001, 2000 and 1999, respectively. Approximately 12,200, 12,200 and 12,500 of these were business and government users at December 31, 2001, 2000 and 1999, respectively, and the remainder were residential customers. Reductions in our residential, customer counts were primarily attributed to continuing competitive pressures in Anchorage and other markets we serve. Message telephone service revenues (excluding broadband, operator services and private line revenues) averaged approximately \$11.3 million per month during 2001.

Equal access conversions have been completed in all communities we serve with owned facilities. We estimate that we carry over 45% of business and over 45% of residential traffic as a statewide average for both originating interstate and intrastate message telephone service traffic.

<TABLE>

A summary of our switched message telephone service traffic (in minutes) follows:

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Interstate Minutes

For Quarter ended	South-bound (1)	North-Bound	Calling Card	Inter-national Minutes	Combined Interstate and Inter-national Minutes	Intra-State Minutes	Total Minutes
(Amounts in thousands)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
March 31, 1999	94,623	57,039	3,694	1,578	156,934	34,950	191,884
June 30, 1999	128,623	52,954	3,383	1,649	186,609	37,241	223,850
September 30, 1999	146,473	56,577	3,273	1,680	208,003	38,078	246,081
December 31, 1999	137,077	64,823	3,204	1,609	206,713	36,055	242,768
Total 1999	506,796	231,393	13,554	6,516	758,259	146,324	904,583

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Interstate Minutes

For Quarter ended	South-bound (1)	North-Bound	Calling Card	Inter-national Minutes	Combined Interstate and Inter-national Minutes	Intra-State Minutes	Total Minutes
(Amounts in thousands)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
March 31, 2000	143,659	69,678	2,847	1,577	217,761	37,414	255,175
June 30, 2000	149,095	67,754	2,616	1,610	221,075	38,546	259,621
September 30, 2000	157,993	73,802	2,493	1,698	235,986	39,329	275,315
December 31, 2000	129,091	76,202	2,467	1,429	209,189	35,729	244,918
Total 2000	579,838	287,436	10,423	6,314	884,011	151,018	1,035,029
March 31, 2001	126,681	74,252	2,087	1,424	204,444	38,763	243,207
June 30, 2001	141,091	76,256	1,926	1,530	220,803	40,407	261,210
September 30, 2001	160,600	87,230	1,961	1,634	251,425	39,355	290,780
December 31, 2001	130,638	90,812	1,946	1,362	224,758	39,246	264,004
Total 2001	559,010	328,550	7,920	5,950	901,430	157,771	1,059,201

<FN>

(1) The 1999 and 2000 Interstate Southbound minutes include traffic carried from Washington to Oregon by us on behalf of an OCC customer. The 2001 Interstate Southbound minutes include traffic that originates and terminates in Washington by us on behalf of an OCC customer.

All minutes data were taken from our internal billing statistics reports.

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</TABLE>

We entered into a significant business relationship with MCI (now WorldCom) in 1993 that included the following agreements, among others.

- We agreed to terminate all Alaska-bound MCI long-distance traffic and MCI agreed to terminate all of our long-distance traffic terminating in the Lower 49 states excluding Washington, Oregon and Hawaii.
- The parties agreed to share some communications network resources and various marketing, engineering and operating resources. We also carry MCI's 800, 888, 877 and 866 traffic originating in Alaska and terminating in the Lower 49 states and handle traffic for MCI's calling card customers when they are in Alaska.

Concurrently with these agreements, MCI purchased approximately 31% (17.3% as of December 31, 2001) of GCI's Common Stock and presently two representatives serve on the Board. In conjunction with the acquisition of certain cable television companies in 1996, MCI purchased an additional two million shares at a premium to the then current market price for \$13 million or \$6.50 per share.

WorldCom announced in November 2001 that it intended to sell slightly less than one-half of its ownership of GCI Class A common stock. If the entire 4.5 million shares being registered were sold, WorldCom's ownership would be reduced to 9.2%. The shares were registered in February 2002 on behalf of WorldCom because of the exercise of its registration rights, however no underwriting is anticipated. WorldCom has requested this registration as part of its normal investment portfolio management process. We expect that WorldCom will retain its two boards seats on GCI's board of directors.

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Revenues attributed to WorldCom in 2001, 2000 and 1999 totaled \$58.2 million, \$53.1 million and \$43.7 million, or 16.3%, 18.1% and 15.6% of total revenues, respectively. The contract was amended in March 2001 extending its term five years to March 2006. The amendment reduces the rate to be charged by us for certain traffic over the extended term of the contract.

In 1993 we entered into a long-term agreement with Sprint, pursuant to which we agreed to terminate all Alaska-bound Sprint long-distance traffic and Sprint agreed to handle substantially all of our international traffic. Services provided pursuant to the contract with Sprint resulted in revenues in 2001, 2000 and 1999 of approximately \$36.9 million, \$25.4 million and \$23.1 million, or approximately 10.3%, 8.7% and 8.3% of total revenues, respectively. The contract was amended in March 2002 extending its term five years to March 2007, with two one-year automatic extensions thereafter. The amendment reduces the rate to be charged by us for certain traffic over the extended term of the contract.

With the contracts and amendment described above, we are assured that WorldCom and Sprint, our two largest customers, will continue to make use of our services during the extended term. WorldCom was a major customer of our long-distance services industry segment through 2001. Sprint met the threshold for classification as a major customer through 1998, and met the threshold again in 2001.

Other common carrier traffic routed to us for termination in Alaska is largely dependent on traffic routed to our carrier customers by their customers. Pricing pressures, new program offerings and market consolidation continue to evolve in the markets served by our carrier customers. If, as a result, their traffic is reduced, or if their competitors' costs to terminate or originate traffic in Alaska are reduced, our traffic will also likely be reduced, and we may have to reduce our pricing to respond to competitive pressures. We are unable to predict the effect of such changes on our business, however the loss of one or both of WorldCom or Sprint as customers, a material adverse change in our relationships with them or a material loss of or reduction in their long-distance customers would have a material adverse effect on our financial condition and results of operations.

We provide various services to BP Alaska, Wells Fargo Bank Alaska and Alyeska Pipeline Service Company. Although these customers do not meet the threshold for classification as major customers, we do derive significant revenues and gross profit from them. There are no other individual customers, the loss of which would have a material impact on our revenues or gross profit.

We provided private line and private network communication products and services, including SchoolAccess(TM) private line facilities, to approximately 345 commercial and government customers in 2001. These products and services generated approximately 9.7%, 9.9% and 7.9% of total revenues during the years ended December 31, 2001, 2000 and 1999, respectively.

Although we have several agreements to facilitate the origination and termination of international toll traffic, we have neither foreign operations nor export sales (see Part I, Item 1. Business, Foreign and Domestic Operations and Export Sales).

Competition

The long-distance industry is intensely competitive and subject to constant technological change. Competition is based upon price and pricing plans, the type of services offered, customer service, billing services, performance, perceived quality, reliability and availability. A number of our competitors are substantially larger than we are and have greater financial, technical and marketing resources than we have.

In the long-distance market, we compete against AT&T Alascom, ACS, the Matanuska Telephone Association and certain smaller rural local telephone carrier affiliates. There is also the possibility that new competitors will enter the Alaska market. In addition, wireless services continue to grow as an alternative to wireline services as a means of reaching customers.

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Historically, we have competed in the long-distance market by offering discounts from rates charged by our competitors and by providing desirable packages of services. Discounts have been eroded in recent years due to lowering of prices by AT&T Alascom and entry of other competitors into the long-distance markets we serve. In addition, our competitors have also begun to offer their own packages

of services. If competitors lower their rates further or develop more attractive packages of services, we may be forced to reduce our rates or add additional services, which would have a material adverse effect on our revenues and net income.

Under the terms of AT&T's acquisition of Alascom, AT&T Alascom rates and services must mirror those offered by AT&T, so changes in AT&T prices indirectly affect our rates and services. AT&T's and AT&T Alascom's interstate prices are regulated under a price cap plan whereby their rate of return is not regulated or restricted. Price increases by AT&T and AT&T Alascom generally improve our ability to raise prices while price decreases pressure us to follow. We believe we have, so far, successfully adjusted our pricing and marketing strategies to respond to AT&T and other competitors' pricing practices. However, if competitors significantly lower their rates, we may be forced to reduce our rates, which could have a material adverse effect on us.

As allowed under the 1996 Telecom Act, ACS and other LECs entered the interstate and international long-distance market, and pursuant to RCA authorization, entered the intrastate long-distance market. ACS and other LECs generally lease or buy long-haul capacity on long-distance carriers' facilities to provide their interstate and intrastate long-distance services.

Another carrier completed construction of fiber optic facilities connecting points in Alaska to the Lower 48 states in 1999. The additional fiber system provides direct competition to services we provide on our owned fiber optic facilities, however the fiber system provides an alternative routing path for us in case of a major fiber outage in our systems. This carrier filed for Chapter 11 bankruptcy in 2001 and it is likely to be sold or reorganized. We are participating in the auction process and have submitted various proposals, none of which has been accepted to date.

In the wireless communications services market, we expect our PCS business to compete against the cellular subsidiaries of AT&T and ACS and resellers of those services in Anchorage and other markets. The wireless communications industry continues to experience significant consolidation. AT&T has acquired wireless companies and negotiated roaming arrangements that give it a national presence. Mergers and joint ventures in the industry have created large, well-capitalized competitors with substantial financial, technical, marketing and other resources. These competitors may be able to offer nationwide services and plans more quickly and more economically than we can, and obtain roaming rates that are more favorable than those that we obtain. We currently resell AT&T analog and digital cellular services and provide limited wireless local access services on our own facilities.

Our long-distance services sales efforts are primarily directed toward increasing the number of subscribers we serve, selling bundled services, and generating incremental revenues through product and feature up-sale opportunities. We sell our long-distance communications services through telemarketing, direct mail advertising, door-to-door selling, up-selling by our customer contact personnel, and local media advertising.

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

businesses or introduce new services successfully and execute on our business plan. Each of our business segments also faces the risk of potential price cuts by our competitors that could materially adversely affect our market share and gross margins.

Cable Services Industry

The programmed video services industry includes traditional broadcast television, cable television, wireless cable, and DBS systems. Technology convergence may also allow programmed video via the Internet but reluctance to change the current delivery structure will likely continue to limit the availability of programming in the near term. Cable television providers have added non-broadcast programming, utilized improved technology to increase channel capacity and expanded service markets to include more densely populated areas and those communities in which off-air reception is not problematic. Broadcast television stations including network affiliates and independent

stations generally serve the urban centers. One or more local television stations may serve smaller communities. Rural communities may not receive local broadcasting or have cable systems but may receive direct broadcast programming via a satellite dish.

Advancements in technology, facility upgrades and plant expansions to enable migration to digital programming are expected to continue to have a significant impact on cable services in the future. We expect that changing federal, state and local regulations, intense competition, and uncertain technologies and standards will continue to challenge the industry.

The National Cable and Telecommunications Association ("NCTA") reported that digital cable subscribers totaled 13.7 million through November 2001, an increase of 41.2% as compared to 9.7 million in 2000. Industry analysts project that the number of digital video subscribers will continue to grow as cable plant upgrade efforts are completed and the cost of digital set-top technology decreases.

As a converged platform, cable is a viable competitive alternative outside its traditional video space, not only in the broadband space as a competitor with technology such as DSL, but also in traditional telephony services. These developments continue to move forward and will be enhanced as voice becomes another application that is carried on data centric networks.

Industry analysts believe high-speed access cable subscribers will grow from an estimated 7.2 million at the end of 2001 to 21.1 million at the end of 2005. During that same period, DSL connections are expected to increase from 4.7 million to 15.4 million.

Cable television still is the dominant technology for the delivery of video programming to consumers in the MVPD marketplace, although its market share continues to decline. As of June 2001, the FCC reports that 78% of MVPD subscribers received their video programming from a franchised cable operator, compared to 80% as of June 2000. DirecTV and EchoStar are each among the ten largest providers of multichannel video programming service.

Between June 2000 and June 2001, the number of DBS subscribers grew from almost 13 million households to about 16 million households, which is nearly two and a half times the cable subscriber growth rate. DBS subscribers now represent 18.2% of all MVPD subscribers. Continued DBS subscriber growth is expected with the potential merger of DBS providers and the launching of local programming in all markets. See Part I, Item 1. Business, Regulation, Franchise Authorizations and Tariffs - Cable Services for more information.

The most significant convergence of service offerings over cable plant continues to be the pairing of Internet service with other service offerings. Currently, the most popular way to access the Internet over cable is using a cable modem and personal computer. We are currently offering high-speed cable modem access in Anchorage, Juneau, Fairbanks, Kenai, Soldotna, Nome, Sitka, Seward, North Pole, Eielson Air Force Base, Fort Wainwright, Fort Richardson, Elmendorf Air Force Base, Palmer, Wasilla and Valdez.

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The cable industry is now expanding its competitive offerings to include business and residential telephone services delivered over its fiber optic infrastructure. Cable-delivered telephone service is a natural extension of a network already capable of delivering digital and broadband services and products. Once upgraded to two-way fiber optics, a cable system can offer telephone service over the same cable line that already carries digital video, high speed Internet, and other advanced services to consumers. At least nine of the nation's largest multiple system operators are reported to now offer residential and/or commercial phone service in more than 45 markets, serving more than one million customers.

Cable companies have deployed circuit-switched technology to provide local service, however future movement is expected toward voice over Internet protocol ("VoIP"). Circuit-switched service requires large capital expenditures for switching equipment in addition to facility upgrades. VoIP is more modular and does not require the large upfront cost needed to deploy circuit-switched service. VoIP is not only an incremental expense, it utilizes the data path already built, and is expected to allow for easy software changes and additions to service packages, and innovative combinations of voice, data, and fax services. Continuing questions about scalability and powering for lifeline service need to be resolved before IP telephony can be marketed on a mass scale.

The NCTA reports that cable-delivered residential telephone service subscribers totaled 1.5 million through December 2001, with analysts projecting 15.4 million subscribers in 2005.

With digital transmissions and compression, cable operators are better able to offer a variety and quality of channels to rival DBS, with pay-per-view choices that can approximate video-on-demand. In 2000 we installed a commercial version of video-on-demand for the Anchorage hotel market and continue to evaluate the feasibility of deploying this technology in the residential market. With this

service, customers can access a wide selection of movies and other programming at any time, with digital picture quality.

Acquisitions, mergers and divestitures are shaping the cable industry in a technological convergence similar to what is happening in the telecommunications industry. The FCC reports that the ten largest operators now serve close to 87% of all U.S. cable subscribers. Twenty-three system transactions occurred during the first six months of 2001 affecting over 4 million subscribers. The average dollar value per subscriber totaled \$3,656 as compared to \$5,923 per subscriber for transactions occurring in 2000.

The FCC reported that estimated 2001 total cable industry revenue reached \$44.0 billion, an estimated 15.4% increase over 2000, and that revenue per subscriber per year reached approximately \$637, or \$53 per subscriber per month. Revenue growth in 2001 occurred primarily in advanced services (171% increase), pay-per-view (44% increase), and local advertising (13% increase) categories. Advanced services includes advanced analog, digital video, high-speed data, cable telephony, interactive services, and games.

The FCC reports that the costs of acquiring video programming over the past two years has continued to escalate. Programming costs have increased by 13% to 15% over the past two years. Some services have increased by as much as 33%. Increased programming costs, especially higher sports license fees, system upgrades and equipment cost increases resulted in higher cable rates for subscribers. Industry cable rates increased approximately 5.7% in 2001.

The NCTA reported that the number of basic cable subscribers continued to grow, reaching 72.9 million in 2001, an increase of 5.2% as compared to 2000. The total number of subscribers to both cable and non-cable MVPDs continues to increase. 88.3 million households subscribe to multichannel video programming services as of June 2001, up 4.6% over the 84.4 million households subscribing to MVPDs in June 2000. This subscriber growth accompanied a 2.7 percentage point increase in MVPDs' penetration of television households to 86.4% as of June 2001.

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The NCTA reports that cable penetration as compared to homes passed was 69.2%. Our overall penetration of homes passed was 67.9% at December 31, 2001 with individual systems ranging from 52.7% to 97.9%.

In Alaska, cable television was introduced in the 1970s to provide television signals to communities with few or no available off-air television signals and to communities with poor reception or other reception difficulties caused by terrain interference. Since that time, as on the national level, the cable television providers in Alaska have added non-broadcast programming.

The market for programmed video services in Alaska includes traditional broadcast television, cable television, wireless cable, and DBS systems. Broadcast television stations including network affiliates and independent stations serve the urban centers in Alaska. Eight, six and two broadcast stations serve Anchorage, Fairbanks and Juneau, respectively. In addition, several smaller communities such as Bethel are served by one local television station that is typically a PBS affiliate. Other rural communities without cable systems receive a single state sponsored channel of television by a satellite dish and a low power transmitter.

See Part I, Item I, Business, Regulation, Franchise Authorizations and Tariffs - Cable Service for more information.

General

We are the largest operator of cable systems in Alaska, serving approximately 132,000 residential, commercial and government basic subscribers. Our cable television systems serve 33 communities and areas in Alaska, including the state's three largest urban areas, Anchorage, Fairbanks, and Juneau. Our statewide cable systems consist of approximately 2,200 miles of installed cable plant having 330 to 550 MHz of channel capacity.

Products

Programming services offered to our cable television systems subscribers differ by system (all information as of December 31, 2001).

Anchorage system. The Anchorage system, which is located in the urban center for Alaska, is fully addressable and offers a basic analog service that includes 19 channels and 2 additional analog tiers offering 32 and 6 channels. This system also carries digital service, offering enhanced picture and audio quality, over 20 digital special interest channels, 50 channels of digital music, and over 50 channels of premium and pay-per-view products. Pay TV services are available either individually or as part of a value package. Commercial subscribers such as hospitals, hotels and motels are charged negotiated monthly service fees. Apartment and other multi-unit dwelling complexes receive basic service at a negotiated bulk rate.

Fairbanks, Juneau, Kenai, and Soldotna systems. These systems offer a basic analog service with 12 to 18 channels and an additional analog tier with 34 to

43 channels. These systems also carry digital service, offering enhanced picture and audio quality, over 19 special interest channels, 50 channels of digital music, and over 50 channels of premium and pay-per-view products.

Sitka System. This location offers an advanced analog service with a 15 channel basic service, a 37 channel expanded basic service, five channels of premium service, four channels of pay-per-view and 32 music channels.

Other systems. We own systems in the Alaska communities and areas of Bethel, Cordova, Homer, Ketchikan, Kodiak, Kotzebue, Palmer, Wasilla, Nome, Petersburg, Seward, Valdez, and Wrangell. These analog systems offer a basic service with nine to 15 channels and an expanded basic service with 35 to 49 channels. Several channels of premium service are also available in all systems. Music service is available in Ketchikan, Kodiak, Petersburg, Valdez and Wrangell. Pay-per-view is available in Homer, Ketchikan, Kodiak, Petersburg, Seward and Wrangell.

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Facilities

Our cable television businesses are located in Anchorage, Palmer, Wasilla, Bethel, Chugiak, Cordova, Douglas, Eagle River, Eielson AFB, Elmendorf AFB, Fairbanks, Fort Greely, Fort Richardson, Fort Wainwright, Homer, Juneau, Kachemak, Kenai, Ketchikan, Kodiak, Kodiak Coast Guard Air Station, Kotzebue, Mount Edgecombe, Nome, North Pole, Petersburg, Peters Creek, Saxman, Seward, Sitka, Soldotna, Ward Cove, and Wrangell Alaska. Our facilities include cable plant and head-end distribution equipment. Certain of our head-end distribution centers are co-located with customer service, sales and administrative offices.

Customers

Our cable systems passed approximately 192,000, 177,000 and 174,000 homes at December 31, 2001, 2000 and 1999, respectively, and served approximately 132,000, 120,400 and 116,700 basic subscribers at December 31, 2001, 2000 and 1999, respectively. Revenues derived from cable television services totaled \$76.6 million, \$67.9 million and \$61.1 million in 2001, 2000 and 1999, respectively.

Competition

Our cable television systems face competition from alternative methods of receiving and distributing television signals, including DBS, wireless and private SMATV systems, and from other sources of news, information and entertainment such as off-air television broadcast programming, newspapers, movie theaters, live sporting events, interactive computer services, Internet services and home video products, including videotape cassette and video disks. Our cable television systems also face competition from potential overbuilds of our existing cable systems by other cable television operators and alternative methods of receiving and distributing television signals. The extent to which our cable television systems are competitive depend, in part, upon our ability to provide quality programming and other services at competitive prices.

We believe our greatest source of competition comes from the DBS industry. Two major companies, DirecTV and Echostar, who have recently announced their intentions to merge, are currently offering nationwide high-power DBS services. In the past, due to the existing structure of satellite orbital slots, satellite transmission power and lack of local signals, competition from DBS providers has been limited.

In the past, the majority of Alaska DBS subscribers were required to install larger satellite dishes (generally three to six feet in diameter) because of the weaker satellite signals currently available in northern latitudes, particularly in communities surrounding, and north of, Fairbanks. In addition, the satellites had a relatively low altitude above the horizon when viewed from Alaska, making their signals subject to interference from mountains, buildings and other structures. Recent satellite placements provide Alaska and Hawaii residents with a DBS package that requires a smaller satellite dish (typically 18 inches); however, a second larger dish is required if the subscriber wants to receive a channel line-up similar to that provided by our cable systems. In addition to the dish size and cost deterrents, DBS signals are subject to degradation from atmospheric conditions such as rain and snow.

We expect that the launch of new satellites, the pending DBS provider merger, the potential addition of local stations, and the changing nature of technology and of the DBS business will result in greater satellite coverage and competition in Alaska.

Several other cable operators provide cable service in Alaska. All of these companies are relatively small, with the largest having fewer than 1,500 subscribers. The extent to which our cable television systems are competitive depends, in part, upon our ability to provide quality programming and other services at competitive prices.

Competitive forces will be counteracted by offering expanded programming through digital services and by providing high-speed data services. Over the next two years, system upgrades are planned to make all systems reverse activated, thus creating the necessary infrastructure to offer cable modem service. During this

period a digital platform will be established in the majority of our systems. These plant upgrades combined with local broadcast programming is expected to provide an attractive product in comparison to competitive offerings.

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High-speed data access competition takes two primary forms: cable modem access service and DSL service. DSL service allows Internet access to subscribers at data transmission speeds equal to cable modems over traditional telephone lines. Numerous companies, including telephone companies, have introduced DSL service and certain telephone companies are seeking to provide high-speed broadband services, including interactive online services, without regard to present service boundaries and other regulatory restrictions. Companies in the lower-49 states, including telephone companies and ISP's, have asked local, state and federal governments to mandate that cable communications systems operators provide capacity on their cable infrastructure so that these companies and others may deliver Internet services directly to customers over cable facilities. The FCC determined in March 2002 that cable system operators will not be required to provide such "open access" to others. See Part I, Item 1, Business, Regulation, Franchise Authorizations and Tariffs - Cable Services for more information.

Other new technologies may become competitive with non-entertainment services that cable television systems can offer. The FCC has authorized television broadcast stations to transmit textual and graphic information useful to both consumers and businesses. The FCC also permits commercial and non-commercial FM stations to use their subcarrier frequencies to provide non-broadcast services including data transmissions. The FCC established an over-the-air interactive video and data service that will permit two-way interaction with commercial and educational programming along with informational and data services. LECs and other common carriers also provide facilities for the transmission and distribution to homes and businesses of interactive computer-based services, including the Internet, as well as data and other non-video services. The FCC has conducted spectrum auctions for licenses to provide PCS. PCS will enable license holders, including cable operators, to provide voice and data services. We own a statewide license to provide PCS services in Alaska.

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

Our cable services sales efforts are primarily directed toward increasing the number of subscribers we serve, selling bundled services, and generating incremental revenues through product and feature up-sale opportunities. We sell our cable services through telemarketing, direct mail advertising, door-to-door selling, up-selling by our customer contact personnel, and local media advertising.

Advances in communications technology as well as changes in the marketplace are constantly occurring. We cannot predict the effect that ongoing or future developments might have on the telecommunications and cable television industries or on us specifically.

Local Access Services Industry

The FCC reported that CLECs provided 17.3 million (or 9.0%) of the approximately 192 million nationwide switched-access lines in service at the end of June 2001, compared to 14.9 million (or 7.7% of nationwide lines) at the end of 2000. This represents a 16% growth in CLEC market size during the first six months of 2001. The FCC further reported about 55% of reported CLEC switched access lines serve medium and large business, institutional, and government customers. By contrast, a reported 23% of ILEC local telephone lines served such customers. CLECs reported providing about one-third of switched access lines over their own local loop facilities. To serve the remainder, CLECs resell the services of other carriers or use UNE loops that they lease from other carriers.

Use of the Internet and expansion in the use of LANs and WANs continue to generate an increased demand for access lines. In the home, the growing use of computers, faxes, and the Internet led to increases in access lines and usage. The emergence of new services, including digital cellular, personal communications services, interactive

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TV, and video dial tone, has created opportunities for growth in local loop services. These new services are fundamentally restructuring the competitive local loop services market.

Emerging from the new competitive landscape are CLECs who offer Internet access

and data services to medium and large size businesses. They obtain interconnection agreements with ILECs for DSL-qualified unbundled network element loops. One loop, so qualified and equipped with appropriate access devices, enables the delivery of high speed (generally less than 768 kbps but sometimes faster rates), always-connected Internet access, LAN/WAN interconnectivity, and private line and private network circuits.

Cable telephony deployments in the US continue to expand using proprietary, circuit switched technology. The standardized, packet (IP) technology has not developed as quickly as the industry projected in 2001, however, significant progress has occurred. Hardware is now available that is DOCSIS 1.1 qualified, which provides quality of service necessary for voice services. We continue to prepare for the earliest possible deployment of a cable telephony solution that meets our needs and the needs of our customers.

Wireless local loop access technologies (other than fixed rate cellular telephone service), while developing for international applications, have not yet developed a significant market presence in the United States. AT&T Wireless' fixed wireless plan, called Project Angel - was test-marketed in the Anchorage area. Initially conceived as AT&T's proprietary strategy for bypassing local phone carriers, industry analysts believe AT&T reconfigured it to primarily deliver always-on high-speed Internet access at 512 kbps where the carrier lacks cable system facilities in markets such as Anchorage. AT&T Wireless announced in October 2001 that it intended to close its fixed wireless operations, citing the high cost of expanding a business that does not fit into the company's core strategy.

General

Our local access services division entered the local services market in Anchorage in 1997, providing services to residential, commercial, and government users. We can access approximately 92% of Anchorage area local loops from our collocated remote facilities and DLC installations.

Products

Our collocated remote facilities access the ILEC's unbundled network element loops, allowing us to offer full featured, switched-based local service products to both residential and commercial customers. In areas where we do not have access to Anchorage ILEC loop facilities, we offer service using total service resale of the ILEC's local service.

Our package offerings are competitively priced and include popular features, such as the following.

- | | |
|-----------------------------|-------------------------------|
| - Enhanced call waiting | - Caller ID |
| - Caller ID on call waiting | - Free caller ID box |
| - Anonymous call rejection | - Call forwarding |
| - Call forward busy | - Call forward no answer |
| - Enhanced call waiting | - Fixed call forwarding |
| - Follow me call | - Intercom service forwarding |
| - Multi-distinctive ring | - Per line blocking |
| - Selective call forwarding | - Selective call acceptance |
| - Selective call rejection | - Selective distinctive alert |
| - Speed calling | - Three way calling |
| - Voice mail | - Inside wire repair plan |
| - Non-listed number | - Non-published number |

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Facilities

In Anchorage we utilize a Lucent Technologies host switching system (5ESS), have collocated six remote facilities adjacent to or within the ILEC's local switching offices to access unbundled loop network elements, and have installed a DLC system adjacent to a smaller, seventh ILEC wire center. Remote and DLC facilities are interconnected to the host switch via our diversely routed fiber optic links. Our expanded capacity at each of the remote facilities allows us access to approximately 186,000 Anchorage loops. Additionally, we provided our own facilities-based services to over 9,500 of Anchorage's larger business customers (those with more than 16 lines) through further expansion and deployment of SONET fiber transmission facilities, leased and HDSL T-1 facilities, and DLC facilities. We have similar facilities at remote switching centers in Fairbanks that allow us access to ILEC loops.

Customers

We had approximately 79,200, 62,100 and 45,100 active lines in service from Anchorage and Fairbanks (beginning in 2001), Alaska subscribers to our local access services at December 31, 2001, 2000 and 1999, respectively. The 2001 line count consists of approximately 38,300 residential access lines and 40,900 business access lines, including 7,500 Internet service provider access lines. We ended 2001 with market share gains in all market segments. At December 31, 2001 approximately 79,200 lines were in service as compared to approximately 62,000 lines in service at December 31, 2000. In late 2001 we started selling GCI local services in Juneau with conversions to our facilities beginning in the first quarter of 2002.

Revenues derived from local access services in 2001, 2000 and 1999 totaled \$25.2

million, \$20.2 million and \$15.5 million, respectively, representing approximately 7.1%, 6.9% and 5.6% of our total revenues in 2001, 2000 and 1999, respectively.

Competition

In the local access services market the 1996 Telecom Act, judicial decisions, and state legislative and regulatory developments have increased the likelihood that barriers to local telephone competition will be substantially reduced or removed. These initiatives include requirements that ILECs negotiate with entities, including us, to provide interconnection to the existing local telephone network, to allow the purchase, at cost-based rates, of access to unbundled network elements, to establish dialing parity, to obtain access to rights-of-way and to resell services offered by the incumbent local exchange carrier.

We have been able to obtain interconnection, access and related services from the local exchange carriers at rates that allow us to offer competitive services. However, if we are unable to continue to obtain these services and access at acceptable rates, our ability to offer local telephone services, and our revenues and net income, could be materially adversely affected. To date, we have been successful in capturing a significant portion of the local telephone market in the locations where we are offering these services.

The 1996 Telecom Act also provides ILECs with new competitive opportunities. We believe that we have certain advantages over these companies in providing telecommunications services, including awareness by Alaskan customers of the GCI brand-name, our facilities-based telecommunications network, and our prior experience in, and knowledge of, the Alaskan market.

In the local access services market, we compete against ACS, the incumbent local exchange carrier, in Anchorage, Juneau and Fairbanks. We also compete against AT&T in the Anchorage service area. AT&T offers local exchange service only to residential customers through total service resale. We have filed applications with regulatory agencies to provide local telephone service in other markets where ACS is the incumbent provider, and we may provide local telephone service in other locations in the future where we would face other competitors. We expect further competition in the Anchorage, Fairbanks and Juneau marketplaces, as DSLnet has received certification for various markets. The Company expects competition in business customer telephone access, Internet access, DSL and private line markets. We believe our long-standing presence in Alaska and the strength of our brand (as well as ACS's) will make competitive entry difficult for new entrants.

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We continue to offer local exchange services to substantially all consumers in the Anchorage and Fairbanks service areas, primarily through our own facilities and unbundled local loops leased from ACS.

Our local services sales efforts continue to focus on increasing the number of commercial and small business subscribers we serve, selling bundled services, and generating incremental revenues through product and feature up-sale opportunities. We sell our local services through telemarketing, direct mail advertising, up selling by our customer contact personnel, and door-to-door selling.

You should see Part I, Item 1. Business, Regulation, Franchise Authorizations and Tariffs - Telecommunications Operations for more information.

Internet Services

Industry

The Internet continues to expand at a significant rate, with the number of sites almost doubling over the last several years. Dial-up Internet access is the most widely used way to access the Internet. As of July 2001, the FCC reported that 58% of the U.S. population had Internet access at home. As of year-end 2000, 84.6% of all Internet households were accessing the Internet using dial-up modems. It is projected that telephone dial-up will remain the principal means of accessing the Internet until about 2005, when it is expected that only 48% of Internet households will use dial-up access, with the remaining 52% accessing the Internet through broadband facilities.

Industry analysts believe that broadband deployment will bring valuable new services to consumers, stimulate economic activity, improve national productivity, and advance many other objectives, such as improving education, and advancing economic opportunities. While cable modem access is the primary means of accessing the Internet over broadband networks, cable's share of the broadband Internet access market continues to decrease. DSL is the most significant broadband competitor to cable modem service. The NCTA reported that cable modem subscribers totaled 6.4 million through November 2001, an increase of 60% as compared to 4.0 million in 2000. 70 million homes were passed by cable modem service in 2001. As of June 2001, cable modem service was available to approximately 67.3 million homes, while DSL was available to an estimated 45 million homes with approximately three million subscribers. Satellite and wireless technologies currently have eight percent of the market and are not expected to increase market share over the next several years.

According to J.P. Morgan, 73% of U.S. households have cable modem service available, and 45% of households have access to DSL. Combined, broadband availability is estimated to currently be approximately 85% however only 12% of these households have chosen to subscribe, leaving a large potential market for future broadband deployment.

Analysts predict that the amount of Internet traffic will likely continue to rise as fast as capacity allows for the foreseeable future. VoIP may have a major impact on business and the entire telecommunications industry in the future. Industry analysts estimate that there will be more than 20 million installed cable modem customers in North America by year-end 2004. Most American households still access the Internet using analog telephone dial-up modems at speeds of less than 56 kbps.

General

Our Internet services division entered the Internet services market in 1998, providing retail services to residential, commercial, and government users and providing wholesale carrier services to other ISPs. We were the first provider in Anchorage to offer commercially available DSL products.

Products

We currently offer three types of Internet access for residential use: dial-up, fixed wireless and high-speed cable modem Internet access. Our residential high-speed cable modem Internet service offers up to 1,544 kbps access

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speeds as compared with up to 56 kbps access through standard copper wire dial-up modem access. Our fixed wireless offers low speed 64 kbps and higher speed 256 kbps versions. We provide free 24-hour customer service and technical support via telephone or online. The entry-level cable modem service also offers free data transfer up to five gigabytes per month and can be connected 24-hours-a-day, 365-days-a-year, allowing for real-time information and e-mail access. Cable modems use our coaxial cable plant that provides cable television service, instead of the traditional ILEC copper wire. Coaxial cable has a much greater carrying capacity than telephone wire and can be used to simultaneously deliver both cable television (analog or digital) and Internet access services.

We also offer a low price upgrade to double the bandwidth of the entry-level service. In 2001, we saw a 22% take rate of this service, providing evidence of the continuing demand for higher speed access. Additional cable modem service packages tailored to both heavy residential and commercial Internet users are also available.

We currently offer several Internet service packages for commercial use: dial-up access, DSL, T1 and fractional T1 leased line, frame relay, multi-megabit and high-speed cable modem Internet access. Our business high-speed cable modem Internet service offers access speeds ranging from 256 kbps to 1,544 kbps, free monthly data transfers of up to 25 gigabytes and free 24-hour customer service and technical support. Our DSL offering can support speeds of up to 768 kbps over the same copper line used for phone service. Business services also include a personalized web page, domain name services, and e-mail addressing.

We also provide dedicated access Internet service to commercial and public organizations in Alaska. We offer a premium service and currently support many of the largest organizations in the state such as the Phillips Alaska and the Anchorage School District. We have hundreds of other enterprise customers, both large and small, using this service.

Bandwidth is made available to our Internet segment through our Alaska United undersea fiber cable and our Galaxy XR transponders as previously described. Our Internet offerings are coupled with our long-distance and local services offerings and provide free basic Internet services if certain long-distance or local service plans are selected. Value-added Internet features are available for additional charges.

We provide Internet access for schools and health organizations using a platform including many of the latest advancements in technology. Services are delivered through a locally available circuit, our existing lines, and/or satellite earth stations.

Facilities

The Internet is an interconnected global public computer network of tens of thousands of packet-switched networks using the Internet protocol. The Internet is effectively a network of networks routing data throughout the world. We provide access to the Internet using a platform that includes many of the latest advancements in technology. The physical platform is concentrated in Anchorage and is extended into many remote areas of the state. Our Internet platform includes:

- Circuits connecting our Anchorage facilities to multiple Internet access points in Seattle through multiple, diversely routed networks.
- Multiple routers on each end of the circuits to control the flow of data and to provide resiliency.

- Our Anchorage facility consists of routers, a bank of servers that perform support and application functions, database servers providing authentication and user demographic data, layer 2 gigabit switch fabrics for intercommunications and broadband services (cable modem and DSL), and access servers for dial-in users.

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- SchoolAccess(TM) Internet service delivery to over 257 schools in rural Alaska and 22 schools in New Mexico and Arizona is accomplished by three variations on primary delivery systems:
 - In communities where we have terrestrial interconnects or provide existing service over regional earth stations, we have configured intermediate distribution facilities. Schools that are within these service boundaries are connected locally to one of those facilities.
 - In communities where we have extended telecommunications services via our DAMA earth station program, SchoolAccess(TM) is provided via a satellite circuit to an intermediate distribution facility at the Eagle River Earth Station.
 - In communities or remote locations where we have not extended telecommunications services, SchoolAccess(TM) is provided via a dedicated (usually on premise) DAMA VSAT satellite station. The DAMA connects to an intermediate distribution facility located in Anchorage.

Dedicated Internet access is delivered to a router located at the service point. Our Internet management platform constantly monitors this router; continual communication is maintained with all of the routers in the network. The availability and quality of service, as well as statistical information on traffic loading, are continuously monitored for quality assurance. The management platform has the capability to remotely access routers, permitting changes in router configuration without the need to physically be at the service point. This management platform allows us to offer outsourced network monitoring and management services to commercial businesses. Many of the largest commercial networks in the State of Alaska use this service.

GCI.net offers a unique combination of innovative network design and aggressive performance management. Our Internet platform has received a certification that places it in the top one percent of all service providers worldwide and is the only ISP in Alaska with such a designation. We operate and maintain what we believe is the largest, most reliable, and highest performance Internet network in the state of Alaska.

Customers

We had approximately 69,900, 62,500 and 48,300 active residential and commercial dial-up Internet subscribers at December 31, 2001, 2000 and 1999, respectively. We had approximately 26,500, 16,100 and 5,700 active residential and commercial cable modem Internet subscribers at December 31, 2001, 2000 and 1999, respectively. Revenues derived from Internet services totaled \$12.0 million, \$8.4 million and \$4.8 million, in 2001, 2000 and 1999, respectively, representing approximately 3.4%, 2.9% and 1.7% of our total revenues in 2001, 2000 and 1999, respectively.

Our Internet services sales efforts are primarily directed toward increasing the number of subscribers we serve, selling bundled services, and generating incremental revenues through product and feature upsale opportunities. We sell our Internet services through telemarketing, direct mail advertising, door-to-door selling, up-selling by our customer contact and technical support personnel, and local media advertising.

Competition

The Internet industry is highly competitive, rapidly evolving and subject to constant technological change. Competition is based upon price and pricing plans, service packages, the types of services offered, the technologies used, customer service, billing services, perceived quality, reliability and availability. As of December 31, 2001, we competed with more than five Alaska based Internet providers, and competed with other domestic, non-Alaska based providers that provide national service coverage. Several of the providers have substantially greater financial, technical and marketing resources than we do.

With respect to our high-speed cable modem service, ACS and other Alaska telephone service providers are providing competitive high-speed DSL services. Direct broadcast satellite providers and others could provide wireless high speed Internet service in competition with our high-speed cable modem services.

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

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Environmental Regulations

We may undertake activities that, under certain circumstances may affect the environment. Accordingly, they are subject to federal, state, and local regulations designed to preserve or protect the environment. The FCC, the Bureau

of Land Management, the U.S. Forest Service, and the National Park Service are required by the National Environmental Policy Act of 1969 to consider the environmental impact before the commencement of facility construction. We believe that compliance with such regulations has no material effect on our consolidated operations. The principal effect of our facilities on the environment would be in the form of construction of facilities and networks at various locations in Alaska and between Alaska and Seattle Washington. Our facilities have been constructed in accordance with federal, state and local building codes and zoning regulations whenever and wherever applicable. Some facilities may be on lands that may be subject to state and federal wetland regulation.

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

Our Alaska United project consists, in part, of deploying land-based and undersea fiber optic cable facilities between Anchorage, Whittier, Valdez, and Juneau, Alaska, and Seattle, Washington. The engineered route passes over wetlands and other environmentally sensitive areas. We believe our construction methods used for buried cable have a minimal impact on the environment. The agencies, among others, that are involved in permitting and oversight of our cable deployment efforts are the US Army Corps of Engineers, The National Marine Fisheries Service, US Fish & Wildlife, US Coast Guard, National Oceanic and Atmospheric Administration, Alaska Department of Natural Resources, and the Alaska Office of the Governor - Governmental Coordination. We are unaware of any violations of federal, state or local regulations or permits pertaining to preservation or protection of the environment.

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

Patents, Trademarks, Licenses, Certificates of Public Convenience and Necessity and Military Franchises

We do not hold patents, franchises or concessions for telecommunications services or local access services. We do hold registered service marks for the Digistar(TM) logo and letters GCI(TM), and for the terms SchoolAccess(TM), Free Fridays for Business(TM) and Unlimited Weekends(TM). The Communications Act of 1934 gives the FCC the authority to license and regulate the use of the electromagnetic spectrum for radio communication. We hold licenses through our long-distance services industry segment for our satellite and microwave transmission facilities for provision of long-distance services.

We acquired a license for use of a 30-MHz block of spectrum for providing PCS services in Alaska. We are required by the FCC to provide adequate broadband PCS service to at least two-thirds of the population in our licensed areas within ten years of being licensed. The PCS license has an initial duration of 10 years. At the end of the license period, a renewal application must be filed. We believe renewal will generally be granted on a routine basis upon showing of compliance with FCC regulations and continuing service to the public. Licenses may be revoked and license renewal applications may be denied for cause. We expect to renew the PCS license for an additional 10-year term under FCC rules.

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We acquired a LMDS license in 1998 for use of a 150-MHz block of spectrum in the 28 GHz Ka-band for providing wireless services. The LMDS license has an initial duration of 10 years. Within 10 years, licensees will be required to provide 'substantial service' in their service regions. Our operations may require additional licenses in the future.

Earth stations are licensed generally for 10 years. The FCC also issues a single blanket license for a large number of technically identical earth stations (e.g., VSATs).

Applications for transfer of control of 15 certificates of public convenience and necessity held by the acquired cable companies were approved in an RCA order dated September 23, 1996, with transfers to be effective on October 31, 1996. Such transfer of control allowed us to take control and operate the cable systems of the acquired cable companies located in Alaska. The approval of the transfer of these 15 certificates of public convenience and necessity is not required under federal law, with one area of limited exception. The cable companies operate in part using several radio-band frequencies licensed through the FCC. These certificates were transferred to us before October 31, 1996.

Application for transfer of control of two certificates of public convenience and necessity associated with the acquired GC Cablevision, Inc. assets and the

Rogers cable companies were approved in RCA orders in 2001. The certificates were transferred to us following closing of the transactions.

We obtained consent of the military commanders at the military bases serviced by the acquired cable systems to the assignment of the respective franchises for those bases.

Regulation, Franchise Authorizations and Tariffs

The following summary of regulatory developments and legislation does not purport to describe all present and proposed federal, state, and local regulation and legislation affecting our businesses. Other existing federal and state regulations are currently the subject of judicial proceedings, legislative hearings and administrative proposals that could change, in varying degrees, the manner in which these industries operate. We cannot predict at this time the outcome of these proceedings and legislation, their impact on the industries in which we operate, or their impact on us.

Every two years, the FCC is required (1) to review its rules governing telecommunications service providers and broadcast ownership, (2) to determine whether economic competition has made those rules unnecessary in the public interest, and (3) to modify or repeal any such regulations. On September 18, 2000, the FCC issued its Staff Report summarizing extensive review of the rules and recommending that no further changes in the broadcast and crossownership rules were warranted at that time. On December 29, 2000, the FCC adopted its 1998 Biennial Review Regulatory Report and left ownership rules unchanged. This report stated that the FCC would institute a proceeding on modification of the newspaper/broadcast crossownership rule. That occurred on September 13, 2001, in a Notice of Proposed Rulemaking to consider the rule's fate. The next Biennial Review began in 2001.

Telecommunications Operations

General. We are subject to regulation by the FCC and by the RCA as a non-dominant provider of long-distance services. We file tariffs with the FCC for interstate and international long-distance services, and with the RCA for intrastate service. Such tariffs routinely become effective without intervention by the FCC, RCA or other third parties since we are a non-dominant carrier. Military franchise requirements also affect our ability to provide telecommunications and cable television services to military bases.

Our success in the local telephone market depends on our continued ability to obtain interconnection, access and related services on terms that are just and reasonable and that are based on the cost of providing these services. Our local telephone services business faces the risk of the impact of implementing current regulations and legislation, unfavorable changes in regulation or legislation, or the introduction of new regulations. Our ability to enter into the local telephone market depends on our negotiation or arbitration with ILECs to allow

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interconnection to the carrier's existing local telephone network, to allow the purchase, at cost-based rates, of access to unbundled network elements, to establish dialing parity, to obtain access to rights-of-way and to resell services offered by the local exchange carrier. We have in the past been successful in these arbitration proceedings as to the material terms, including prices and technical and competitive issues. Future arbitration proceedings with respect to new or existing markets could result in a change in our cost of serving these markets via ILEC facilities or via wholesale offerings.

The Supreme Court of the United States has before it several cases relating to the provisions of the 1996 Telecom Act, including most notably the provisions and FCC regulations dealing with the pricing of unbundled network elements. The outcome of these cases could also result in a change in our cost of serving new and existing markets via ILEC facilities or via wholesale offerings.

The FCC, the courts of the state of Alaska, the Federal District Court of Alaska and the Ninth Circuit Court of Appeals also have before them several appeals by one of our competitors relating to the interpretation by the RCA, of various provisions of the 1996 Telecom Act. These appeals include the provisions and FCC regulations dealing with the pricing of unbundled network elements, including the results of arbitration proceedings before the RCA and the decision of the RCA to remove an exemption from certain of its rules available to ACS known as the "rural exemption." We have been largely successful in the appeals of these arbitration proceedings as to the material terms, including prices and technical issues, through the current stages. These appeals could also result in a change in our costs of serving new and existing markets via ILEC facilities or via wholesale offerings.

We have recently qualified under FCC regulations as an "eligible telecommunications carrier" ("ETC"), with respect to our provision of local telephone service in Fairbanks and Juneau. ETCs are entitled to receive a subsidy paid by the Universal Service Fund. If we do not continue to qualify for this status in Fairbanks and Juneau or if we do not qualify for this status in rural areas where we propose to offer new services, we would not receive this subsidy and our net cost of providing local telephone services in these areas could be materially adversely impacted.

We received approval from the RCA in February 1997 permitting us to provide local access services throughout ACS's existing Anchorage service area, and in July 1999 permitting us to provide local access services in ACS's existing service areas in Fairbanks, Juneau, Ft. Wainwright and Eielson Air Force Base service areas. We filed a bona fide request with the ILEC, ACS of the Northland, Inc., in 2001 to negotiate rates and services in order to provide competitive local access services in Nenana, Ft. Greely, North Pole, Delta Junction, Kenai, Soldotna, Ninilchik, Homer, Seldovia and Kodiak, Alaska. The request will be negotiated, and possibly arbitrated before the RCA under the terms of the 1996 Telecom Act and the RCA must approve our entry into these markets before we can provide local access services. We are unable to predict when or if we will receive such approvals.

The 1996 Telecom Act preempts state statutes and regulations that restrict the provision of competitive local telecommunications services. State commissions can, however, impose reasonable terms and conditions upon the provision of telecommunications service within their respective states. Because we are authorized to offer local access services, we are regulated as a CLEC by the RCA. In addition, we will be subject to other regulatory requirements, including certain requirements imposed by the 1996 Telecom Act on all LECs, which requirements include permitting resale of LEC services, local number portability, dialing parity, and reciprocal compensation.

As a PCS and LMDS licensee, we are subject to regulation by the FCC, and must comply with certain build-out and other conditions of the license, as well as with the FCC's regulations governing the PCS and LMDS services. On a more limited basis, we may be subject to certain regulatory oversight by the RCA (e.g., in the areas of consumer protection), although states are not permitted to regulate the rates of PCS, LMDS and other commercial wireless service providers. PCS and LMDS licensees may also be subject to regulatory requirements of local jurisdictions pertaining to, among other things, the location of tower facilities.

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1996 Telecom Act and Related Rulings. A key industry development was passage of the 1996 Telecom Act. The Act was intended by Congress to open up the marketplace to competition and has had a dramatic impact on the telecommunications industry. The intent of the legislation was to break down the barriers that have prevented three groups of companies, LECs, including RBOCs, long-distance carriers, and cable TV operators, from competing head-to-head with each other. The Act expressly prohibits any legal barriers to competition in intrastate or interstate communications service under state and local laws, and empowers the FCC, after notice and an opportunity for comment, to preempt the enforcement of any statute, regulation or legal requirement that prohibits, or has the effect of prohibiting, the ability of any entity to provide any intrastate or interstate telecommunications service.

The Act requires incumbent LECs to let new competitors into their business. It also requires incumbent LECs to open up their networks to ensure that new market entrants have a fair chance of competing. The bulk of the legislation is devoted to establishing the terms under which incumbent LECs must open up their networks.

The FCC's Common Carrier Bureau has focused in recent years on adopting market-opening and universal service rules for the local exchange and long distance markets to provide meaningful opportunities for competition. The Common Carrier Bureau has also focused on review of applications by BOCs to provide long distance service as well as review of telecommunications company mergers. In addition, they continue to consider regulatory reforms that could occur as competition in the provision of telecommunications services develops.

Enactment of the 1996 Telecom Act immediately affected local exchange service markets by requiring states to authorize local exchange service competition. Competitors, including resellers, are able to market new bundled service packages to attract customers. Over the long term, the requirement that incumbent LECs unbundle access to their networks may lead to increased price competition. Local exchange service competition has not yet occurred in all markets on a national basis because interconnection arrangements are not yet in place in many areas.

The 1996 Telecom Act requires the FCC to establish rules and regulations to implement its local competition provisions. In August 1996, the FCC issued rules governing interconnection, resale, unbundled network elements, the pricing of those facilities and services, and the negotiation and arbitration procedures that would be utilized by states to implement those requirements. These rules rely on state public utilities commissions to develop the specific rates and procedures applicable to particular states within the framework prescribed by the FCC. These rules were vacated in part by a July 1997 ruling of the United States Court of Appeals for the Eighth Circuit. On January 25, 1999, the United States Supreme Court issued an opinion upholding the authority of the FCC to establish rules, including pricing rules, to implement statutory provisions governing both interstate and intrastate services under the 1996 Telecom Act and remanded the proceeding back to the Eighth Circuit for further proceedings. The

Supreme Court also upheld rules allowing carriers to select provisions from among different interconnection agreements approved by state commissions for the carriers' own agreements and a rule allowing carriers to obtain combinations of unbundled network elements. On remand, the Eighth Circuit overturned various interconnection and pricing portions of the FCC regulations under the 1996 Telecom Act, but stayed the application of its pricing decision pending review by the Supreme Court of the United States. The Supreme Court has granted certiorari on the pricing provisions and will be considering the case in its upcoming term.

The 1996 Telecom Act provides that registered utility holding companies and subsidiaries may provide telecommunications services, including cable television, notwithstanding the Public Utility Holding Company Act. Electric utilities must establish separate subsidiaries, known as "exempt telecommunications companies" and must apply to the FCC for operating authority. Like telephone companies, electric utilities have substantial resources at their disposal, and could be formidable competitors to traditional cable systems. Several such utilities have been granted broad authority by the FCC to engage in activities that could include the provision of video programming.

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A number of LECs, long-distance companies and others have appealed some or all of the FCC's orders. The effective date of the orders has not been delayed, but the appeals are expected to take a year or more to conclude. Some BOCs have also challenged the 1996 Telecom Act restrictions on their entry into long-distance markets as unconstitutional. We are unable to predict the outcome of such rulemakings or litigation or the effect (financial or otherwise) of the 1996 Telecom Act and the rulemakings on us. The BOCs continue to challenge the substance of the FCC rules, arguing that the rules do not allow them to fully recover the money they spent building their networks.

Critics are becoming increasingly vocal asking Congress to modify if not altogether rework the 1996 Telecom Act, citing a lack of competition in the local phone and broadband sectors. There is a lack of consensus on what changes are needed, however, or who is to blame for the Act's perceived failures. The strongest momentum appears to be in support of loosening regulations on BOCs so they can better compete in broadband, a move CLECs say could diminish local phone competition.

Rural Exemption. ACS, through subsidiary companies, provides local telephone services in Fairbanks and Juneau, Alaska. The ACS subsidiaries are classified as Rural Telephone Companies under the 1996 Telecom Act, which entitles them to an exemption of certain material interconnection terms of the 1996 Telecom Act, until and unless such "rural exemption" is examined and not continued by the RCA. We requested that continuation of the rural exemption of the ACS subsidiaries relating to the Fairbanks and Juneau markets be examined. In January 1998, the APUC denied our request to terminate the rural exemption. The basis of the APUC's decision was primarily that various rulemaking proceedings (including universal service and access charge reform) must be completed before the exemption would be revoked. Those rulemaking proceedings have been largely completed.

On March 4, 1999, an Alaska Superior Court Judge determined that the APUC erred in reaching its decision to deny our request to provide full local telephone service in Fairbanks and Juneau, Alaska. This service would be provided in competition against the existing monopoly providers. Among other things, the Court instructed the APUC to correctly assign the burden of proof to the ILECs rather than us, as a requesting CLEC, and to decide on our requests to provide service in Fairbanks and Juneau based on criteria established in the 1996 Telecom Act. The Court stated "this must be accomplished cognizant of the intent of the 1996 Telecom Act to promote competition in the local market." The Court remanded the case back to the APUC for proceedings leading to their ruling.

On July 1, 1999, the APUC ruled that the rural exemptions from local competition for the ILECs operating in Juneau, Fairbanks and North Pole would not be continued, which allowed us to negotiate for unbundled elements for the provision of competitive local service. ACS requested reconsideration of this decision and on October 11, 1999, the RCA issued an order terminating rural exemptions for the ILECs operating in the Fairbanks and Juneau markets. ACS has appealed these decisions.

We believe this decision is important to bring about the benefits of competition to other communities in Alaska. We continued to negotiate with ACS for unbundled network elements for the provisioning of competitive local access services in these markets, arbitrated the rates and terms and the RCA approved interconnection agreements for unbundled elements in October 2000. ACS has sought review of these decisions.

Internet Service Providers Regulated as Telecommunications Carriers. The FCC affirmed in a report adopted on April 10, 1998, that Internet service providers would not be subject to regulation as telecommunications carriers under the 1996 Telecom Act. They thus will not be subject to universal service subsidies and other regulations. Further, in August 1998, the FCC proposed new rules that would allow ILECs to provide their own DSL services through separate affiliates

that are not subject to ILEC regulation. On November 18, 1999, the FCC decided to require ILECs to share telephone lines with DSL providers, an action that may foster competition by allowing competitors to offer DSL services without their customers having to lease a second telephone line. Whether this development will be implemented in an effective way remains to be seen. Moreover, it is impossible to predict

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whether the FCC or Congress may change the rules under which these services are offered and, if such changes are made, the extent of the impact of such changes on our business.

Access Fees. The FCC regulates the fees that local telephone companies charge long distance companies for access to their local networks. The FCC is considering various proposals that would restructure and could reduce access charges. Changes in the access charge structure could fundamentally change the economics of some aspects of our business.

Access to Unbundled Network Elements. The Supreme Court vacated an FCC rule setting forth the specific unbundled network elements that ILECs must make available, finding that the FCC had failed to apply the appropriate statutory standard. On November 5, 1999, the FCC responded to the Court's decision by issuing a decision that maintains competitors' access to a wide variety of unbundled network elements. Six of the seven unbundled elements the FCC had originally required carriers to provide in its 1996 order implementing the 1996 Telecom Act remain available to competitors. These elements are loops, including loops used to provide high-capacity and advanced telecommunications services; network interface devices; local circuit switching, subject to restrictions in major urban markets; dedicated and shared transport; signaling and call-related databases; and operations support systems. The FCC removed access to operator and directory assistance service from the list of available unbundled network elements. In addition, the FCC added to its list certain unbundled network elements that were not at issue in 1996. These elements include subloops, or portions of loops, and dark fiber loops and transport. The FCC later required ILECs to unbundle facilities used to provide DSL service. The FCC did not decide, but sought additional information on, the question of whether carriers may combine certain unbundled network elements to provide special access services to compete with those provided by the ILECs. The ability to obtain unbundled network elements is an important element of our local access services business, and we believe that the FCC's actions in this area have generally been positive. However, we cannot predict the extent to which the existing rules will be sustained in the face of additional legal action and the scope of the rules that are yet to be determined by the FCC.

Recurring and non-recurring charges for telephone lines and other unbundled network elements may increase based on the rates proposed by the ILECs and approved by the RCA from time to time, which could have an adverse effect on the results of our operations. We are currently involved in arbitration to revise the interconnection rates and the terms in the existing interconnection agreement with ACS for the Anchorage service area. Moreover, because the cost-based methodology for determining these rates is still subject to judicial review, we are uncertain about how these rates will be determined in the future.

Universal Service. In 1997, the FCC issued important decisions on universal service establishing new funding mechanisms for high-cost, low-income service areas to ensure that certain subscribers living in rural and high-cost areas, as well as certain low-income subscribers, continue to have access to telecommunications and information services at prices reasonably comparable to those charged for similar services in urban areas.

These mechanisms also are meant to foster the provision of advanced communications services to schools, libraries and rural health-care facilities. Under the rules adopted by the FCC to implement these requirements, we and all other telecommunications providers are required to contribute to a fund to support universal service. The amount that we contribute to the federal universal service subsidy will be based on our share of specified defined telecommunications end-user revenues.

The order established significant discounts to be provided to eligible schools and libraries for all telecommunications services, internal connections and Internet access. It also established support for rural health care providers so that they may pay rates comparable to those that urban health care providers pay for similar services. The FCC estimates that first quarter 2002 net costs to be funded out of the Universal Service Fund will total approximately \$1.38 billion. The fund administrator, based on their interstate end-user revenues, assesses local and long distance carriers' contributions to the education and health care funds. The second quarter 2002

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contribution factor is \$0.072805. We contribute to the funds and are allowed to recover our contributions through increased interstate charges.

Local Regulation. We may be required to obtain local permits for street opening

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

Reciprocal Compensation. The FCC had determined that calls to ISPs within a caller's local calling area were non-local. To support this conclusion, the FCC found that calls to ISPs are predominately interstate in nature because the calls ultimately extend beyond the ISP to websites around the world. However, in 2000 the D.C. Circuit Court rejected the FCC's analysis and found that the "mere fact that the ISP originates further telecommunications does not imply that the original telecommunication does not 'terminate' at the ISP." Accordingly, the D.C. Circuit Court vacated and remanded the FCC's ISP-Bound Traffic Order.

The FCC, in response by its April 27, 2001 Order on Remand and Report and Order, ("ISP Remand Order"), explained why the reciprocal compensation requirements of Section 251(b)(5) of the 1996 Telecom Act do not apply to ISP-bound traffic. The FCC concluded that section 251(b)(5) is not limited solely to local traffic, but rather applies to all "telecommunications" traffic, except the categories specifically enumerated in section 251(g). The FCC concluded that ISP-bound traffic falls within one of the section 251(g) exceptions - "information access" - and is thus exempt from the section 251(b)(5) reciprocal compensation requirements. In order to retain jurisdiction over ISP-bound traffic, the FCC also found that such traffic is interstate in nature.

The FCC in its ISP Remand Order established a new "hybrid" interim mechanism for intercarrier compensation of ISP-bound traffic that "serves to limit, if not end, the opportunity for regulatory arbitrage, while avoiding a market-disruptive 'flash-cut' to a pure bill and keep regime."

The FCC also held that in cases where carriers are not exchanging traffic pursuant to interconnection agreements before the adoption of the ISP Remand Order, such carriers would be required to exchange ISP-bound traffic on a bill and keep basis during the interim period. However, the FCC stated that the ISP Remand Order "does not alter existing contractual obligations, except to the extent that parties are entitled to invoke contractual change-of-law provisions." Additionally, the FCC held that state commissions would no longer have authority to address ISP-bound traffic issues.

The FCC's actions are controversial with industry analysts predicting continued litigation over the status of ISP-bound traffic.

Cable Services Operations

General. The cable television industry is subject to extensive regulation at various levels, and many aspects of such regulation are currently the subject of judicial proceedings and administrative or legislative proposals. In particular, FCC regulations limit our ability to set and increase rates for our basic cable television service package and for the provision of cable television-related equipment. The law permits certified local franchising authorities to order refunds of rates paid in the previous 12-month period determined to be in excess of the permitted reasonable rates. It is possible that rate reductions or refunds of previously collected fees may be required of us in the future.

Currently, pursuant to Alaska law, basic cable rates in Juneau are the only rates in Alaska subject to regulation by the local franchising authority, and the rates in Juneau were reviewed and approved by the RCA in October 2000. In addition, the FCC has recently adopted rules that will require cable operators to carry the digital signals of broadcast television stations. However, the FCC has tentatively decided that cable operators should not be

required to carry both the analog and digital services of broadcast television stations while broadcasters are transitioning from analog to digital transmission. Carrying both the analog and digital services of broadcast television stations would consume additional cable capacity. As a result, a requirement to carry both analog and digital services of broadcast television stations could require the removal of popular programming services with materially adverse results for cable operators, including us. Should the FCC mandate dual carriage, we will carry the broadcast signals in both analog and digital formats.

Principal responsibility for implementing the policies of the 1934, 1984 and 1992 Cable Acts and the 1996 Telecom Act is allocated between the FCC and state or local franchising authorities. The FCC and state regulatory agencies are required to conduct numerous rulemaking and regulatory proceedings to implement the 1996 Telecom Act, and such proceedings may materially affect the cable industry.

The FCC has the authority to enforce its regulations through the imposition of substantial fines, the issuance of cease and desist orders and/or the imposition of other administrative sanctions, such as the revocation of FCC licenses needed

to operate certain transmission facilities used in connection with cable operations. The 1996 Telecom Act removed barriers to competition in the cable television market as well as the local telephone market. Among other things, it also reduced the scope of cable rate regulation and encourages additional competition in the video programming industry by allowing local telephone companies to provide video programming in their own telephone service areas.

The 1996 Telecom Act required the FCC to undertake a number of rulemakings. Moreover, Congress and the FCC have frequently revisited the subject of cable regulation. Future legislative and regulatory changes could adversely affect our operations, and there have been calls in Congress and at the FCC to maintain or even tighten cable regulation in the absence of widespread effective competition.

Subscriber Rates. The 1992 Cable Act authorized rate regulation for cable communications services and equipment in communities that are not subject to "effective competition," as defined by federal law, which limited the ability of cable companies to increase subscriber fees. Most cable communications systems are now subject to rate regulation by local officials for basic cable service, which typically contains local broadcast stations and public, educational, and government access channels. Such local regulation is subject to the oversight of the FCC, which has prescribed detailed criteria for such rate regulation. Before a local franchising authority begins basic service rate regulation, it must certify to the FCC that it will follow applicable federal rules. Many local franchising authorities have voluntarily declined to exercise their authority to regulate basic service rates. Local franchising authorities also have primary responsibility for regulating cable equipment rates. Under federal law, charges for various types of cable equipment must be unbundled from each other and from monthly charges for programming services. The 1992 Cable Act permits communities to certify and regulate rates at any time, so that localities served by our systems may choose to certify and regulate basic rates in the future.

The 1992 Cable Act also requires the FCC to resolve complaints about rates for CPS tiers (other than programming offered on a per channel or per program basis, which programming is not subject to rate regulation) and to reduce any such rates found to be unreasonable. The 1996 Telecom Act eliminates the right of individuals to file CPS tier rate complaints with the FCC and requires the FCC to issue a final order within 90 days after receipt of CPS tier rate complaints filed by any franchising authority. The 1992 Cable Act limits the ability of cable television systems to raise rates for basic and certain cable programming services (collectively, the "Regulated Services").

Under the 1996 Telecom Act, the FCC's authority to regulate CPS tier rates sunset on March 31, 1999. The FCC has taken the position that it will still adjudicate pending cable programming service tier complaints but will strictly limit its review, and possible refund orders, to the period predating the sunset date. The elimination of cable programming service tier regulation affords us greater pricing flexibility.

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FCC regulations govern rates that may be charged to subscribers for Regulated Services. The FCC uses a benchmark methodology as the principal method of regulating rates for Regulated Services. Cable operators are also permitted to justify rates using a cost-of-service methodology, which contains a rebuttable presumption of an industry-wide 11.25% rate of return on an operator's allowable rate base. Cost-of-service regulation is a traditional form of rate regulation, under which a company is allowed to recover its costs of providing the regulated service, plus a reasonable profit. Franchising authorities are empowered to regulate the rates charged for monthly basic service, for additional outlets and for the installation, lease and sale of equipment used by subscribers to receive the basic cable service tier, such as converter boxes and remote control units. The FCC's rules require franchising authorities to regulate these rates based on actual cost plus a reasonable profit, as defined by the FCC. Cable operators required to reduce rates may also be required to refund overcharges with interest. The FCC has also adopted comprehensive and restrictive regulations allowing operators to modify their regulated rates on a quarterly or annual basis using various methodologies that account for changes in the number of regulated channels, inflation and increases in certain external costs, such as franchise and other governmental fees, copyright and retransmission consent fees, taxes, programming fees and franchise-related obligations. We cannot predict whether the FCC will modify these "going forward" regulations in the future.

Rate regulation of non-basic cable programming service tiers ended after March 31, 1999. The 1996 Telecom Act also modifies the uniform rate provision of the 1992 Cable Act by prohibiting regulation of non-predatory bulk discount rates offered to subscribers in commercial and residential developments and permits regulated equipment rates to be computed by aggregating costs of broad categories of equipment at the franchise, system, regional or company level.

Anti-Buy Through Provisions. The 1992 Cable Act requires cable systems to permit subscribers to purchase video programming offered by the operator on a per channel or a per program basis without the necessity of subscribing to any tier of service, other than the basic cable service tier, unless the system's lack of

addressable converter boxes or other technological limitations does not permit it to do so. The statutory exemption for cable systems that do not have the technological capability to offer programming in the manner required by the statute is available until a system obtains such capability, but not later than December 2002. The FCC may waive such time periods, if deemed necessary. Many of our systems do not have the technological capability to offer programming in the manner required by the statute and thus currently are exempt from complying with the requirement.

Cable Entry Into Telecommunications. The 1996 Telecom Act creates a more favorable environment for us to provide telecommunications services beyond traditional video delivery. It provides that no state or local laws or regulations may prohibit or have the effect of prohibiting any entity from providing any interstate or intrastate telecommunications service. A cable operator is authorized under the 1996 Telecom Act to provide telecommunications services without obtaining a separate local franchise. States are authorized, however, to impose "competitively neutral" requirements regarding universal service, public safety and welfare, service quality, and consumer protection. State and local governments also retain their authority to manage the public rights-of-way and may require reasonable, competitively neutral compensation for management of the public rights-of-way when cable operators provide telecommunications service.

Cable System Delivery of Internet Service. Although there is at present no significant federal regulation of cable system delivery of Internet services, and the FCC has issued several reports finding no immediate need to impose such regulation, this situation may change as cable systems expand their broadband delivery of Internet services. In particular, proposals have been advanced at the FCC and Congress that would require cable operators to provide access to unaffiliated Internet service providers and online service providers. The FCC rejected a petition by certain Internet service providers attempting to use existing modes of access that are commercially leased to gain access to cable system delivery. Some states and local franchising authorities are considering the imposition of mandatory Internet access requirements as part of cable franchise renewals or transfers and a few local jurisdictions have adopted these requirements. The Federal Trade Commission and the FCC recently imposed

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certain "open-access" requirements on Time Warner and AOL in connection with their merger, but those requirements are not applicable to other cable operators.

In June 2000, the Federal Court of Appeals for the Ninth Circuit rejected an attempt by the City of Portland, Oregon to impose mandatory Internet access requirements on the local cable operator. In reversing a contrary ruling by the lower court, the Ninth Circuit court held that Internet service was not a cable service, and therefore could not be subject to local cable franchising. At the same time, the Court suggested that at least the transport component of broadband Internet service could be subject to regulation as a "telecommunications" service. Although regulation of this form of telecommunications service would presumably be reserved for the FCC (which has so far resisted requests for active regulation), some states may argue that they are entitled to impose "open-access" requirements pursuant to their authority over intrastate telecommunications. In addition, some local governments may argue that a cable operator must secure a local telecommunications franchise before providing Internet service.

In response to the Ninth Circuit decision, the FCC has initiated a new proceeding to determine what regulatory treatment, if any, should be accorded to cable modem service and the cable modem platform used in providing this service. More specifically, the FCC notice seeks comment on the parameters the Commission should use in determining the appropriate level of access to cable networks for the provision of high-speed data services. The Ninth Circuit decision is the leading case on cable-delivered Internet service at this point, but the Federal District Court for the Eastern District of Virginia reached a similar result in a May 2000 ruling, concluding that broadband Internet service was a cable service, but that multiple provisions of the 1996 Telecom Act preempted local regulation. A Federal district court in Florida recently addressed a similar "open-access" requirement in a local franchise and struck down the requirement as unconstitutional. There are other instances where "open-access" requirements have been imposed and judicial challenges are pending.

On March 14, 2002, the FCC took steps toward ensuring a light regulatory touch on broadband services delivered through the use of cable facilities (such as our cable modem services). In a 3-1 vote, the FCC defined high-speed Internet over cable as an "information service" not subject to local cable-franchise fees, like cable service is, or any explicit requirements for "open access," as telecommunications service is. The "information service" designation for cable broadband reportedly sends a strong signal that cable-Internet services will be able to continue to develop in a business environment that favors competition over regulation and encourages new investment. The FCC traditionally hasn't regulated information services. Industry analysts believe the policy of regulatory restraint is particularly appropriate, given the strong competition among cable, satellite and digital-subscriber-line service via telephone lines.

If regulators are allowed to impose Internet access requirements on cable operators, it could burden the capacity of cable systems and complicate our own plans for providing expanded Internet access services. These access obligations could adversely affect our profitability and discourage system upgrades and the introduction of new products and services.

LEC Ownership of Cable Systems. The 1996 Telecom Act made far-reaching changes in the regulation of LECs that provide cable services. The 1996 Telecom Act eliminated federal legal barriers to competition in the local telephone and cable communications businesses, preempted legal barriers to competition that previously existed in state and local laws and regulations, and set basic standards for relationships between telecommunications providers. The 1996 Telecom Act eliminated the statutory telephone company/cable television cross-ownership prohibition, thereby allowing LECs to offer video services in their telephone service areas. LECs may provide service as traditional cable operators with local franchises or they may opt to provide their programming over unfranchised "open video systems," subject to certain conditions, including, but not limited to, setting aside a portion of their channel capacity for use by unaffiliated program distributors on a non-discriminatory basis. The 1996 Telecom Act generally limits acquisitions and prohibits certain joint ventures between LECs and cable operators in the same market.

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A federal appellate court overturned various parts of the FCC's open video rules, including the FCC's preemption of local franchising requirements for open video operators. The FCC has modified its open video rules to comply with the federal court's decision. It is unclear what effect this ruling will have on the entities pursuing open video system operation.

Although local exchange carriers and cable operators can now expand their offerings across traditional service boundaries, the general prohibition remains on local exchange carrier buyouts of co-located cable systems. Co-located cable systems are cable systems serving an overlapping territory. Cable operator buyouts of co-located local exchange carrier systems, and joint ventures between cable operators and local exchange carriers in the same market are also prohibited. The 1996 Telecom Act provides a few limited exceptions to this buyout prohibition, including a carefully circumscribed "rural exemption." The 1996 Telecom Act also provides the FCC with the limited authority to grant waivers of the buyout prohibition.

Ownership Limitations. The 1996 Telecom Act generally prohibits us from owning or operating a SMATV or wireless cable system in any area where we provide franchised cable service. We may, however, acquire and operate SMATV systems in our franchised service areas if the programming and other services provided to SMATV subscribers are offered according to the terms and conditions of our franchise agreement.

In February 2002, a U.S. appeals court set aside a FCC rule that bars a company from owning television stations that reach more than 35% of U.S. homes. A three-judge panel concluded the FCC's "decision to retain the rules was arbitrary and capricious and contrary to law." The court overturned altogether an FCC ban on a company owning a cable TV system in a market where it also operates a broadcast television station. This limitation was held on March 2, 2001 to violate the First Amendment. The U.S. Court of Appeals for the District of Columbia Circuit ruled that the limit must either be justified by the FCC "as not burdening substantially more speech than necessary," or rewritten by the FCC. In addition, the D.C. Circuit panel vacated on constitutional grounds the FCC rule limiting to 40% the number of channels on which a cable operator can offer operator-affiliated programming.

A petition for certiorari was filed with the U.S. Supreme Court asking for review of the D.C. Circuit Court's ruling on the 30% cap but did not challenge the court's ruling striking down the 40% cap on the channels that a cable operator may use to offer affiliated programmers. The FCC adopted a Further Notice of Proposed Rulemaking on September 13, 2001 concerning its horizontal (30% of national audience reach) and vertical (40% of channels showing operator-affiliated programming) limits and certain aspects of its attribution rules. Comments and reply comments were due on January 4, 2002, and February 4, 2002, respectively.

The FCC broadcast and cable crossownership rule prohibits anyone from having an attributable interest in both a cable system and a TV station if the TV station's signals overlap any part of the service area of the cable system. The Act eliminated the statutory prohibition of this type of crossownership, however Congress did not require the FCC to delete its rule, which remains intact. In its 1998 Biennial Review Report adopted May 30, 2000 (1998 report), the FCC concluded that the rule should be retained. Oral argument was held on September 7, 2001; a court decision is pending.

Similar to the broadcast and cable prohibition, the broadcast and newspaper crossownership rule bans common ownership of a radio or television station and a daily newspaper if certain conditions are met. Acquisition of a daily newspaper in conflict with this rule requires divestiture of one of the properties before

the next license expiration date of the broadcast station, or in one year, whichever is later. In its 1998 Broadcast Ownership Biennial Review Report adopted May 30, 2000, the FCC recommended a rulemaking to consider changes, but kept the rule in place. At its September 13, 2001 meeting, the FCC adopted a Notice of Proposed Rulemaking seeking comment on modification of its newspaper/broadcast crossownership rule and waiver policies. Comments were due December 3, 2001, and reply comments were due January 7, 2002.

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Under the FCC's TV duopoly rule, no one may hold an attributable interest in two television stations under certain circumstances. In December 2000, the FCC terminated its 1998 Biennial Review of the television duopoly rules and affirmed the ban on owning a second television station in a market having fewer than eight separately owned TV stations. On February 20, 2001, Sinclair Broadcast Group filed a Petition for Review with the U.S. Court of Appeals for the District of Columbia Circuit. Sinclair also sought a court stay of an FCC decision ordering Sinclair to terminate local marketing agreements it had entered after the November 5, 1996, start of an FCC rulemaking examining TV local marketing agreements. The Court granted the stay pending completion of the appeal. Sinclair filed its brief on the merits of the court appeal on August 20, 2001. Oral arguments were scheduled for January 14, 2002. Other parties have asked the FCC for similar relief; those requests are pending.

Must Carry/Retransmission Consent. The 1992 Cable Act contains broadcast signal carriage requirements that allow local commercial television broadcast stations to elect once every three years to require a cable system to carry the station, subject to certain exceptions, or to negotiate for "retransmission consent" to carry the station. Broadcast signal carriage is the transmission of broadcast television signals over a cable system to cable customers. A cable system generally is required to devote up to one-third of its activated channel capacity for the carriage of local commercial television stations whether pursuant to the mandatory carriage or retransmission consent requirements of the 1992 Cable Act. Local non-commercial television stations are also given mandatory carriage rights; however, such stations are not given the option to negotiate retransmission consent for the carriage of their signals by cable systems. Additionally, cable systems are required to obtain retransmission consent for all distant commercial television stations (except for commercial satellite-delivered independent "superstations" such as WGN), commercial radio stations and certain low-power television stations carried by such systems.

Must carry requests can dilute the appeal of a cable system's programming offerings because a cable system with limited channel capacity may be required to forego carriage of popular channels in favor of less popular broadcast stations electing must carry. Retransmission consent demands may require substantial payments or other concessions.

The FCC tentatively decided against imposition of dual digital and analog must carry in a January 2001 ruling. The ruling resolved a number of technical and legal matters, and clarifies that a digital-only TV station, commercial or non-commercial, can immediately assert its right to carriage on a local cable system. The FCC also said that a TV station that returns its analog spectrum and converts to digital operations must be carried by local cable systems. At the same time, however, it initiated further fact gathering that ultimately could lead to a reconsideration of the tentative conclusion.

Satellite Home Viewer Improvement Act of 1999 ("SHVIA"). A major change introduced by the SHVIA was a "local into local" provision allowing satellite carriers, for the first time, to retransmit the signals of local television stations by satellite back to viewers in their local markets. The intent was to promote multichannel video competition by removing the prohibition on satellite retransmission of local signals, which cable operators already offered to their subscribers under the must-carry/retransmission consent scheme of regulation described above.

SHVIA applies a similar scheme to satellite carriage. Television stations had until July 1, 2001, to elect must-carry or retransmission consent on satellite carriers in their markets. Beginning January 1, 2002, a satellite company that has chosen to provide any local-into-local service in a market will be required to provide subscribers with the signals of all qualified television stations assigned to that designated market area and that ask to be carried on the satellite system. To qualify, stations must meet conditions such as providing, at station expense, a good-quality signal to the carrier's local receive facility.

On November 29, 2000, the FCC adopted rules governing satellite signal carriage. These rules bar carriers from charging subscribers more for must-carry stations than for stations that elect to be carried under retransmission consent. Rules also prevent carriers from requiring subscribers to purchase additional equipment (e.g., a second dish) to receive stations that insist on carriage. The FCC allowed satellite carriers to sell local stations to

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subscribers a la carte, rather than only as a package. But a satellite carrier

that carries at least one local station under the new local-into-local copyright compulsory license without which DBS operators would not carry the signals at all, contained in the SHVIA, must-carry all qualifying stations in the market; this is the carry one/carry all provision that is among those on appeal.

FCC reconsideration of the rules was petitioned for by DirecTV and the Association of Local Television Stations, and supported and opposed by several others. In an Order on Reconsideration released September 5, 2001, the Commission affirmed its rules for the most part, but also clarified, on its own motion, important aspects of carrier obligations to implement station elections of must-carry.

Various court appeals have been consolidated in the Fourth Circuit, where oral argument was held September 25, 2001, focusing on carry one/carry all and a la carte. The FCC, in its Reconsideration Order of September 5, 2001, addressed complaints by broadcasters that satellite carriers, particularly EchoStar, have not complied with SHVIA must-carry implementation requirements, and ordered the carriers to comply. That Order is subject to court appeal. In the 11th Circuit Echostar injunction case, the broadcast plaintiffs will provide new evidence of nationwide noncompliance to the U.S. District Court in Miami. By statute and FCC rule, satellite carriage of eligible local stations must begin January 1, 2002.

Designated Access Channels. The 1996 Telecom Act permits local franchising authorities to require cable operators to set aside certain channels for public, educational and governmental access programming. The 1984 Cable Act also requires cable systems to designate a portion of their channel capacity, up to 15 percent in some cases, for commercial leased access by unaffiliated third parties to provide programming that may compete with services offered by the cable operator. The FCC has adopted rules regulating the terms, conditions and maximum rates a cable operator may charge for commercial leased access use. The FCC recently rejected a request that unaffiliated Internet service providers be found eligible for commercial leased access.

Access to Programming. To spur the development of independent cable programmers and competition to incumbent cable operators, the 1992 Cable Act imposed restrictions on the dealings between cable operators and cable programmers. Of special significance from a competitive business posture, the 1992 Cable Act precludes video programmers affiliated with cable companies from favoring their cable operators over new competitors and requires such programmers to sell their programming to other multichannel video distributors. This provision limits the ability of vertically integrated cable programmers to offer exclusive programming arrangements to cable companies. This prohibition is scheduled to expire in October 2002, unless the FCC determines that an extension is necessary to protect competition and diversity. There also has been interest expressed in further restricting the marketing practices of cable programmers, including subjecting programmers who are not affiliated with cable operators to all of the existing program access requirements, and subjecting terrestrially delivered programming to the program access requirements. Terrestrially delivered programming is programming delivered other than by satellite. Pursuant to the Satellite Home Viewer Improvement Act, the FCC has adopted regulations governing retransmission consent negotiations between broadcasters and all multichannel video programming distributors, including cable and DBS.

Inside Wiring; Subscriber Access. In an order issued in 1997, the FCC established rules that require an incumbent cable operator upon expiration of a multiple dwelling unit service contract to sell, abandon, or remove home run wiring that was installed by the cable operator in a multiple dwelling unit building. These inside wiring rules are expected to assist building owners in their attempts to replace existing cable operators with new programming providers who are willing to pay the building owner a higher fee, where such a fee is permissible. The FCC has also proposed abrogating all exclusive multiple dwelling unit service agreements held by incumbent operators, but allowing such contracts when held by new entrants. In another proceeding, the FCC has preempted restrictions on the deployment of private antennas on rental property within the exclusive use of a tenant, such as balconies and patios. This FCC ruling may limit the extent to which we along with multiple dwelling unit owners may enforce certain aspects of multiple dwelling unit agreements which otherwise prohibit, for example, placement of digital broadcast satellite receiver antennae in multiple dwelling unit areas under the exclusive occupancy of a renter.

These developments may make it even more difficult for us to provide service in multiple dwelling unit complexes.

Video Description. On July 21, 2000, the FCC ruled that top-25-market affiliates of the four major national networks, and MVPDs having 50,000 or more subscribers, must provide video descriptions to make television programs more accessible to people with visual impairments. Such broadcasters and MVPDs must provide, in prime time or children's programming, 50 hours per calendar quarter of video description. Other television stations and MVPDs must pass through video descriptions contained in programs, and must add an aural tone crawl or scroll to local emergency messages. Video description, which is in addition to closed captioning for the hearing impaired, includes voice descriptions of a

program's visual elements inserted in audio pauses in the program. The FCC generally affirmed its video description rules on reconsideration on January 4, 2001. On March 28, 2001, the Motion Picture Association of America, NAB and NCTA filed a joint Petition for Review, and on April 2, 2001, the National Federation of the Blind filed a Petition for Review with the U.S. Court of Appeals for the District of Columbia Circuit of the FCC's January 4, 2001, reconsideration decision. The requirements are being phased in while the appeals progress. The court has yet to establish a schedule for briefs and oral argument in the appeals case.

Franchise Procedures. The 1984 Cable Act affirms the right of franchising authorities (state or local, depending on the practice in individual states) to award one or more franchises within their jurisdictions and prohibits non-grandfathered cable systems from operating without a franchise in such jurisdictions. The 1992 Cable Act encourages competition with existing cable systems by:

- allowing municipalities to operate their own cable systems without franchises;
- preventing franchising authorities from granting exclusive franchises or from unreasonably refusing to award additional franchises covering an existing cable system's service area; and
- prohibiting (with limited exceptions) the common ownership of cable systems and collocated MMDS or SMATV systems.

The FCC has relaxed its restrictions on ownership of SMATV systems to permit a cable operator to acquire SMATV systems in the operator's existing franchise area so long as the programming services provided through the SMATV system are offered according to the terms and conditions of the cable operator's local franchise agreement. The 1996 Telecom Act provides that the cable/SMATV and cable/MMDS cross-ownership rules do not apply in any franchise area where the operator faces effective competition as defined by federal law.

The Cable Acts also provide that in granting or renewing franchises, local authorities may establish requirements for cable-related facilities and equipment, but not for video programming or information services other than in broad categories. The Cable Acts limit the payment of franchise fees to 5 percent of revenues derived from cable operations and permit the cable operator to obtain modification of franchise requirements by the franchise authority or judicial action if warranted by changed circumstances. A federal appellate court held that a cable operator's gross revenue includes all revenue received from subscribers, without deduction, and overturned an FCC order which had held that a cable operator's gross revenue does not include money collected from subscribers that is allocated to pay local franchise fees. We cannot predict the ultimate resolution of these matters. The 1996 Telecom Act generally prohibits franchising authorities from:

- imposing requirements in the cable franchising process that require, prohibit or restrict the provision of telecommunications services by an operator;
- imposing franchise fees on revenues derived by the operator from providing telecommunications services over its cable system; or
- restricting an operator's use of any type of subscriber equipment or transmission technology.

The 1984 Cable Act contains renewal procedures designed to protect incumbent franchisees against arbitrary denials of renewal. The 1992 Cable Act made several changes to the renewal process that could make it easier for

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a franchising authority to deny renewal. Moreover, even if the franchise is renewed, the franchising authority may seek to impose new and more onerous requirements such as significant upgrades in facilities and services or increased franchise fees as a condition of renewal. Similarly, if a franchising authority's consent is required for the purchase or sale of a cable system or franchise, such authority may attempt to impose more burdensome or onerous franchise requirements in connection with a request for such consent. Historically, franchises have been renewed for cable operators that have provided satisfactory services and have complied with the terms of their franchises. We believe that we have generally met the terms of our franchises and have provided quality levels of service. We anticipate that our future franchise renewal prospects generally will be favorable.

Various courts have considered whether franchising authorities have the legal right to limit the number of franchises awarded within a community and to impose certain substantive franchise requirements (e.g. access channels, universal service and other technical requirements). These decisions have been inconsistent and, until the US Supreme Court rules definitively on the scope of cable operators' First Amendment protections, the legality of the franchising process generally and of various specific franchise requirements is likely to be in a state of flux.

Pole Attachment. The Communications Act requires the FCC to regulate the rates, terms and conditions imposed by public utilities for cable systems' use of

utility pole and conduit space unless state authorities can demonstrate that they adequately regulate pole attachment rates. In the absence of state regulation, the FCC administers pole attachment rates on a formula basis.

The FCC has concluded that, in the absence of state regulation, it has jurisdiction to determine whether utility companies have justified their demand for additional rental fees and that the Communications Act does not permit disparate rates based on the type of service provided over the equipment attached to the utility's pole. The FCC's existing pole attachment rate formula, which may be modified by a pending rulemaking, governs charges for utilities for attachments by cable operators providing only cable services. The 1996 Telecom Act and the FCC's implementing regulations modify the current pole attachment provisions of the 1984 Cable Act by immediately permitting certain providers of telecommunications services to rely upon the protections of the current law and by requiring that utilities provide cable systems and telecommunications carriers with nondiscriminatory access to any pole, conduit or right-of-way controlled by the utility.

The FCC's new rate formula, effective in 2001, governs the maximum rate certain utilities may charge for attachments to their poles and conduit by companies providing telecommunications services, including cable operators. Several parties have requested the FCC to reconsider its new regulations and several parties have challenged the new rules in court. A federal appellate court upheld the constitutionality of the statutory provision that requires utilities provide cable systems and telecommunications carriers with nondiscriminatory access to any pole, conduit or right-of-way controlled by the utility.

The favorable pole attachment rates afforded cable operators under federal law can be gradually increased by utility companies owning the poles if the operator provides telecommunications service, as well as cable service, over its plant. The FCC clarified that a cable operator's favorable pole rates are not endangered by the provision of Internet access, but a decision by the 11th Circuit Court of Appeals disagreed and suggested that Internet traffic is neither cable service nor telecommunications service and might leave cable attachments that carry Internet traffic ineligible for Pole Attachment Act protections. This decision could have led to substantial increases in pole attachment rates. The cable industry sought review by the United States Supreme Court, which issued an opinion reversing a decision from the United States Court of Appeals for the Eleventh Circuit. The Eleventh Circuit court held that commingled services are not covered by the Pole Attachment Act; and the Pole Attachment Act does not grant the FCC authority to regulate wireless communications.

Shortly after the Eleventh Circuit, opinion was issued, the U.S. Supreme Court granted writ of certiorari and issued an order staying the Eleventh Circuit's decision pending further review. The U.S. Supreme Court reversed

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the Eleventh Circuit's ruling. While the Supreme Court's decision does not mean an end to arbitrations and litigation over similar issues, it does mean that the FCC's Pole Attachment rules remain in effect.

Copyright. Cable television systems are subject to federal copyright licensing covering carriage of television and radio broadcast signals. In exchange for filing certain reports and contributing a percentage of their revenues to a federal copyright royalty pool, that varies depending on the size of the system, the number of distant broadcast television signals carried, and the location of the cable system, cable operators can obtain blanket permission to retransmit copyrighted material included in broadcast signals. The U.S. copyright office adopted an industry agreement providing for an increase in the copyright royalty rates. The possible modification or elimination of this compulsory copyright license is the subject of continuing legislative review and could adversely affect our ability to obtain desired broadcast programming. We cannot predict the outcome of this legislative activity. Copyright clearances for nonbroadcast programming services are arranged through private negotiations.

Cable operators distribute locally originated programming and advertising that use music controlled by the two principal major music performing rights organizations, the American Society of Composers, Authors and Publishers and Broadcast Music, Inc. The cable industry has had a long series of negotiations and adjudications with both organizations. A prior voluntarily negotiated agreement with Broadcast Music has now expired, and is subject to further proceedings. The governing rate court recently set retroactive and prospective cable industry rates for American Society of Composers music based on the previously negotiated Broadcast Music rate. Although we cannot predict the ultimate outcome of these industry proceedings or the amount of any license fees we may be required to pay for past and future use of association-controlled music, we do not believe such license fees will be significant to our business and operations.

Other Statutory and FCC Provisions. The 1992 Cable Act requires cable operators to block fully both the video and audio portion of sexually explicit or indecent programming on channels that are primarily dedicated to sexually oriented programming or alternatively to carry such programming only at "safe harbor"

time periods currently defined by the FCC as the hours between 10 p. m. to 6 a. m. A three-judge federal district court determined that this provision was unconstitutional. The United States Supreme Court is currently reviewing the lower court's ruling. The Communications Act also includes provisions, among others, concerning customer service, subscriber privacy, marketing practices, equal employment opportunity, regulation of technical standards and equipment compatibility.

The FCC has various rulemaking proceedings pending that will implement the 1996 Telecom Act; it also has adopted regulations implementing various provisions of the 1992 Cable Act and the 1996 Telecom Act that are the subject of petitions requesting reconsideration of various aspects of its rulemaking proceedings. The FCC has the authority to enforce its regulations through the imposition of substantial fines, the issuance of cease and desist orders and/or the imposition of other administrative sanctions, such as the revocation of FCC licenses needed to operate certain transmission facilities often used in connection with cable operations.

Other Regulations of the FCC. In addition to the FCC regulations noted above, there are other regulations of the FCC covering such areas as the following.

- Programming practices, including, among other things:
 - Syndicated program exclusivity, which is a FCC rule which requires a cable system to delete particular programming offered by a distant broadcast signal carried on the system which duplicates the programming for which a local broadcast station has secured exclusive distribution rights
 - Network program nonduplication
 - Local sports blackouts
 - Indecent programming
 - Lottery programming
 - Political programming
 - Sponsorship identification
- Children's programming advertisements
- Closed captioning
- Registration of cable systems and facilities licensing
- Maintenance of various records and public inspection files
- Aeronautical frequency usage
- Lockbox availability
- Antenna structure notification
- Tower marking and lighting
- Emergency alert systems

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The FCC has ruled that cable customers must be allowed to purchase cable converters from third parties and established a multi-year phase-in during which security functions, which would remain in the operator's exclusive control, would be unbundled from basic converter functions, which could then be satisfied by third party vendors. The first phase implementation date was July 1, 2000. Compliance was technically and operationally difficult in our locations, so we and several other cable operators filed a request at the FCC that the requirement be waived in those systems. The request resulted in a temporary deferral of the compliance deadline for those systems. We intend to implement necessary changes in 2002 to comply with these requirements.

The FCC recently initiated an inquiry to determine whether the cable industry's future provision of interactive services should be subject to regulations ensuring equal access and competition among service vendors. The inquiry is another indication of regulatory concern regarding control over cable capacity.

Other bills and administrative proposals pertaining to cable communications have previously been introduced in Congress or have been considered by other governmental bodies over the past several years. It is possible that Congress and other governmental bodies will make further attempts to regulate cable communications services.

State and Local Regulation. Because our cable communications systems use local streets and rights-of-way, our systems are subject to state and local regulation. Cable communications systems generally are operated pursuant to franchises, permits or licenses granted by a municipality or other state or local government entity. Federal law prohibits local franchising authorities from granting exclusive franchises or from unreasonably refusing to award additional franchises. Franchises generally are granted for fixed terms and in many cases are terminable if the franchisee fails to comply with material provisions. The terms and conditions of franchises vary materially from jurisdiction to jurisdiction. Each franchise generally contains provisions governing cable service rates, franchise fees, franchise term, system construction and maintenance obligations, system channel capacity, design and technical performance, customer service standards, franchise renewal, sale or transfer of the franchise, territory of the franchisee, indemnification of the franchising authority, use and occupancy of public streets and types of cable services provided. The 1992 Cable Act immunizes franchising authorities from monetary damage awards arising from regulation of cable communications systems

or decisions made on franchise grants, renewals, transfers and amendments. The 1996 Telecom Act provides that franchising fees are limited to an operator's cable-related revenues and do not apply to revenues that a cable operator derives from providing new telecommunications services.

Internet Operations

General. With significant growth in Internet activity and commerce over the past several years the FCC and other regulatory bodies have been challenged to develop new models that allow them to achieve the public policy goals of competition and universal service. Many aspects of regulation and coordination of Internet activities and traffic are evolving and are facing unclear regulatory futures. Changes in regulations and in the regulatory environment, including changes that affect communications costs or increase competition from the ILEC or other communications service providers, could adversely affect the prices at which we sell ISP services.

The Internet has been able to grow and develop outside the existing regulatory structure because the FCC has made conscious decisions to limit the application of its rules. The federal government's efforts have been directed

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away from burdening the Internet with regulation. ISPs and other companies in the Internet industry have not been required to gain regulatory approval for their actions. The 1996 Telecom Act adopts such a position. The 1996 Act states that it is the policy of the United States "to preserve the vibrant and competitive free market that presently exists for the Internet and other interactive computer services, unfettered by Federal or State regulation."

Regulatory policy approaches toward the Internet have focused on several areas: avoiding unnecessary regulation, questioning the applicability of traditional rules, Internet governance (such as the allocation of domain names), intellectual property, network reliability, privacy, spectrum policy, standards, security, and international regulation.

Government may influence the evolution of the Internet in many ways, including directly regulating, participating in technical standards development, providing funding, restricting anti-competitive behavior by dominant firms, facilitating industry cooperation otherwise prohibited by antitrust laws, promoting new technologies, encouraging cooperation between private parties, representing the United States in international intergovernmental bodies, and large-scale purchasing of services.

There are many ways Internet growth could be negatively impacted which may require future regulation and oversight. Moving toward proprietary standards or closed networks would reduce the degree to which new services could leverage the existing infrastructure. The absence of competition in the ISP market, or the telecommunications infrastructure market, could reduce incentives for innovation. Excessive or misguided government intervention could distort the operation of the marketplace, and lead companies to expend valuable resources working through the regulatory process. Insufficient government involvement may also, however, have negative consequences. Some issues may require a degree of central coordination, even if only to establish the initial terms of a distributed, locally-controlled system. The final result, in the absence of collective action, may be an outcome that no one favors. In addition, the failure of the federal government to identify Internet-related areas that should not be subject to regulation leaves open opportunities for state, local, or international bodies to regulate excessively and/or inconsistently.

Internet Governance and Standards. There is no one entity or organization that governs the Internet. Each facilities-based network provider that is interconnected with the global Internet controls operational aspects of their own network. Certain functions, such as domain name routing and the definition of the TCP/IP protocol, are coordinated by an array of quasi-governmental, intergovernmental, and non-governmental bodies. The United States government, in many cases, has handed over responsibilities to these bodies through contractual or other arrangements.

In other cases, entities have emerged to address areas of need such as the Internet Society ("ISOC"), a non-profit professional society founded in 1992. ISOC organizes working groups and conferences, and coordinates some of the efforts of other Internet administrative bodies. The Internet Engineering Task Force ("IETF"), an open international body mostly comprised of volunteers, is primarily responsible for developing Internet standards and protocols. The work of the IETF is coordinated by the Internet Engineering Steering Group, and the Internet Architecture Board, which are affiliated with ISOC. The Internet Assigned Numbers Authority handles Internet addressing matters under a contract between the Department of Defense and the Information Sciences Institute at the University of Southern California.

The legal authority of any of these bodies is unclear. Most of the underlying architecture of the Internet was developed under the auspices, directly or indirectly, of the United States government. The government has not, however, defined whether it retains authority over Internet management functions, or whether these responsibilities have been delegated to the private sector. The

degree to which any existing body can lay claim to representing "the Internet community" is also unclear. Membership in the existing Internet governance entities is drawn primarily from the research and technical communities.

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1996 Telecom Act. The 1996 Telecom Act provides little direct guidance as to whether the FCC has authority to regulate Internet-based services. Section 223 concerns access by minors to obscene, harassing, and indecent material over the Internet and other interactive computer networks, and sections 254, 706, and 714 address mechanisms to promote the availability of advanced telecommunications services, possibly including Internet access. None of these sections, however, specifically addresses the FCC's jurisdiction.

Nothing in the 1996 Telecom Act expressly limits the FCC's authority to regulate services and facilities connected with the Internet, to the extent that they are covered by more general language in any section of the Act. Moreover, it is not clear what such a limitation would mean even if it were adopted. The Communications Act directs the FCC to regulate "interstate and foreign commerce in communication by wire and radio," and the FCC and state public utility commissions indisputably regulate the rates and conditions under which ISPs purchase services and facilities from telephone companies. Given the absence of clear statutory guidance, the FCC must determine whether it has the authority or the obligation to exercise regulatory jurisdiction over specific Internet-based activities. The FCC may also decide whether to forebear from regulating certain Internet-based services. Forbearance allows the FCC to decline to adopt rules that would otherwise be required by statute. Under section 401 of the 1996 Telecom Act, the FCC must forbear if regulation would not be necessary to prevent anticompetitive practices and to protect consumers, and forbearance would be consistent with the public interest. Finally, the FCC could consider whether to preempt state regulation of Internet services that would be inconsistent with achievement of federal goals.

FCC Regulations. The FCC has not attempted to regulate the companies that provide the software and hardware for Internet telephony, or the access providers that transmit their data, as common carriers or telecommunications service providers. In March 1996, America's Carriers Telecommunication Association ("ACTA"), a trade association primarily comprised of small and medium-size interexchange carriers, filed a petition with the FCC asking the FCC to regulate Internet telephony. ACTA argues that providers of software that enables real-time voice communications over the Internet should be treated as common carriers and subject to the regulatory requirements of Title II. The FCC has sought comment on ACTA's request. Other countries are considering similar issues.

The FCC has not considered whether any of the rules that relate to radio and television broadcasters should also apply to analogous Internet-based services. The vast majority of Internet traffic today travels over wire facilities, rather than the radio spectrum. As a policy matter, however, a continuous, live, generally-available music broadcast over the Internet may appear similar to a traditional radio broadcast, and the same arguments may be made about streaming video applications. The FCC will need to consider the underlying policy principles that, in the language of the Act and in FCC decisions, have formed the basis for regulation of the television and radio broadcast industries.

The FCC does not regulate the prices charged by ISPs or Internet backbone providers. However, the vast majority of users connect to the Internet over facilities of existing telecommunications carriers. Those telecommunications carriers are subject to varying levels of regulation at both the federal and the state level. Thus, regulatory decisions exercise a significant influence over the economics of the Internet market. Economics is expected to drive the development of both the Internet and of other communications technologies.

Internet access is understood to be an enhanced service under FCC rules; therefore, ISPs are treated as end users, rather than carriers, for purposes of the FCC's interstate access charge rules. This distinction was created when the FCC established the access charge system in 1983. Thus, when ISPs purchase lines from LECs, the ISPs buy those lines under the same tariffs that any business customer would use. Although these services generally involve a per-minute usage charge in addition to a monthly fee, the usage charge is assessed only for outbound calls. ISPs, however, exclusively use these lines to receive calls from their customers, and thus effectively pay flat monthly rates. By contrast, IXCs that interconnect with LECs are considered carriers, and thus are required to pay interstate access charges for the services they purchase. Most of the access charges that carriers pay are usage-sensitive in both directions. Thus, IXCs are assessed per-minute charges for both originating and

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terminating calls. The FCC concluded in their Local Competition Order that the rate levels of access charges appear to significantly exceed the incremental cost of providing these services. The FCC in December 1996 launched a comprehensive proceeding to reform access charges in a manner consistent with economic efficiency and the development of local competition.

State and Local Regulations. The revenue effects of Internet usage today depend to a significant extent on the structure of state and local tariffs. Internet usage generates less revenue for LECs in states and jurisdictions where flat local service rates have been set low, with compensating revenues in the form of per-minute intrastate toll charges. Because ISPs only receive local calls, they do not incur these usage charges. By contrast, in states and jurisdictions where flat charges make up a higher percentage of LEC revenues, ISPs will have a less significant revenue effect. ISP usage is also affected by the relative pricing of services such as ISDN PRI, frame relay, and fractional T-1 connections, which are alternatives to analog business lines. Prices for these services, and the price difference on a per-voice-channel basis between the options available to ISPs, vary widely across different states and jurisdictions. In many cases, tariffs for these and other data services are based on assumptions that do not reflect the realities of the Internet access market today. The scope of local calling areas also affects the architecture of Internet access services. In states and jurisdictions with larger unmeasured local calling areas, ISPs need fewer POPs in order to serve the same customers through a local call.

Court Decisions and Legislative Action. We believe major court decisions and legislative action will shape the worldwide Internet in 2002 and beyond, including:

- The continuing impact of the U.S. vs. Microsoft antitrust trial and settlement decisions.
- Possible recognition that the FCC's traditional encryption regulation is obsolete.
- Minimum-regulation approaches to information privacy as a new consumer movement tries to use international privacy law to rein in the behavior of large corporations in the U.S. economy.
- The potential for continuing increases in inexperienced investors investing through online brokers and increased instances of investor losses that lead to arbitration claims against the brokers.
- The impact of more Internet patents preventing others from doing certain things, such as designing and maintaining certain types of Web sites.
- The legality of hyperlinking without permission.
- Potential legislation in Congress that would create a new form of intellectual property in databases.
- Decisions regarding whether cryptographic source code is First Amendment speech, and hence exportable, or that no program is covered by the First Amendment.
- Continuing calls for domestic controls of obscenity-related cryptography.
- The development of rating and filtering systems outside the United States.

Financial Information about our Foreign and Domestic Operations and Export Sales
Although we have several agreements to help originate and terminate international toll traffic, we do not have foreign operations or export sales. We conduct our operations throughout the western contiguous United States, Alaska and Hawaii and believe that any subdivision of our operations into distinct geographic areas would not be meaningful. Revenues associated with international toll traffic were \$4.4 million, \$4.9 million and \$5.5 million for the years ended December 31, 2001, 2000 and 1999, respectively.

Seasonality

Our long-distance revenues have historically been highest in the summer months because of temporary population increases attributable to tourism and increased seasonal economic activity such as construction, commercial fishing, and oil and gas activities. Our cable television revenues, on the other hand, are higher in the winter months because consumers tend to watch more television, and spend more time at home, during these months. Our local service and Internet operations are not expected to exhibit significant seasonality, with the exception of SchoolAccess(TM) Internet services that are reduced during the summer months. Our ability to implement construction projects is also reduced during the winter months because of cold temperatures, snow and short daylight hours.

Customer-Sponsored Research

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

Backlog of Orders and Inventory

As of December 31, 2001 and 2000, our long-distance services segment had a backlog of equipment sales and private line orders of approximately \$535,000 and \$1,570,000, respectively. Approximately \$450,000 and \$1.0 million of the 2001 and 2000 backlogs represent recurring monthly charges for private line and telemedicine services, respectively. The decrease in backlog as of December 31, 2001 can be attributed to a combination of decreased private line circuit orders pending at December 31, 2001 as compared to 2000 and faster completion of outstanding sales orders at December 31, 2001 as compared to 2000. We expect that all of the private line orders and equipment sales in backlog at the end of 2001 will be delivered during 2002.

Geographic Concentration and Alaska Economy

We offer voice and data telecommunication and video services to customers primarily throughout Alaska. Because of this geographic concentration, growth of our business and our operations depend upon economic conditions in Alaska. The economy of State of Alaska is dependent upon the natural resource industries, and in particular oil production, as well as investment earnings (including earnings from the State of Alaska Permanent Fund), tourism, government, and United States military spending. Any deterioration in these markets could have an adverse impact on us. Oil revenues are now the second largest source of state revenues, following funds from federal sources. You should see Part II, Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations for more information about the effect of geographic concentration and the Alaska Economy on us.

Factors That May Affect Our Business and Future Results

Our substantial leverage will reduce cash flow from operations available to fund our business and may cause a decline in our credit rating and/or limit our ability to raise additional capital. We have substantial indebtedness. As of December 31, 2001, we had total outstanding debt of \$399 million. We plan to incur additional indebtedness in the future as we implement our business plan, subject to limitations imposed by our credit facility agreements. In connection with the execution of our business strategies, we are continuously evaluating acquisition opportunities with respect to each of our business segments and we may elect to finance acquisitions by incurring additional indebtedness. We must use a portion of our future cash flow from operations to pay the principal and interest on our indebtedness, which will reduce the funds available for our operations, including capital investments and business expenses. This could hinder our ability to adjust to changing market and economic conditions. If we incur significant additional indebtedness, our credit rating could be adversely affected. As a result, our borrowing costs would likely increase and our access to capital may be adversely affected.

Our credit facilities restrict our ability to incur additional indebtedness and make capital expenditures, and contain certain other restrictions on our business operations. Our existing credit facilities restrict our and certain of our subsidiaries' ability to incur additional indebtedness, make certain capital expenditures, pay dividends or make certain other restricted payments, consummate certain asset sales, enter into certain transactions with affiliates and incur liens. These credit facilities also impose restrictions on the ability of a subsidiary to pay dividends or make certain payments to us, merge or consolidate with any other person or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of our assets. These credit facilities also require that we maintain certain financial ratios. A breach of any of these covenants could result in a default under the credit facilities. Our current business strategy includes the acquisition of additional assets and the expansion of our existing businesses and service offerings. In addition, our business strategy may in the future be expanded to include activities outside the state of Alaska. It is likely that our current and future expansion and growth plans will require significant additional capital in excess of capital generated from operations and will result in significant

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capital expenditures. If we are unable to negotiate modifications to these restrictions, they could hinder our ability to follow through with expansion and growth plans.

We have a history of operating losses. If we do not maintain profitability, we may be unable to make capital expenditures necessary to implement our business plan, meet our debt service requirements or otherwise conduct our business in an effective and competitive manner. This would require us to divert cash from other uses, which may not be possible or may detract from the growth of our businesses. These events could limit our ability to increase our revenues and net income or cause these amounts to decline.

We depend on a small number of customers for a substantial portion of our revenue and business. As previously described (see Part I, Item 1. Business, Long Distance Services, Customers), services that we provide to WorldCom and to Sprint contribute significantly to our total revenues. These two customers are free to seek out long-distance communication services from our competitors upon expiration of their contracts (in March 2006, in the case of WorldCom, and in March 2007, in the case of Sprint) or earlier upon a default or the occurrence of certain events. These events are a force majeure event or a substantial change in applicable law or regulation under the applicable contract.

Mergers and acquisitions in the telecommunications industry are relatively common. If a change in control of WorldCom or Sprint were to occur, it would not permit them to terminate their existing contracts with us, but could in the future result in the termination of or a material adverse change in our relationships with WorldCom or Sprint. In addition, WorldCom and Sprint's need for our long-distance services depends directly upon their ability to obtain and retain their own long-distance customers and upon the needs of those customers for long-distance services.

The loss of one or both of WorldCom or Sprint as customers, a material adverse change in our relationships with them or a material loss of or reduction in their long-distance customers would have a material adverse effect on our financial condition and results of operations.

We depend on a limited number of third-party vendors to supply telecommunications equipment. We depend on a limited number of third-party vendors to supply cable, Internet and telephony-related equipment. If our providers of this equipment are unable to timely supply the equipment necessary to meet our needs or provide them at an acceptable cost, we may not be able to satisfy demand for our services and competitors may fulfill this demand.

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

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

If a failure occurs in our undersea fiber optic cable, our ability to immediately restore the entirety of our service may be limited. Our telecommunications facilities include an undersea fiber optic cable that carries a large portion of our Internet voice and data traffic to and from the contiguous Lower 48 states. We are currently

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seeking arrangements to obtain alternative telecommunications facilities as backup facilities. If a failure of our undersea fiber optic facilities occurs before we are able to secure adequate backup facilities, some of the telecommunications services we offer to our customers could be interrupted, which could have a material impact on our business and results of operations.

Our businesses are currently geographically concentrated in Alaska. We offer a variety of voice, video and data services to residential, commercial and governmental customers in the state of Alaska. Because of this geographic concentration, our growth and operations depend in part upon economic conditions in Alaska. We may not be able to continue to increase our market share of the existing markets for our services and no assurance can be given that the Alaskan economy will continue to grow and increase the size of the markets we serve or increase the demand for the services we offer. You should see Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations for more information.

Our best growth opportunities may be in geographic areas that differ from those of our existing businesses. We have achieved significant market penetration in the state of Alaska for many of the services we offer. However, opportunities for expanding our market geographically in the state of Alaska or attaining significant additional market penetration in the State of Alaska are limited. As a result, the best opportunities for expanding our business may arise in other geographic areas such as the contiguous Lower 48 states. There can be no assurance that we will find attractive opportunities to grow our businesses outside the State of Alaska or that we will have the necessary expertise to take advantage of such opportunities. The Alaska voice, video and data telecommunications markets are unique and distinct within the United States due to Alaska's large geographical size and its distance from the rest of the United States. The expertise we have developed in operating our businesses in the State of Alaska may not provide us with the necessary expertise to successfully enter other geographic markets.

We may fail to develop our wireless services. We offer wireless mobile services by reselling other providers' wireless mobile services. We offer wireless local telephone services over our own facilities, and have purchased PCS and LMDS wireless broadband licenses in FCC auctions covering markets in Alaska. We have fewer subscribers to our wireless services than to our other service offerings. The geographic coverage of our wireless services is also smaller than the geographic coverage of our other services. Some of our competitors offer or propose to offer an integrated bundle of communications, entertainment and information services, including wireless services. If we are unable to expand and further develop our wireless services, we may not be able to meet the needs of customers who desire packaged services, and our competitors who offer these

services would have an advantage. This could result in the loss of market share for our other service offerings.

Our efforts to develop cable telephony may be unsuccessful. An element of our business strategy is to develop voice telephone service utilizing our coaxial cable facilities. If we are able to develop this service, we will be able to utilize our own cable facilities to provide local access to our customers and avoid paying local loop charges to ILECs. In order to successfully develop and market this new service, we must integrate new technology with our existing facilities. The viability of this service depends on the availability of the equipment necessary to provide the service at cost-effective prices. The development and marketing of this service will require a substantial capital investment. If we are unable to successfully develop and market voice telephone service, we will not be able to fully recover any capital investment we may make and the margins on our local telephone services business will not improve.

We do not have insurance to cover certain risks to which we are subject. We are self-insured for damage or loss to certain of our transmission facilities, including our buried, under sea, and above-ground transmission lines. If we become subject to substantial uninsured liabilities due to damage or loss to such facilities, our financial results may be adversely affected.

Economic and Security Impacts on Telecommunications. The recent economic recession in the United States began with a decline in business capital spending and investment. With the declining high-technology sector,

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businesses appear to have taken a more pessimistic view of the short-term economic future and have curtailed spending on equipment, software, real estate, inventories and other investments. The terrorist attacks on America on September 11, 2001 and their aftermath worsened already deteriorating economic conditions. Recent economic indicators reflect an improving economy with a growing sense of optimism for an economic recovery.

The telecommunications sector has been significantly impacted by the recent economic downturn. The American Stock Exchange's North American Telecommunications Index through February 2002 has dropped 65% from the high reached in March 2000. Investors reportedly fear that carriers with high debt loads may face liquidity crises. The telecommunications sector has been affected by such liquidity concerns, bankruptcy filings of Global Crossing Ltd. and McLeodUSA Inc., and concerns about the possibility of improper accounting.

Demand for some of our communications products and services could be adversely affected by this downturn in the United States economy as well as changes in the global economy. Unfavorable economic conditions resulting from the recent economic recession in the United States may cause our customers to reduce their demand for our communications products and services. To date we have not experienced a reduction in demand for our products and services. However, if the economic conditions in the United States worsen or if a wider or global economic slowdown occurs, our results of operations and financial condition may be adversely affected.

As our business has grown, we have become increasingly subject to adverse changes in general economic conditions and economic conditions in the State of Alaska, which can result in reductions in capital expenditures by customers, longer sales cycles, deferral or delay of purchase commitments for products or services and increased price competition. Although these factors have not materially affected us in recent years, if the current economic slowdown continues or worsens, these factors could adversely affect our business and results of operations.

With the terrorist events of September 11, the FCC and the communications community are determining their respective roles in ensuring homeland security. The FCC's principal objectives are reportedly to secure the U.S.'s communications infrastructure and to enhance emergency response through communications. Expected FCC actions include re-chartering the Network Reliability and Interoperability Council ("NRIC"), consideration of a media counter-part to NRIC, working with other agencies to ensure network protection, reliability and redundancy, continuing efforts to solve remaining public safety spectrum issues, continuing to work on interoperability restraints, continuing to address emergency 911 issues, and working with other agencies on wireless priority access that balances the need for government response and critical needs of subscribers.

Potential sales of large amounts of our Class A common stock into the market could lower the market price of our Class A common stock. We registered for resale in February 2002 4.5 million shares of our Class A common stock owned by WorldCom, representing approximately 8.8% of our Class A common stock outstanding as of December 31, 2001. Sales of a substantial number of shares of Class A common stock, or the perception that such sales may occur, could cause the market price of Class A common stock to decline and impede our ability to raise capital through sales of Class A common stock or securities convertible into or exercisable for Class A common stock.

A significant percentage of our voting securities are held by a small number of shareholders and these shareholders can control stockholder decisions on very important matters. As of December 31, 2001, prior to giving effect to the sale of the 4.5 million shares of Class A common stock as described above, WorldCom owned approximately 17% and our executive officers and directors and their affiliates owned approximately 29% of our combined outstanding Class A and Class B common stock, representing approximately 47% of the combined voting power of that stock (including outstanding series B preferred stock voting with Class A common stock on an as-converted basis). After giving effect to the sale of all of the shares offered for sale and registered in February 2002, WorldCom would still own approximately 9% and our executive officers and directors and their affiliates would still own approximately 21% of such outstanding Class A and Class B common stock, representing approximately 42% of the combined voting power of such stock. These shareholders can

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significantly influence if not control our management policy and all fundamental corporate actions, including mergers, substantial acquisitions and dispositions, and election of directors to the Board. This concentration of ownership may have the effect of discouraging third parties from making bids for us, delaying or preventing a change of control, or reducing premiums paid to our shareholders for their stock and could have an adverse effect on the market price of our Class A common stock.

It may be difficult for a third party to acquire us, even if doing so may be beneficial to our shareholders. Certain provisions of our Restated Articles of Incorporation may discourage, delay or prevent a change in control of our company that a shareholder may consider favorable. These provisions include the following:

- authorizing our board of directors to issue preferred stock under terms developed by the board, which could increase the number of outstanding shares and thwart a takeover attempt; and
- classifying our board of directors with staggered three-year terms, which may lengthen the time required to gain control of our board of directors.

It is unlikely shareholders will receive a return on their shares through the payment of a cash dividend. We have never declared or paid cash dividends on any of our common stock and have no intention of doing so in the foreseeable future. As a result, it is unlikely that shareholders will receive a return on their shares through the payment of cash dividends.

Employees

We employed 1,162 persons as of March 1, 2002, and are not parties to union contracts with our employees. We believe our future success will depend upon our continued ability to attract and retain highly skilled and qualified employees. We believe that relations with our employees are satisfactory.

Other

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

Item 2. Properties

General

Our properties do not lend themselves to description by character or location of principal units. Our investment in property, plant and equipment in our consolidated operations consisted of the following at December 31:

	2001	2000
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Telephone distribution systems	57.5%	58.0%
Cable television distribution systems	23.1%	21.1%
Support equipment	7.9%	8.1%
Property and equipment under capital leases	8.7%	10.0%
Construction in progress	1.4%	1.4%
Transportation equipment	0.9%	0.8%
Land and buildings	0.5%	0.6%
	-----	-----
Total	100.0%	100.0%
	=====	=====

These properties are divided among our operating segments at December 31, 2001 as follows: long-distance services, 54.6%; cable services, 24.6%; local access services, 7.1%; Internet services, 5.4%; and all other, 8.3%.

These properties consist primarily of switching equipment, satellite earth stations, fiber-optic networks, microwave radio and cable and wire facilities, cable head-end equipment, coaxial distribution networks, routers, servers, transportation equipment, computer equipment and general office equipment. Substantially all of our

properties secure our Senior Holdings Loan and Fiber Facility. You should see note 5 to the Notes to Consolidated Financial Statements included in Part II of this Report for more information.

Our construction in progress totaled \$8.1 million at December 31, 2001, consisting of telecommunications, cable and Internet projects that were incomplete at December 31, 2001. Our construction in progress also totaled \$8.1 million at December 31, 2000, consisting of telecommunications, Internet and support systems projects that were incomplete at December 31, 2000.

Long-Distance Services

We operate a modern, competitive telecommunications network employing the latest digital transmission technology based upon fiber optic and digital microwave facilities within and between Anchorage, Fairbanks and Juneau, Alaska. Our network includes digital fiber optic cables linking Alaska to the contiguous 48 states and providing access to other carriers' networks for communications around the world. We use satellite transmission to remote areas of Alaska and for certain interstate and intrastate traffic.

Our long-distance services segment owns properties and facilities including satellite earth stations, and distribution, transportation and office equipment. Additionally, in December 1992 we acquired access to capacity on an undersea fiber optic cable from Seward, Alaska to Pacific City, Oregon. We completed construction of an additional fiber optic cable facility linking Alaska to Seattle, Washington in February 1999, which is owned subject to an outstanding mortgage.

We entered into a purchase and lease-purchase option agreement in August 1995 for the acquisition of satellite transponders on the PanAmSat Galaxy XR satellite to meet our long-term satellite capacity requirements. We use the satellite transponders pursuant to a long-term capital lease arrangement with a leasing company. The purchase and lease-purchase option agreement provided for the interim lease of transponder capacity on the PanAmSat Galaxy IX satellite through the delivery of the purchased transponders on Galaxy XR in March 2000.

Effective June 30, 2001, we acquired, through the issuance of preferred stock, a controlling interest in the corporation owning the 800-mile fiber optic cable system that extends from Prudhoe Bay, Alaska to Valdez, Alaska via Fairbanks.

We lease our long-distance services industry segment's executive, corporate and administrative facilities in Anchorage, Fairbanks and Juneau, Alaska. Our operating, executive, corporate and administrative properties are in good condition. We consider our properties suitable and adequate for our present needs and they are being fully utilized.

Cable Services

The Cable Systems serve 33 communities and areas in Alaska including Anchorage, Fairbanks and Juneau, the state's three largest urban areas. As of December 31, 2001, the Cable Systems consisted of approximately 2,200 miles of installed cable plant having between 330 to 550 MHz of channel capacity. Our principal physical assets consist of a cable television distribution plant and equipment, including signal receiving, encoding and decoding devices, headend reception facilities, distribution systems and customer drop equipment for each of our cable television systems.

Our cable television plant and related equipment are generally attached to utility poles under pole rental agreements with local public utilities and telephone companies, and in certain locations are buried in underground ducts or trenches. We own or lease real property for signal reception sites and business offices in many of the communities served by our systems and for our principal executive offices.

We own the receiving and distribution equipment of each system. In order to keep pace with technological advances, we are maintaining, periodically upgrading and rebuilding the physical components of our cable

communications systems. Such properties are in good condition. We own all of our service vehicles. We consider our properties suitable and adequate for our present and anticipated future needs.

Local Access Services

We operate a modern, competitive local access telecommunications network employing the latest digital transmission technology based upon fiber optic facilities within Anchorage and Fairbanks through 2001, and in Juneau beginning in 2002. Our outside plant consists of connecting lines (aerial, underground and buried cable), the majority of which is on or under public roads, highways or streets, while the remainder is on or under private property. Central office equipment primarily consists of digital electronic switching equipment and circuit equipment. Operating equipment consists of motor vehicles and other equipment.

Substantially all of our local access services' central office equipment,

administrative and business offices, and customer service centers are in leased facilities. Such properties are in good condition. We consider our properties suitable and adequate for our present and anticipated future needs.

Internet Services

We operate a modern, competitive Internet network employing the latest available technology. We provide access to the Internet using a platform that includes many of the latest advancements in technology. The physical platform is concentrated in Anchorage and is extended into many remote areas of the state. Our Internet platform includes trunks connecting our Anchorage facilities to Internet access points in Seattle through multiple, diversely routed upstream Internet networks, and various other routers, servers and support equipment.

We lease our Internet services industry segment's operating facilities, located primarily in Anchorage. Such properties are in good condition. We consider our properties suitable and adequate for our present and anticipated future needs.

Capital Expenditures

Capital expenditures consist primarily of (a) gross additions to property, plant and equipment having an estimated service life of one year or more, plus the incidental costs of preparing the asset for its intended use, and (b) gross additions to capitalized software.

The total investment in property, plant and equipment has increased from \$178.2 million at January 1, 1997 to \$582.8 million at December 31, 2001, including construction in progress and not including deductions of accumulated depreciation. Significant additions to property, plant and equipment will be required in the future to meet the growing demand for communications, Internet and entertainment services and to continually modernize and improve such services to meet competitive demands.

Our capital expenditures for 1997 through 2001 were as follows (in millions):

1997	\$ 64.6
1998	\$ 149.0
1999	\$ 36.6
2000	\$ 48.9
2001	\$ 68.0

We project capital expenditures of \$50 million to \$60 million for 2002. A majority of the expenditures will expand, enhance and modernize our current networks, facilities and operating systems, and will develop wireless and other businesses. Additional capital expenditures will be incurred if we successfully acquire backup or standby facilities. You should see note 12 to the accompanying Notes to Consolidated Financial Statements included in Part II of this Report for more information.

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During 2001, we funded our normal business capital requirements substantially through internal sources and, to the extent necessary, from external financing sources. We expect expenditures for 2002 to be financed in the same manner.

Insurance

We have insurance to cover risks incurred in the ordinary course of business, including general liability, property coverage, business interruption and workers' compensation insurance in amounts typical of similar operators in our industry and with reputable insurance providers. Central office equipment, buildings, furniture and fixtures and certain operating and other equipment are insured under a blanket property insurance program. This program provides substantial limits of coverage against "all risks" of loss including fire, windstorm, flood, earthquake and other perils not specifically excluded by the terms of the policies. As is typical in the communications industry, we are self-insured for damage or loss to certain of our transmission facilities, including our buried, under sea, and above-ground transmission lines. We believe our insurance coverage is adequate, however if we become subject to substantial uninsured liabilities due to damage or loss to such facilities, our financial results may be adversely affected.

Item 3. Legal Proceedings

Except as set forth in this item, neither the Company, its property nor any of its subsidiaries or their property is a party to or subject to any material pending legal proceedings. We are parties to various claims and pending litigation as part of the normal course of business. We are also involved in several administrative proceedings and filings with the FCC, Department of Labor and state regulatory authorities. In the opinion of management, the nature and disposition of these matters are considered routine and arising in the ordinary course of business which management believes, even if resolved unfavorably to us, would not have a materially adverse affect on our business or financial position, results of operations or liquidity.

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

No matters were submitted during the fourth quarter of 2001 to a vote of

security holders, through the solicitation of proxies or otherwise.

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

Market Information for Common Stock

Shares of GCI's Class A common stock are traded on the Nasdaq National Market tier of The Nasdaq Stock Market under the symbol GNCMA. Shares of GCI's Class B common stock are traded on the Over-the-Counter market. Each share of Class B common stock is convertible, at the option of the holder, into one share of Class A common stock. The following table sets forth the high and low sales price for the above-mentioned common stock for the periods indicated. Market price data were obtained from the Nasdaq Stock Market quotation system. The prices, rounded up to the nearest eighth in 2000, represent prices between dealers, do not include retail markups, markdowns, or commissions, and do not necessarily represent actual transactions.

<TABLE>

<CAPTION>

	Class A		Class B	
	High ----	Low ---	High ----	Low ---
<S>	<C>	<C>	<C>	<C>
2000:				
First Quarter	7 7/8	4	7 7/8	4
Second Quarter	5 7/8	4 3/8	5 7/8	4 3/8
Third Quarter	8 1/8	4 5/8	8 1/8	4 5/8
Fourth Quarter	8	4 7/8	8	4 7/8
2001:				
First Quarter	9.031	5.875	9.031	5.875
Second Quarter	12.150	8.250	12.150	8.250
Third Quarter	12.450	8.450	12.450	8.450
Fourth Quarter	12.320	8.250	12.320	8.250

</TABLE>

Holders

As of December 31, 2001 there were 1,872 holders of record of GCI's Class A common stock and 482 holders of record of GCI's Class B common stock (amounts do not include the number of shareholders whose shares are held of record by brokers, but do include the brokerage house as one shareholder).

Dividends

GCI and GCI, Inc. have never paid cash dividends on their common stock and have no present intention of doing so. Payment of cash dividends in the future, if any, will be determined by GCI's Board of Directors in light of our earnings, financial condition and other relevant considerations. Our existing bank loan agreements contain provisions that prohibit payment of dividends, other than stock dividends (you should see note 5 to the Consolidated Financial Statements included in Part II of this Report for more information).

Stock Transfer Agent and Registrar

Mellon Investor Services LLC is our stock transfer agent and registrar.

Item 6. Selected Financial Data

<TABLE>

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

<CAPTION>

	Years ended December 31,				
	2001 ----	2000 ----	1999 ----	1998 ----	1997 ----
<S>	<C>	<C>	<C>	<C>	<C>
	(Amounts in thousands except per share amounts)				
Revenues (1), (2)	\$ 357,258	292,605	279,179	246,795	223,809
Net earnings (loss) before income taxes, extraordinary item and cumulative effect of a change in accounting principle (3)	\$ 8,659	(21,649)	(14,866)	(10,920)	(2,235)
Loss on early extinguishment of debt, net of income tax benefit of \$180	\$ 0	0	0	0	521
Cumulative effect of a change in accounting principal, net of income tax benefit of \$245	\$ 0	0	344	0	0
Net earnings (loss)	\$ 4,589	(13,234)	(9,527)	(6,797)	(2,183)
Basic net earnings (loss) per common share	\$ 0.05	(0.29)	(0.21)	(0.14)	(0.05)
Diluted net earnings (loss) per common share	\$ 0.05	(0.29)	(0.21)	(0.14)	(0.05)
Total assets (4)	\$ 734,679	679,007	643,151	649,445	545,302
Long-term debt, including current portion (4)	\$ 351,700	334,400	339,400	351,657	250,084
Obligations under capital leases, including current portion (5)	\$ 47,282	48,696	1,674	2,186	1,188

Total stockholders' equity	\$ 202,392	183,480	192,548	200,007	204,439
Dividends declared per Common share (6)	\$ 0.00	0.00	0.00	0.00	0.00

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- (1) The 2001 revenue increase is partially attributed to a \$19.5 million sale of fiber optic cable system capacity.
 - (2) The 1999 revenue increase is partially attributed to a \$19.5 million sale of fiber optic cable system capacity.
 - (3) Our net losses in 2000, 1999, 1998 and 1997 are primarily attributed to additional depreciation, amortization and interest expense resulting from the cable company acquisitions in October 1996. Net losses in 1999, 1998 and 1997 are also attributed to startup losses from our entry into local access services and Internet services markets. Net losses in 2000 are also attributed to additional interest expense resulting from our capital lease of satellite transponders in 2000 as further described in footnote 5 below.
 - (4) Increases in assets and long-term debt in 1998 as compared to 1997 result primarily from our construction of a fiber-optic system connecting points in Alaska with Seattle Washington as further described in note 8 to the accompanying Notes to Consolidated Financial Statements included in Part II of this Report.
 - (5) We entered into a capital lease with a leasing company in March 2000 for the use of satellite transponders, as further described in note 12 to the accompanying Notes to Consolidated Financial Statements included in Part II of this Report.
 - (6) We have never paid a cash dividend on our common stock and do not anticipate paying dividends in the foreseeable future. We intend to retain our earnings, if any, for the development of our business. Payment of cash dividends in the future, if any, will be determined by the board of directors in light of our earnings, financial condition, credit agreements and other relevant considerations. Our existing bank loan agreements contain provisions that prohibit payment of dividends, other than stock dividends, as further described in note 5 to the Notes to Consolidated Financial Statements included in Part II of this Report.

</FN>

</TABLE>

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

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

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, we evaluate our estimates and judgments, including those related to unbilled revenues, allowance for doubtful accounts, depreciation and amortization periods, intangible assets, income taxes, and contingencies and litigation. We base our estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. See also our Cautionary Statement Regarding Forward-Looking Statements.

Overview

We have experienced significant growth in recent years through strategic acquisitions, deploying new business lines and expansion of our existing businesses. We have historically met our cash needs for operations, regular capital expenditures and maintenance capital expenditures through our cash flows from operating activities. Cash requirements for significant acquisitions and major capital expenditures have been provided largely through our financing activities.

Long-Distance Services

During 2001 long-distance services revenue represented 56.2% of consolidated revenues. Our provision of interstate and intrastate long-distance services to residential, commercial and governmental customers and to other common carriers (principally WorldCom, a related party, and Sprint), and provision of private line and leased dedicated capacity services accounted for 95.3% of our total long-distance services revenues during 2001. Factors that have the greatest impact on year-to-year changes in long-distance services revenues include the rate per minute charged to customers, usage volumes expressed as minutes of use, and the number of private line and leased dedicated service products in use.

Revenues from private line and other dedicated data services sales increased 19.7% to \$34.7 million during 2001 as compared to 2000 due primarily to

increasing demand for our data services by commercial and governmental customers.

We introduced a broadband product offering to hospitals and health clinics in 2000, supplementing broadband revenues derived from our SchoolAccess(TM) offering to rural school districts. Total broadband revenues increased 82.7% to \$15.7 million during 2001 as compared to 2000. SchoolAccess(TM) services to nine school districts in Arizona and New Mexico began in July 2001.

Our long-distance services cost of sales and services has consisted principally of direct costs of providing services, including local access charges paid to LECs for originating and terminating long-distance calls in Alaska, and fees paid to other long-distance carriers to carry calls terminating in areas not served by our network (principally the Lower 49 states, most of which calls are carried over WorldCom's network, and international locations, which calls are carried principally over Sprint's network). During 2001, local access charges accounted for 65.9% of long-distance services cost of sales and services, fees paid to other long-distance carriers represented 28.1%, satellite transponder lease and undersea fiber maintenance costs represented 3.5%, and other costs represented 2.5% of long-distance services cost of sales and services.

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Our long-distance services selling, general, and administrative expenses have consisted of operating and engineering, customer service, sales and communications, management information systems, general and administrative, and legal and regulatory expenses. Most of these expenses consist of salaries, wages and benefits of personnel and certain other indirect costs (such as rent, travel, utilities, insurance and property taxes). A significant portion of long-distance services selling, general, and administrative expenses, 79.5% during 2001, represents operating and engineering costs.

Long-distance services face significant competition from AT&T Alascom, Inc., long-distance resellers, and from local telephone companies that have entered the long-distance market. We believe our approach to developing, pricing, and providing long-distance services and bundling different business segment services will continue to allow us to be competitive in providing those services.

Message telephone service revenues derived from other common carriers increased 11.5% to \$80.1 million during 2001 as compared to 2000. The average rate charged other common carriers increased 6.5% during the same period due to the discontinued carriage of certain low-margin wholesale minutes and total minutes carried for other common carriers increased 4.8%. In conjunction with our purchase of a controlling interest in Kanas (see note 3 to the accompanying Notes to Consolidated Financial Statements) we negotiated a contract amendment with WorldCom in March 2001. The amendment extended the contract term to March 2006 and reduced the rate charged by us for certain WorldCom traffic over the extended term of the contract. The Sprint contract was amended in March 2002 extending its term to March 2007 with two one-year automatic extensions to March 2009. The amendment reduced the rate to be charged by us for certain Sprint traffic over the extended term of the contract.

Other common carrier traffic routed to us for termination in Alaska is largely dependent on traffic routed to WorldCom and Sprint by their customers. Pricing pressures, new program offerings and market consolidation continue to evolve in the markets served by WorldCom and Sprint. If, as a result, their traffic is reduced, or if their competitors' costs to terminate or originate traffic in Alaska are reduced, our traffic will also likely be reduced, and our pricing may be reduced to respond to competitive pressures. We are unable to predict the effect on us of such changes, however given the materiality of other common carrier revenues to us, a significant reduction in traffic or pricing could have a material adverse effect on our financial position, results of operations and liquidity.

Cable Services

During 2001, cable television revenues represented 21.4% of consolidated revenues. The cable systems serve 31 communities and areas in Alaska, including the state's three largest population centers, Anchorage, Fairbanks and Juneau.

On March 31, 2001 we acquired the assets and customer base of G.C. Cablevision, Inc. through the issuance of 238,199 unregistered shares of GCI Class A common stock with a future payment in additional shares contingent upon certain conditions. This acquisition increased homes passed by 2,000 and added approximately 1,000 subscribers in Fairbanks and North Pole, Alaska.

On November 19, 2001 we acquired all of the common stock of Rogers American Cablesystems, Inc. ("Rogers"), a cable television service provider in Palmer and Wasilla, Alaska for approximately \$19 million, of which \$18.5 million was paid in 2001. This acquisition allowed our facilities to pass an additional 10,000 homes and added approximately 7,000 subscribers.

We generate cable services revenues from four primary sources: (1) digital and analog programming services, including monthly basic or premium subscriptions and pay-per-view movies or other one-time events, such as sporting events; (2)

equipment rentals or installation; (3) advertising sales; and (4) cable modem services (shared with our Internet services segment). During 2001 programming services generated 79.6% of total cable services revenues, equipment rental and installation fees accounted for 9.6% of such revenues, cable modem services

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accounted for 6.4% of such revenues, advertising sales accounted for 3.5% of such revenues, and other services accounted for the remaining 0.9% of total cable services revenues. The primary factors that contribute to year-to-year changes in cable services revenues are average monthly subscription and pay-per-view rates, the mix among basic, premium and pay-per-view services and digital and analog services, the average number of cable television and cable modem subscribers during a given reporting period, and revenues generated from new product offerings.

Cable services face competition from alternative methods of receiving and distributing television signals and from other sources of news, information and entertainment. We believe our cable television services will continue to be competitive by providing, at reasonable prices, a greater variety of programming and other communication services than are available off-air or through other alternative delivery sources and upon superior technical performance and customer service.

Local Access Services

We generate local access services revenues from three primary sources: (1) business and residential basic dial tone services; (2) business private line and special access services; and (3) business and residential features and other charges, including voice mail, caller ID, distinctive ring, inside wiring and subscriber line charges. Local exchange services revenues totaled \$25.2 million in 2001 representing 7.1% of consolidated revenues. The primary factors that contribute to year-to-year changes in local access services revenues are the average number of business and residential subscribers to our services during a given reporting period, the average monthly rates charged for non-traffic sensitive services and the number and type of additional premium features selected.

Our local access services segment faces significant competition in Anchorage, Fairbanks, and Juneau from the ILEC ACS and AT&T Alascom, Inc. We began marketing efforts in the Juneau market in the fourth quarter of 2001 and began provisioning service in the first quarter of 2002. We believe our approach to developing, pricing, and providing local access services and bundling different business segment services will allow us to be competitive in providing those services.

Internet Services

We generate Internet services revenues from three primary sources: (1) access product services, including commercial, Internet service provider, and retail dial-up access; (2) network management services; and (3) cable modem services (a portion of cable modem revenue is also recognized by our cable services segment). Internet services segment revenues totaled \$12.0 million representing 3.4% of total revenues in 2001. The primary factors that contribute to year-to-year changes in Internet services revenues are the average number of subscribers to our services during a given reporting period, the average monthly subscription rates, and the number and type of additional premium features selected.

Marketing campaigns continue to be deployed targeting residential and commercial customers featuring bundled Internet products. Our Internet offerings are coupled with our long-distance and local access services offerings and provide free basic Internet services or discounted premium Internet services if certain long-distance or local access services plans are selected. Value-added premium Internet features are available for additional charges.

We compete with a number of Internet service providers in our markets. We believe our approach to developing, pricing, and providing Internet services allows us to be competitive in providing those services.

Other Services and Other Expenses

Telecommunications services revenues reported in the All Other category as described in note 9 in the accompanying Notes to Consolidated Financial Statements include sales of undersea fiber optic system capacity (see below), corporate network management contracts, telecommunications equipment sales and service, management services for Kanas through June 30, 2001 (see note 3 in the accompanying Notes to Consolidated Financial Statements), and other miscellaneous revenues (including revenues from cellular resale services,

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prepaid and debit calling card sales, and installation and leasing of customer's very small aperture terminal ("VSAT") equipment).

Revenues included in the All Other category represented 12.0% of total revenues in 2001 and included \$19.5 million recognized from a fiber capacity sale, network solutions and outsourcing revenues totaling \$19.0 million and

communications equipment sales, cellular resale and other revenues totaling \$4.3 million. The fiber capacity sale was a cash transaction completed in January 2001.

Depreciation, amortization and net interest expense on a consolidated basis decreased \$2.1 million in 2001 as compared to 2000 resulting primarily from decreased interest rates in 2001 on our variable rate debt, the effect of an interest rate swap agreement described below, and decreased average outstanding long-term debt balances during the first six months of 2001. Partially offsetting these decreases was an increase in our depreciation expense due to our \$43.7 million investment in equipment and facilities placed into service during 2000 for which a full year of depreciation was recorded during 2001, the \$68.0 million investment in other equipment and facilities during 2001 for which a partial year of depreciation was recorded during 2001, and an increase in average outstanding indebtedness in the last six months of 2001.

As further described in note 1(1) to the accompanying Notes to Consolidated Financial Statements:

- Effective January 3, 2001, we entered into an interest rate swap agreement to convert \$50 million of 9.75% fixed rate debt to a variable interest rate equal to the 90 day Libor rate plus 334 basis points.
- Effective September 21, 2001, we entered into an interest rate swap agreement to convert \$25 million of variable interest rate debt to 3.98% fixed rate debt plus applicable margin.

Results of Operations

<TABLE>

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

<CAPTION>

	Year Ended December 31,			Percentage Change(1)	
	2001	2000	1999	2001 vs. 2000	2000 vs. 1999
	----	----	----	----	----
<S>	<C>	<C>	<C>	<C>	<C>
Statement of Operations Data:					
Revenues:					
Long-distance services	56.2%	62.4%	58.8%	9.9%	11.4%
Cable services	21.4%	23.2%	21.9%	12.7%	11.0%
Local access services	7.1%	6.9%	5.6%	24.9%	30.0%
Internet services	3.3%	2.9%	1.7%	42.4%	75.6%
Other services	12.0%	4.6%	12.0%	219.3%	(60.2%)

Total revenues	100.0%	100.0%	100.0%	22.1%	4.8%
Cost of sales and services	39.1%	40.9%	43.9%	16.8%	(2.2%)
Selling, general and administrative expenses	33.8%	35.8%	35.2%	15.2%	6.8%
Depreciation and amortization	16.0%	17.8%	15.3%	9.8%	21.8%

Operating income	11.1%	5.5%	5.6%	147.3%	1.6%
Net income (loss) before income taxes and cumulative change in an accounting principle	2.4%	(7.4%)	(5.3%)	140.0%	(45.6%)
Net income (loss) before cumulative change in an accounting principle	1.3%	(4.5%)	(3.3%)	134.7%	(44.1%)
Net income (loss)	1.3%	(4.5%)	(3.4%)	134.7%	(38.9%)

</TABLE>

<TABLE>

<CAPTION>

	Year Ended December 31,			Percentage Change(1)	
	2001	2000	1999	2001 vs. 2000	2000 vs. 1999
	----	----	----	----	----
<S>	<C>	<C>	<C>	<C>	<C>
Other Operating Data (2):					
Long-distance services operating income (3)	34.8%	29.6%	26.8%	29.1%	23.3%
Cable services operating income (4)	20.2%	19.3%	21.2%	17.9%	1.5%
Local access services operating loss (5)	(5.8%)	(21.2%)	(31.5%)	65.9%	12.6%
Internet services operating loss (6)	(11.9%)	(35.2%)	(81.9%)	55.2%	24.4%

<FN>

- (1)Percentage change in underlying data.
- (2)Includes customer service, marketing and advertising costs.
- (3)Computed as a percentage of total external long-distance services revenues.
- (4)Computed as a percentage of total external cable services revenues.
- (5)Computed as a percentage of total external local access services revenues.
- (6)Computed as a percentage of total external Internet services revenues.

</FN>

</TABLE>

Year Ended December 31, 2001 ("2001") Compared To Year Ended December 31, 2000 ("2000").

Revenues

Total revenues increased 22.1% from \$292.6 million in 2000 to \$357.3 million in 2001. Excluding the fiber optic cable capacity sale in 2001 as described in note 1(o) in the accompanying Notes to Consolidated Financial Statements, total revenues increased 15.4%.

Long-distance services revenues from residential, commercial, governmental, and other common carrier customers increased 9.9% to \$200.7 million in 2001. The increase was largely due to the following:

- An increase of 19.7% in private line and private network transmission services revenues to \$34.7 million in 2001 due to an increased number of leased circuits in service,
- An increase of 11.5% in message telephone service revenues from other common carriers (principally WorldCom and Sprint) to \$80.1 million in 2001,
- An increase of 82.7% to \$15.7 million in 2001 revenues from our packaged telecommunications offering to rural hospitals and health clinics and our SchoolAccess(TM) offering to rural school districts. The increase is primarily due to an increase in circuits and services sold to rural hospitals and health clinics from 51 circuits at December 31, 2000 to 74 circuits at December 31, 2001,
- An increase of 2.2% in total minutes of use to 1,059.2 million minutes primarily due to a 4.8% increase in wholesale minutes carried for other common carriers. After excluding certain low-margin wholesale minutes no longer carried for other common carriers, comparable total minutes over the prior year increased 13.5% and wholesale minutes carried for other common carriers increased 23.5% over the prior year, and
- A 6.5% increase in the average rate per minute on minutes carried for other common carriers due to the discontinued carriage of certain low-margin wholesale minutes.

Long-distance services revenue increases described above were partially offset by a 3.3% decrease in our average rate per minute to \$0.118 per minute in 2001 attributed to our promotion of and customers' enrollment in calling plans offering a certain number of minutes for a flat monthly fee.

Cable services revenues increased 12.7% to \$76.6 million in 2001. Programming services revenues increased 9.4% to \$60.9 million in 2001 and average gross revenue per average basic subscriber per month increased \$0.35 or 0.7% in 2001 resulting from the following:

- Basic subscribers served increased approximately 11,600 to approximately 132,000 at December 31, 2001 as compared to December 31, 2000 (the 2001 increase includes approximately 1,000 basic subscribers

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acquired from G.C. Cablevision, Inc. on March 31, 2001 and approximately 7,000 basic subscribers acquired from Rogers on November 19, 2001),

- Rates charged to subscribers in most systems increased as of February 2001,
- New facility construction efforts in 2001 and the acquisition of GC Cablevision, Inc. and Rogers subscribers resulted in approximately 14,800 additional homes passed, a 8.3% increase from 2000, and
- Digital subscriber counts increased 81.8% to approximately 24,600 at December 31, 2001 as compared to December 31, 2000.

The cable services segment's share of cable modem revenue (offered through our Internet services segment) increased \$2.5 million to \$4.9 million in 2001.

Local access services revenues increased 24.9% in 2001 to \$25.2 million. At December 31, 2001 approximately 79,200 lines were in service as compared to approximately 62,000 lines in service at December 31, 2000.

Internet services revenues increased 42.4% to \$12.0 million in 2001 primarily due to growth in the average number of customers served. We had approximately 69,900 active residential, commercial and small business retail dial-up Internet subscribers at December 31, 2001 as compared to approximately 62,600 at December 31, 2000. We had approximately 26,500 active residential, commercial and small business retail cable modem subscribers at December 31, 2001 as compared to approximately 16,000 at December 31, 2000. Approximately 850 cable modem subscribers were acquired from Rogers on November 19, 2001.

The 219.3% increase in All Other revenues to \$42.8 million in 2001 is primarily due to the \$19.5 million fiber capacity sale in 2001 as previously described and increased revenues from managed services.

Cost of Sales and Service

Total cost of sales and services increased 16.8% to \$139.8 million in 2001. As a percentage of total revenues, total cost of sales and services decreased from 40.9% in 2000 to 39.1% in 2001. Excluding the fiber capacity sale in 2001, total cost of sales and services as a percentage of total revenues decreased from 40.9% in 2000 to 36.1% in 2001.

Long-distance services cost of sales and services decreased 4.3% to \$73.3 million in 2001. Long-distance services cost of sales as a percentage of long-distance services revenues decreased from 41.9% in 2000 to 36.5% in 2001 primarily due to reduced satellite transponder cost of sales beginning April 2000 upon our acquiring owned satellite transponder capacity, reductions in access costs due to distribution and termination of our traffic on our own local services network instead of paying other carriers to distribute and terminate our traffic, the conclusion of a dispute with ACS which allowed us to reverse \$2.0 million in accrued costs, and a \$450,000 non-recurring refund in 2001 from a local exchange carrier in respect of its earnings that exceeded regulatory requirements. Offsetting the 2001 decrease as compared to 2000 is a decrease in the average rate per minute billed to customers without a comparable decrease in access charges paid by us. We expect cost savings to occur as long-distance traffic originated, carried, and terminated on our own facilities grows.

Cable services cost of sales and services increased 16.9% to \$20.8 million in 2001. Cable services cost of sales and services as a percentage of cable revenues, which is less as a percentage of revenues than are long-distance, local access and Internet services cost of sales and services, increased from 26.2% in 2000 to 27.2% in 2001. Cable services rate increases did not keep pace with increases in programming costs in 2001. Programming costs increased for most of our cable services offerings, and we incurred additional costs on new programming introduced in 2000 and 2001.

Local access services cost of sales and services increased 30.4% to \$14.0 million in 2001. Local access services cost of sales and services as a percentage of local access services revenues increased from 53.3% in 2000 to 55.6% in 2001. The local access services cost of sales increase as a percentage of local access services revenues is due to decreased external local access services revenues as the number of customers purchasing both long-distance and local access services from us increase. The increases in local access services cost of sales as a

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percentage of local access services revenues described above are off-set by economies of scale and more efficient network utilization as local access services revenues increase. ACS requested and received permission for a 7.7% increase in the local loop lease rate effective in November 2001. We expect the increased cost will result in a 4.0% to 5.0% increase in the local access services cost of sales as a percentage of local access services revenue for the year ended December 31, 2002.

Internet services cost of sales and services increased 8.2% to \$4.7 million in 2001. Internet services costs of sales as a percentage of Internet services revenues totaled 39.6% and 52.1% in 2001 and 2000, respectively. The Internet services costs of sales decrease as a percentage of Internet services revenues is primarily due to a \$5.6 million increase in Internet's portion of cable modem revenue that generally has higher margins than do other Internet products. As Internet services revenues increase, economies of scale and more efficient network utilization continue to result in reduced Internet cost of sales and services as a percentage of Internet services revenues.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 15.2% to \$120.8 million in 2001 and, as a percentage of total revenues, decreased from 35.9% in 2000 to 33.8% in 2001. Excluding the fiber capacity sale in 2001, selling, general and administrative expenses, as a percentage of total revenues, were 35.4% in 2001. The increase in selling, general and administrative expenses in 2001 is due to increased labor and health insurance costs, increased accrual of a company-wide success sharing bonus, and incremental new costs to operate GCI Fiber Communication Co., Inc. ("GFCC") (see note 3 to the accompanying Notes to Consolidated Financial Statements).

Marketing and advertising expenses as a percentage of total revenues decreased from 2.8% in 2000 to 2.4% in 2001. Excluding the fiber capacity sale in 2001, marketing and advertising expenses as a percentage of total revenues were 2.5% in 2001.

Depreciation and Amortization

Depreciation and amortization expense increased 9.8% to \$57.1 million in 2001. The increase is attributable to our \$43.7 million investment in equipment and facilities placed into service during 2000 for which a full year of depreciation was recorded during the year ended December 31, 2001 and the \$68.0 million investment in other equipment and facilities placed into service during the year ended December 31, 2001 for which a partial year of depreciation was recorded during 2001.

Interest Expense, Net

Interest expense, net of interest income, decreased 19.0% to \$30.9 million in 2001. This decrease resulted primarily from decreased interest rates in 2001 on our variable rate debt, a \$943,000 net interest benefit earned in 2001 from our two interest rate swap agreements as previously described, decreased average outstanding long-term debt balances during the first six months of 2001 and a charge of \$2.0 million to interest expense in 2000 to write-off previously capitalized interest expense. Partially offsetting these decreases were an increase in average outstanding indebtedness in the last six months of 2001 and an increase in our average outstanding capital lease obligation balances in the last six months of 2000.

Income Tax (Expense) Benefit

Income tax (expense) benefit was (\$4.1) million in 2001 and \$8.4 million in 2000. The change was due to our generation of net income before income taxes in 2001 as compared to a net loss before income taxes in 2000. Our effective income tax rate increased from 38.9% in 2000 to 47.0% in 2001 due to the effect of items that are nondeductible for income tax purposes.

At December 31, 2001, we have (1) tax net operating loss carryforwards of approximately \$156.1 million that will begin expiring in 2007 if not utilized, and (2) alternative minimum tax credit carryforwards of approximately \$2.1 million available to offset regular income taxes payable in future years. Our utilization of remaining net operating loss carryforwards is subject to certain limitations pursuant to Internal Revenue Code section 382.

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Tax benefits associated with recorded deferred tax assets are considered to be more likely than not realizable through future reversals of existing taxable temporary differences and future taxable income exclusive of reversing temporary differences and carryforwards. The amount of deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced. We estimate that our effective income tax rate for financial statement purposes will be 40% to 50% in 2002.

The Job Creation and Worker Assistance Act of 2002 was signed into law on March 9, 2002 and contains several provisions that are effective for tax years ending in 2001, one of which relates to net operating losses. The Act amends Internal Revenue Code ("IRC") Section 172(b)(1) to provide, generally, that a net operating loss for a tax year ending in 2001 or 2002 can be carried back five years, rather than the two-year carryback generally allowed by section 172(b)(1)(A). The Act also amends IRC Section 56(d)(1) to allow alternative minimum tax net operating losses carried forward into tax years ending in 2001 or 2002 to be used without regard to the 90 percent alternative minimum taxable income limitation that generally applies. In addition, alternative minimum tax net operating losses generated in 2001 or 2002 and carried back to an earlier year under IRC Section 172 are not subject to the 90 percent alternative minimum taxable income limitation. Statement of Financial Accounting Standard ("SFAS") No. 109 states that a change in tax law or rates that affects deferred income taxes is recorded in the statement of operations in the year of enactment. Accordingly the deferred income tax effect, which we estimate to total approximately \$2 million, will be recorded as a reduction of our recorded deferred tax assets in our consolidated balance sheet in the first quarter of 2002.

Our U.S. income tax return for 1999 was selected for examination by the Internal Revenue Service during 2001. The examination commenced during the third quarter of 2001. We believe this examination will not have a material adverse effect on our financial position, results of operations or our liquidity.

Year Ended December 31, 2000 ("2000") Compared To Year Ended December 31, 1999 ("1999").

Revenues

Total revenues increased 4.8% from \$279.2 million in 1999 to \$292.6 million in 2000. Excluding the undersea fiber optic cable capacity sale in 1999 (see below), total revenues increased 12.7% in 2000.

Long-distance services revenues from residential, commercial, governmental, and other common carrier customers increased 11.4% to \$182.7 million in 2000. The long-distance services revenue increase in 2000 was largely due to the following:

- An increase of 14.4% in total minutes of use to 1,035.4 million minutes,
- An increase of 31.6% in private line and private network transmission services revenues to \$29.0 million in 2000 due to an increased number of customers,
- An increase of 16.9% in message telephone service revenues from other common carriers (principally WorldCom and Sprint) to \$71.8 million in 2000, and
- An increase of 98.8% to \$8.6 million in 2000 revenues from our SchoolAccess(TM) offering to rural school districts and a new offering to rural hospitals and health clinics. Our SchoolAccess(TM) product was

provided to 155 schools at December 31, 2000, a 25% increase from 1999.

Long-distance services revenue increases were offset by the following:

- A decrease of 2.4% in the number of active residential, small business and commercial customers billed from 90,800 at December 31, 1999 to 88,700 at December 31, 2000 primarily due to a competitor's offering allowing customers to place unlimited intrastate and interstate calls for a flat monthly fee, and
- A 10.3% decrease in our average rate per minute on long-distance traffic from \$0.136 per minute in 1999 to \$0.122 per minute in 2000 attributed to our promotion of and customers' enrollment in calling plans offering discounted rates and length of service rebates, such plans being prompted in part by our primary

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long-distance competitor, AT&T Alascom, reducing its rates, entry of LECs into long-distance markets served by us, and to a change in the mix of wholesale minutes carried for other common carriers.

Cable services revenues increased 11.0% to \$67.9 million in 2000. Programming services revenues increased 6.6% to \$55.7 million in 2000 and revenue per average basic subscriber per month increased \$0.12, or 0.3% in 2000. Revenue increases resulted from the following:

- Basic subscribers increased approximately 3,600 to approximately 120,400 at December 31, 2000 as compared to December 31, 1999,
- Increased sales of pay-per-view and premium services,
- New facility construction efforts in 2000 resulted in approximately 3,400 additional homes passed, a 1.9% increase from 1999, and
- Digital subscribers increased 131.7% to 13,500 at December 31, 2000 as compared to December 31, 1999.

The cable services segment's share of cable modem revenue (offered through our Internet services segment) increased \$2.0 million to \$2.4 million in 2000 after the introduction of such services in the first quarter of 1999.

Local access services revenues increased 30.0% in 2000 to \$20.2 million. At December 31, 2000 approximately 62,000 lines were in service and approximately 800 additional lines were awaiting connection as compared to approximately 45,000 lines in service and approximately 750 additional lines awaiting connection at December 31, 1999.

Internet services revenues increased 75.6% to \$8.4 million in 2000 primarily due to growth in the average number of customers served. We had approximately 62,600 active residential, commercial and small business retail dial-up Internet subscribers at December 31, 2000 as compared to approximately 48,000 at December 31, 1999. We had approximately 16,100 active residential, commercial and small business retail cable modem subscribers at December 31, 2000 as compared to approximately 5,700 at December 31, 1999.

All Other revenues decreased 60.2% to \$13.4 million in 2000 primarily due to the \$19.5 million fiber capacity sale we completed in 1999 in a cash transaction. The sale included both capacity within Alaska, and between Alaska and the Lower 49 states.

Cost of Sales and Services

Cost of sales and services totaled \$119.7 million in 2000 and \$122.5 million in 1999. As a percentage of total revenues, cost of sales and services decreased from 43.9% in 1999 to 40.9% in 2000.

Long-distance services cost of sales and services decreased from \$81.0 million in 1999 to \$76.6 million in 2000. Long-distance cost of sales as a percentage of long-distance revenues decreased from 49.4% in 1999 to 41.9% in 2000 primarily due to the effect of reassigning traffic carried by satellite transponders and fiber optic cable from leased to owned capacity and reductions in access costs due to distribution and termination of our traffic on our own local services network instead of paying other carriers to distribute and terminate our traffic. Offsetting the 2000 decrease as compared to 1999 is a decrease in the average rate per minute billed to customers without a comparable decrease in access charges paid by us. We expect increased cost savings as traffic carried on our own facilities continues to grow.

Cable cost of sales and services as a percentage of cable revenues, which is less as a percentage of revenues than are long-distance, local access and Internet services cost of sales and services, increased from 25.3% in 1999 to 26.2% in 2000. Cable services rate increases did not keep pace with increases in programming and copyright costs in 2000. Programming costs increased for most of our cable services offerings, and we incurred additional costs on new programming introduced in 1999 and 2000.

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Local access services cost of sales and services as a percentage of local access

services revenues increased from 50.8% in 1999 to 53.3% in 2000 primarily due to the fluctuations in cost of sales and services as a percentage of revenues inherent in this segment as it develops.

Internet services cost of sales and services increased \$1.2 million to \$4.4 million from 1999 to 2000. Internet services costs of sales as a percentage of Internet services revenues totaled 65.7% and 52.1% in 1999 and 2000, respectively. The Internet services costs of sales decrease as a percentage of Internet services revenues is primarily due to a \$2.6 million increase in Internet services' portion of cable modem revenues which generally have higher margins than do other Internet products. As Internet services revenues have increased, economies of scale and more efficient network utilization have resulted in reduced Internet cost of sales and services as a percentage of Internet services revenues.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 6.8% to \$104.9 million in 2000. Selling, general and administrative expenses, as a percentage of total revenues, increased from 35.2% in 1999 to 35.9% in 2000.

Depreciation and Amortization

Depreciation and amortization expense increased 21.8% to \$52.0 million in 2000. The increase is attributable to our \$38.8 million investment in equipment and facilities placed into service during 1999 for which a full year of depreciation was recorded during the year ended December 31, 2000, the acquisition of a satellite transponder asset for which depreciation began in 2000, the \$43.7 million investment in other equipment and facilities during 2000 for which a partial year of depreciation was recorded during 2000, and a charge of \$1.7 million in 2000 resulting from a change in the estimated remaining lives of assets that we intend to replace in the future.

Interest Expense, Net

Interest expense, net of interest income, increased 24.6% to \$38.1 million in 2000. This increase resulted primarily from increases in our average outstanding indebtedness from the capital lease of satellite transponder capacity in 2000, higher interest rates on our variable rate debt in 2000, and a charge of \$2.0 million to interest expense in 2000 to write-off previously capitalized interest expense. The increase was partially offset by principal payments of \$11.2 million in 2000. In 1999 interest expense was offset in part by one month of capitalized construction period interest attributed to the Alaska United undersea fiber optic cable system and we charged to interest expense \$470,000 of deferred financing costs resulting from a Holdings Loan Facilities amendment that reduced our borrowing capacity.

Income Tax Benefit

Income tax benefit increased from \$5.7 million in 1999 to \$8.4 million in 2000 due to an increased net loss before income taxes in 2000 as compared to 1999. Our effective income tax rate increased from 38.2% in 1999 to 38.9% in 2000 due to the increased net loss and the proportional amount of items that are nondeductible for income tax purposes.

Fluctuations in Quarterly Results of Operations

<TABLE>

The following chart provides selected unaudited statement of operations data from our quarterly results of operations during 2001 and 2000:

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<CAPTION>

(Amounts in thousands, except per share amounts)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
<S>	<C>	<C>	<C>	<C>	<C>
2001					
Revenues:					
Long-distance services	\$ 46,236	49,851	53,892	50,715	200,694
Cable services	\$ 18,046	18,873	19,113	20,522	76,554
Local access services	\$ 5,958	6,183	6,397	6,691	25,229
Internet services	\$ 2,619	3,134	3,019	3,224	11,996
All Other services (1)	\$ 24,058	7,494	5,598	5,635	42,785
Total revenues	\$ 96,917	85,535	88,019	86,787	357,258
Operating income (1)	\$ 13,042	8,411	10,192	7,928	39,573
Net income before income taxes	\$ 4,322	436	2,717	1,184	8,659
Net income	\$ 2,423	166	1,527	473	4,589
Basic net income (loss) per common share	\$ 0.04	(0.01)	0.02	0.00	0.05
Diluted net income (loss) per common share (2)	\$ 0.03	(0.01)	0.02	0.00	0.05

Revenues:						
Long-distance services	\$	43,620	44,855	48,185	46,016	182,676
Cable services	\$	15,930	16,660	16,708	18,600	67,898
Local access services	\$	4,520	4,789	5,236	5,660	20,205
Internet services	\$	1,713	2,018	2,188	2,506	8,425
All Other services	\$	2,494	3,104	3,589	4,214	13,401

Total revenues	\$	68,277	71,426	75,906	76,996	292,605
Operating income	\$	877	3,550	5,610	5,966	16,003
Net loss before income taxes	\$	(8,962)	(5,665)	(3,954)	(3,068)	(21,649)
Net loss	\$	(5,498)	(3,526)	(2,352)	(1,858)	(13,234)
Basic and diluted net loss per common share	\$	(0.12)	(0.08)	(0.05)	(0.04)	(0.29)

<FN>

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- (1) The first quarter of 2001 includes \$19.5 million of revenue and \$8.7 of operating income from the sale of long-haul capacity in the Alaska United undersea fiber optic cable system. See Part I, Item 1, Historical Development of our Business During the Past Fiscal Year for more information.
- (2) Due to rounding, the sum of quarterly net income (loss) per common share amounts does not agree to total year net income per common share amounts.
-

</FN>

</TABLE>

Revenues

Total revenues for the quarter ended December 31, 2001 ("fourth quarter") were \$86.8 million, representing a 1.4% decrease from \$88.0 million for the quarter ended September 30, 2001 ("third quarter"). The fourth quarter decrease resulted primarily from a 5.9% decrease in long-distance services revenue to \$50.7 million primarily due to the following:

- Revenues from other common carriers decreased 8.4% to \$20.5 million, primarily due to a 10.5% decrease in minutes carried to 180.4 million minutes. The decrease in minutes is largely due to seasonality,
- A 6.3% decrease in long-distance minutes of traffic carried for customers other than other common carriers to 83.6 million minutes primarily due to seasonality, and
- A decrease in the long-distance services average rate per minute from \$0.119 in the third quarter to \$0.118 in the fourth quarter.

The decrease in long-distance service revenue was partially offset by a 7.4% increase in cable services revenues to \$20.5 million resulting from the following:

- Basic subscribers served increased approximately 9,000 to approximately 132,000 (of which approximately 7,000 basic subscribers were acquired from Rogers on November 19, 2001), and

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- Digital subscriber counts increased 14.4% to approximately 24,600 at December 31, 2001 as compared to September 30, 2001.

Long-distance revenues have historically been highest in the summer months because of temporary population increases attributable to tourism and increased seasonal economic activity such as construction, commercial fishing, and oil and gas activities. Cable television revenues, on the other hand, are higher in the winter months because consumers spend more time at home and tend to watch more television during these months. Local access and Internet services are not expected to exhibit significant seasonality. Our ability to implement construction projects is also hampered during the winter months because of cold temperatures, snow and short daylight hours.

Cost of Sales and Services

Cost of sales and services decreased from \$32.7 million in the third quarter to \$31.1 million in the fourth quarter. As a percentage of revenues, third and fourth quarter cost of sales and services totaled 37.2% and 35.9%, respectively. The fourth quarter decrease as a percentage of revenues primarily results from a \$450,000 non-recurring refund in the third quarter from a local exchange carrier in respect of its earnings that exceeded regulatory requirements, and reductions in access costs due to distribution and termination of traffic on our own long-distance and local services networks instead of paying other carriers to distribute and terminate our traffic. We expect cost savings to continue as traffic carried on our own facilities grows.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 4.7% to \$32.4 million in the fourth quarter as compared to the third quarter. As a percentage of revenues, fourth quarter selling, general and administrative expenses were 37.4% as compared to 35.2% for the third quarter. The increase in selling, general and administrative expenses in the fourth quarter as a percentage of revenues as compared to the third quarter is primarily due to reduced revenues without a comparable decrease in costs, increased accrual of company-wide success sharing

and incentive compensation bonuses, and new product development costs.

Net Income

We reported net income of \$473,000 for the fourth quarter as compared to a \$1.5 million for the third quarter. The decrease is due to decreased operating income partially offset by decreased net interest expense and decreased income tax expense.

Liquidity and Capital Resources

Cash flows from operating activities totaled \$82.3 million in 2001 as compared to \$41.4 million in 2000, net of changes in the components of working capital. The increase in 2001 is primarily due to the fiber capacity sale in 2001 and increased cash flow from substantially all service offerings. Expenditures for property and equipment, including construction in progress, totaled \$68.0 million in 2001. Other uses of cash during 2001 included the acquisition of all of the common stock of Rogers for approximately \$19 million (of which \$18.5 million was paid in 2001) net of cash received, repayment of \$13.7 million of long-term borrowings and capital lease obligations, advances to Kanas and payments on Kanas' behalf of approximately \$5.6 million (see note 3 to the accompanying Notes to Consolidated Financial Statements), payment of a \$1.2 million equipment lease deposit, and payment of \$2.2 million in preferred stock dividends. Other sources of cash in 2001 include \$29.0 million in long-term borrowings and \$3.9 million from the issuance of our common stock.

Trade receivables increased \$9.0 million from December 31, 2000 to December 31, 2001 primarily due to an increase in other common carrier trade receivables and broadband trade receivables related to our services to hospitals and health clinics. The increase in other common carrier trade receivables is primarily due to a 11.5% increase in message telephone service revenues to \$80.1 million in 2001 from other common carriers. The increase in broadband trade receivables is primarily due to a 278.9% increase in broadband revenues to \$7.5 million in 2001 related to our provision of services to hospitals and health clinics.

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Working capital deficit totaled (\$4.8) million at December 31, 2001, a \$15.4 million decrease from working capital of \$10.6 million as of December 31, 2000. The decrease is primarily attributed to our use of proceeds from the 2001 fiber capacity sale to purchase long-term capital assets and repay long-term debt and the classification of \$5.7 million to current maturities of long-term debt.

Our semi-annual Senior Notes interest payments of \$8.8 million are due in the first and third quarters.

On April 13, 1999, we amended our Holdings credit facilities. The amended facilities reduced the aggregate commitment by \$50,000,000 to \$200,000,000 and provided for the payment of a one-time amendment fee of \$530,000. Pursuant to the FASB Emerging Issues Task Force Issue 98-14, "Debtor's Accounting for Changes in Line-of-Credit or Revolving Debt Arrangements," we recorded as additional interest expense \$472,000 of deferred financing costs in the second quarter of 1999 associated with reduced borrowing capacity resulting from the amendment.

On October 25, 2000, March 23, 2001, April 27, 2001 and October 31, 2001 we further amended the Holdings \$150,000,000 and \$50,000,000 credit facilities. Certain of these amendments provided for our acquisitions of Kanas and Rogers, and contain, among other things, provision for payment of amendment fees of \$433,000, changes in certain financial covenants and ratios, and a limit of \$70 million and \$60 million for 2001 and 2002, respectively, for capital expenditures (excluding capital expenditures by certain subsidiaries). Under these amendments, Holdings may not permit the ratio of:

- Senior debt to annualized operating cash flow (as defined) of Holdings and certain of its subsidiaries to exceed 2.50 to 1.0 through September 30, 2003 and,
- Fixed charges coverage ratio (as defined) of Holdings and certain of its subsidiaries to exceed 1.00 to 1.00 from January 1, 2003 through March 31, 2004 (which adjusts to 1.05 to 1.0 in April, 2004 and thereafter).

On December 17, 2001 we further amended the Holdings \$150,000,000 and \$50,000,000 credit facilities. We paid a one-time fee of \$438,000 in conjunction with this amendment. Changes in certain financial covenants and ratios outlined in this amendment are effective only upon the acquisition of the assets of WCI Cable, Inc. and its subsidiaries ("WCIC") (see note 12). Because of the uncertainty of the likelihood that we will complete the acquisition of the assets of WCIC we recognized the amendment fee as an expense during the year ended December 31, 2001 rather than deferring and amortizing the fee over the remaining life of the Senior Holdings Loan. Under these amendments, the applicable margin has been increased to the following amounts:

<TABLE>
<CAPTION>

Total Leverage Ratio	Base Rate	LIBOR
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Greater than or equal to 6.50 to 1.00	1.375%	2.500%
Greater than or equal to 6.00 to 1.00 but less than 6.50 to 1.00	1.000%	2.125%
Greater than or equal to 5.50 to 1.00 but less than 6.00 to 1.00	0.750%	1.875%
Greater than or equal to 5.00 to 1.00 but less than 5.50 to 1.00	0.500%	1.625%
Greater than or equal to 4.50 to 1.00 but less than 5.00 to 1.00	0.250%	1.375%
Greater than or equal to 4.00 to 1.00 but less than 4.50 to 1.00	0.000%	1.250%
Less than 4.00 to 1.00	0.000%	1.000%

</TABLE>

If we complete the acquisition of the assets of WCIC and its subsidiaries and we enter into a refinancing of a portion of the Senior Holdings Loan the base rate and LIBOR applicable margins will be 1.125% and 2.250%, respectively. Additionally, the amendments require changes in certain financial covenants and ratios and a capital expenditure limit of \$70 million in 2001, \$65 million in 2002, \$50 million in 2003, and \$15 million in January 1, 2004 through March 31, 2004 (excluding capital expenditures by certain subsidiaries). Additionally if the acquisition is completed, Holdings may not permit the fixed charges coverage ratio (as defined) of Holdings and certain of its subsidiaries to exceed 1.00 to 1.00 from January 1, 2003 through December 31, 2004 (which adjusts to 1.05 to 1.0 in January, 2005 and thereafter).

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We were in compliance with all loan covenants at December 31, 2001.

We borrowed an additional \$9.0 million on our Holdings credit facilities in the first quarter of 2002. We are scheduled to make a \$5.7 million principal payment on our Holdings credit facilities in the fourth quarter of 2002, though we expect to refinance the Holdings credit facilities prior to the due date of such payment.

Our expenditures for property and equipment, including construction in progress, totaled \$68.0 million and \$48.9 million during 2001 and 2000, respectively. We expect our expenditures for property and equipment, including construction in progress, for our core operations to total \$50 million - \$60 million during the year ended December 31, 2002. Planned capital expenditures over the next five years include those necessary for continued expansion of our long-distance, local exchange and Internet facilities, continuing development of our PCS network, cable telephony, and upgrades to our cable television plant. Additional capital expenditures will be incurred if we successfully acquire backup or standby facilities as described above. You should also see note 12 to the accompanying Notes to Consolidated Financial Statements included in Part II of this Report for more information.

Dividends earned on our Series B preferred stock are payable at the semi-annual payment dates of April 30 and October 31 of each year. The determination of whether additional dividends will be paid in cash or additional fully paid shares of Series B preferred stock is made at each semi-annual payment date through the four-year anniversary of the April 30, 1999 closing. Dividends earned after the four-year anniversary of closing are payable semi-annually in cash only. In October 2001, a Series B preferred stockholder converted 5,665 shares of Series B preferred stock to shares of GCI Class A common stock.

We issued 10,000 shares of Series C preferred stock on June 30, 2001 to acquire a controlling interest in Kanas (see note 3 to the accompanying Notes to Consolidated Financial Statements). The non-voting Series C preferred stock is convertible at \$12 per share into GCI Class A common stock and pays a 6% per annum quarterly cash dividend. We may redeem the Series C preferred stock at any time in whole but not in part. Mandatory redemption is required at any time after the fourth anniversary date at the option of holders of 80% of the outstanding shares of the Series C preferred stock. The redemption price is \$1,000 per share plus the amount of all accrued and unpaid dividends, whether earned or declared, through the redemption date. In the event of a liquidation of GCI, the holders of the Series C preferred stock shall be entitled to be paid an amount equal to the redemption price before any distribution or payment is made upon Junior Securities.

Our contractual obligations, including commitments for future payments under non-cancelable lease arrangements and long-term debt arrangements, are summarized below and are more fully disclosed in notes 5 and 12 to the accompanying Notes to Consolidated Financial Statements (amounts in thousands):

<TABLE>

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	Payments Due by Period			
	Total	1-3 Years	4-5 Years	After 5 Years
<S>	<C>	<C>	<C>	<C>
Long-term debt	\$ 351,700	110,272	58,571	182,857
Capital lease obligations	47,282	6,724	12,414	28,144
Operating leases	40,344	21,603	8,372	10,369
Total contractual obligations	\$ 439,326	138,599	79,357	221,370

</TABLE>

\$3.0 million of the Senior Holdings Loan facilities have been used to provide a letter of credit to secure payment of certain access charges associated with our provision of telecommunications services within the State of Alaska.

The long-distance, local access, cable, Internet and wireless services industries are experiencing increasing competition and rapid technological changes. Our future results of operations will be affected by our ability to react to changes in the competitive environment and by our ability to fund and implement new technologies. We are unable to determine how competition and technological changes will affect our ability to obtain financing.

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We believe that we will be able to meet our current and long-term liquidity and capital requirements, fixed charges and preferred stock dividends through our cash flows from operating activities, existing cash, cash equivalents, short-term investments, credit facilities, and other external financing and equity sources. Should cash flows be insufficient to support additional borrowings, capital expenditures will likely be reduced.

New Accounting Standards

In July 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 provides accounting and reporting standards for intangible assets acquired individually, with a group of other assets, or as part of a business combination. This statement addresses how acquired goodwill and other intangible assets are recorded upon their acquisition as well as how they are to be accounted for after they have been initially recognized in the financial statements. This statement also requires expanded disclosure for goodwill and other intangible assets. We will adopt this standard January 1, 2002.

Under this statement, goodwill and other intangibles with indefinite useful lives will no longer be amortized on a prospective basis. Impairment tests will be performed at least annually based on a fair value comparison. Intangibles that have finite useful lives will continue to be amortized over their respective useful lives. We estimate that our 2002 goodwill amortization expense will be reduced by approximately \$1.2 million as a result of adopting this standard.

We are waiting for further guidance from the FASB and/or the SEC on whether our cable franchise agreements qualify as indefinite lived intangible assets. This guidance is expected before we file our first quarter 2002 Form 10-Q. As of December 31, 2001, we had unamortized franchise agreement assets of \$191.1 million, and recorded amortization expense related to these during 2001 of \$5,179,000. Upon adoption of SFAS No. 142, we may cease amortization of our franchise agreement assets if they are determined to have indefinite lives under SFAS No. 142.

At the date of adoption, we will be required to complete a transitional intangible asset impairment test. Any resulting impairment loss will be recognized as a cumulative effect of a change in accounting principle. We are in the process of evaluating whether any of our goodwill or intangible asset values are impaired pursuant to the provisions of SFAS No. 142 and 144 (as described below). Although our analysis is not complete, we currently do not expect write-downs of the carrying value of our intangible assets or goodwill, if any, to have a material affect on our results of operations, financial position and cash flows.

In July 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations". SFAS No. 143 provides accounting and reporting standards for costs associated with the retirement of long-lived assets. This statement requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. We will be required to adopt this statement no later than January 1, 2003 and do not expect that it will have a material effect on our results of operations, financial position and cash flows.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 replaces SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of". However it retains the fundamental provisions of SFAS No. 121 for recognition and measurement of the impairment of long-lived assets to be held and used and for measurement of long-lived assets to be disposed of by sale. This statement applies to all long-lived assets, including discontinued operations, and replaces the provisions of APB Opinion No. 30, Reporting Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, for the disposal of segments of a business. This statement requires that those long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether

reported in continuing operations or in discontinued operations. We will adopt this statement January 1, 2002 and do not expect that it will have a material effect on our results of operations, financial position and cash flows.

Critical Accounting Policies

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

- We recognize unbilled revenues based upon minutes of use processed and established rates, net of credits and adjustments.
- We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. We base our estimates on the aging of our accounts receivable balances and our historical write-off experience, net of recoveries. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.
- When recording depreciation expense associated with our telephony and cable television distribution systems, we use estimated useful lives. Because of changes in technology and industry conditions, we periodically evaluate the useful lives of our telephony and cable television distribution systems. These evaluations could result in a change in useful lives in future periods.
- When recording amortization expense on intangible assets, we use estimated useful lives. We periodically evaluate the useful lives of our intangible assets. These evaluations could result in a change in useful lives in future periods. Additionally, we periodically review the valuation of our intangible assets. These reviews could result in write-down of the value of intangible assets.
- We record a valuation allowance to reduce our deferred tax assets to the amount that we believe is more likely than not to be realized. While we have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, in the event we were to determine that we would not be able to realize all or part of our net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to income in the period such determination was made. Likewise, should we determine that we would be able to realize our deferred tax assets in the future in excess of its net recorded amount, an adjustment to the deferred tax assets would increase income in the period such determination was made.
- We have recorded revenues in 1999 and 2001 associated with cash sales of indefeasible rights to use certain amounts of our fiber system capacity. The fiber system capacity sold was treated as integral equipment because it is attached to real estate. Because, in each sale, all of the benefits and risks of ownership were transferred to the purchaser upon full receipt of the purchase price and other terms of the contract meet the requirements of SFAS No. 66, "Accounting for Sales of Real Estate," we accounted for the fiber capacity sales as sales-type leases. The accounting for the sale of fiber system capacity is currently evolving and accounting guidance may become available in the future which could require us to change our policy. If we are required to change our policy, it is likely the effect would be to recognize the gain from future sales of fiber capacity, if any, over the term the capacity is provided.

Geographic Concentration and the Alaska Economy

We offer voice and data telecommunication and video services to customers primarily throughout Alaska. Because of this geographic concentration, growth of our business and of our operations depends upon economic conditions in Alaska. The economy of Alaska is dependent upon the natural resource industries, and in particular oil production, as well as investment earnings, tourism, government, and United States military spending. Any deterioration in these markets could have an adverse impact on us. In fiscal 2001 the state's preliminary actual results indicate that Alaska's oil revenues and federal funding supplied 60% and 35%, respectively, of the state's total revenues. Investment losses negatively affected the state's total revenues in fiscal 2001 due to the recent decline in its stock market investments. Investment losses comprised 16.1% of the state's total revenues. All of the federal funding is dedicated for specific purposes, leaving oil revenues as the primary funding source of general operating expenditures. In fiscal 2002 state economists forecast that Alaska's federal funding, oil

revenues, and investment earnings will supply 43%, 32% and 9%, respectively, of the state's total projected revenues.

The volume of oil transported by the TransAlaska Oil Pipeline System ("TAPS") over the past 20 years has been as high as 2.0 million barrels per day in fiscal 1988. Production has been declining over the last several years with an average of 0.991 million barrels produced per day in fiscal 2001. The state forecasts

the production of 1.012 million barrels per day in fiscal 2002. The state forecasts a production rate slightly above 1.0 million barrels per day through fiscal 2010 due to future development of recent discoveries in the National Petroleum Reserve Alaska, further development of heavy oil in both the Kuparuk and Prudhoe Bay fields, and additional satellite field development.

Market prices for North Slope oil averaged \$27.85 in fiscal 2001 and are forecasted to average \$20.55 in fiscal 2002. State economists forecast the average price of North Slope oil to decline to \$18.81 in fiscal 2003. The closing price per barrel was \$21.02 on March 15, 2002.

State economists believe that growth in demand for crude oil will bottom out in 2002 as the result of the economic recession in the United States and the September 11, 2001 terrorist attacks, with the consequent reduction of air travel and jet fuel usage. State economists believe demand for oil will then begin to increase at just over 1.5% per year, an amount close to the historical average. Economists also believe that non-Organization of Petroleum Exporting Countries will increase their production in 2002 through 2004, putting significant pressure on the Organization of Petroleum Exporting Countries ("OPEC") to reduce their production if they want to support an OPEC oil price between \$22 and \$28 per barrel. The production policy of OPEC and its ability to continue to act in concert represents a key uncertainty in the state's revenue forecast.

The State of Alaska maintains the Constitutional Budget Reserve Fund that is intended to fund budgetary shortfalls. If the state's current projections are realized, the Constitutional Budget Reserve Fund will be depleted in 2004. If the fund is depleted, aggressive state action will be necessary to increase revenues and reduce spending in order to balance the budget. The governor of the State of Alaska and the Alaska legislature continue to pursue cost cutting and revenue enhancing measures. A legislative fiscal policy caucus has been formed and caucus members believe they need to take action in 2002 to prevent a fiscal crisis. The caucus is considering an income tax, a sales tax, an increase in the alcohol and motor fuel taxes, a tax on cruise ship passengers, additional tax revenue from the oil and gas industry, a reduction in oil and gas royalty deposits to the Alaska Permanent Fund, and capping the annual Alaska Permanent Fund dividend check to Alaskans.

Tourism, air cargo, and service sectors have helped offset the prevailing pattern of oil industry downsizing that has occurred during much of the last several years. Funds from federal sources totaling \$2.1 billion are expected to be distributed to the State of Alaska for highways and other federally supported projects in fiscal 2002.

Should new oil discoveries or developments not materialize or the price of oil become depressed, the long term trend of continued decline in oil production from the Prudhoe Bay field area is inevitable with a corresponding adverse impact on the economy of the state, in general, and on demand for telecommunications and cable television services, and, therefore, on us, in particular. In the past year, there has been a renewed effort to allow exploration and development in the Arctic National Wildlife Refuge ("ANWR"). On August 2, 2001 the U.S. House of Representatives voted in favor of opening ANWR and now the bill must go before the Senate. The U.S. Department of Energy estimates it could take seven to twelve years after approval of ANWR exploration for the first production.

Deployment of a natural gas pipeline from the State of Alaska's North Slope to the Lower 48 states has been proposed to supplement natural gas supplies. A competing natural gas pipeline through Canada has also been proposed. The economic viability of a natural gas pipeline depends upon the price of and demand for natural gas. Either project could have a positive impact on the State of Alaska's revenues and the Alaska economy. According to their public comments, neither Exxon Mobil, BP nor Phillips Petroleum, Alaska's large natural gas

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owners, believe either natural gas pipeline makes financial sense based upon their preliminary analysis, though Phillips Petroleum says it will move forward with permitting of the project if certain federal income tax incentives are included. The governor of the State of Alaska and certain natural gas transportation companies continue to support a natural gas pipeline from Alaska's North Slope by trying to reduce the project's costs and by advocating for federal tax incentives to further reduce the project's costs. In February 2002 Senate Majority Leader Tom Daschle announced he will offer an amendment to his energy bill mandating the following:

- A North Slope natural gas pipeline will follow the Alaska Highway route,
- Gas producers will be allowed to take a credit on their federal income taxes if prices fall,
- Alaskans along the pipeline route will have access to the gas, and
- Future gas discoveries will be allowed to move through the pipeline.

We have, since our entry into the telecommunication marketplace, aggressively marketed our services to seek a larger share of the available market. The

customer base in Alaska is limited, however, with a population of approximately 627,000 people. The State of Alaska's population is distributed as follows:

- 42% are located in the Municipality of Anchorage,
- 13% is located in the Fairbanks North Star Borough, and
- 5% is located in the City and Borough of Juneau.

The rest is spread out over the vast reaches of Alaska. No assurance can be given that the driving forces in the Alaska economy, and in particular, oil production, will continue at levels to provide an environment for expanded economic activity.

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

Seasonality

Long-distance revenues have historically been highest in the summer months because of temporary population increases attributable to tourism and increased seasonal economic activity such as construction, commercial fishing, and oil and gas activities. Cable television revenues, on the other hand, are higher in the winter months because consumers spend more time at home and tend to watch more television during these months. Local access and Internet services are not expected to exhibit significant seasonality. Our ability to implement construction projects is also hampered during the winter months because of cold temperatures, snow and short daylight hours.

Regulatory Developments

You should read Part I, Item 1 Business, Regulation, Franchise Authorizations and Tariffs for more information about regulatory developments affecting us.

Inflation

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to various types of market risk in the normal course of business, including the impact of interest rate changes. We do not hold derivatives for trading purposes.

Our Senior Holdings Loan agreement carries interest rate risk. Amounts borrowed under this agreement bear interest at either Libor plus 1.0% to 2.5%, depending on the leverage ratio of Holdings and certain of its

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subsidiaries, or at the greater of the prime rate or the federal funds effective rate (as defined) plus 0.05%, in each case plus an additional 0.0% to 1.375%, depending on the leverage ratio of Holdings and certain of its subsidiaries. Should the Libor rate, the lenders' base rate or the leverage ratios change, our interest expense will increase or decrease accordingly. As of December 31, 2001, we have borrowed \$111.7 million subject to interest rate risk. On this amount, a 1% increase in the interest rate would cost us \$1,117,000 in additional gross interest cost on an annualized basis.

On January 3, 2001 we entered into an interest rate swap agreement to convert \$50 million in 9.75% fixed rate debt to a variable interest rate equal to the 90 day Libor rate plus 334 basis points. The swap agreement carries interest rate risk. Should the Libor rate change, our interest expense will increase or decrease accordingly. A 1% change in the variable interest rate will change the annualized benefit of the swap by \$500,000. As of December 31, 2001, the interest rate spread between the fixed and swapped variable rate is 4.18%, an annualized reduction in interest expense of approximately \$2,090,000.

On September 21, 2001, we entered into an interest rate swap agreement to convert \$25 million of variable interest rate debt to 3.98% fixed rate debt plus applicable margin. The swap agreement carries interest rate risk. Should the Libor rate change, our interest expense will increase or decrease accordingly. A 1% change in the variable interest rate will change the annualized benefit of the swap by \$250,000. As of December 31, 2001, the interest rate spread between the variable rate and swapped fixed rate is 1.33%, an annualized increase in interest expense of approximately \$333,000.

Our Fiber Facility carries interest rate risk. Amounts borrowed under this Agreement bear interest at either Libor plus 2.5%-2.75%, or at our choice, the lender's prime rate plus 1.25%-1.5%. Should the Libor rate, the lenders' base rate or the leverage ratios change, our interest expense will increase or decrease accordingly. As of December 31, 2001, we have borrowed \$60.0 million subject to interest rate risk. On this amount, a 1% increase in the interest rate would cost us \$600,000 in additional gross interest cost on an annualized basis.

Our Satellite Transponder Capital Lease carries interest rate risk. Amounts borrowed under this Agreement bear interest at Libor plus 3.25%. Should the Libor rate change, our interest expense will increase or decrease accordingly. As of December 31, 2001, we have borrowed \$45.9 million subject to interest rate risk. On this amount, a 1% increase in the interest rate would cost us \$459,000 in additional gross interest cost on an annualized basis.

Item 8. Consolidated Financial Statements and Supplementary Data

Our consolidated financial statements are filed under this Item, beginning on Page 84. The financial statement schedules required under Regulation S-X are filed pursuant to Item 14 of this Report.

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

None.

Part III

Incorporated herein by reference from our Proxy Statement for our 2002 Annual Shareholders' meeting.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
General Communication, Inc.:

We have audited the accompanying consolidated balance sheets of General Communication, Inc. and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the consolidated financial statements referred to above present fairly, in all material respects, the financial position of General Communication, Inc. and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

/s/

KPMG LLP

Anchorage, Alaska
March 8, 2002

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GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2001	2000
ASSETS		

	(Amounts in	
thousands)		
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$ 11,097	
5,962		

Receivables:		

Trade	58,895
49,872	
Employee and other	1,587
378	

	60,482
50,250	
Less allowance for doubtful receivables	4,166
2,864	

Net receivables	56,316
47,386	

Prepaid and other current assets	3,061
2,505	
Deferred income taxes, net	4,690
3,221	
Inventories	3,462
5,717	
Property held for sale	481
10,877	
Notes receivable with related parties	182
241	

Total current assets	79,289
75,909	

Property and equipment in service, at cost:	
Land and buildings	3,116
3,051	
Telephony distribution systems	335,238
294,300	
Cable television distribution systems	134,697
106,953	
Support equipment	46,013
40,831	
Transportation equipment	4,890
3,867	
Property and equipment under capital leases	50,771
50,771	

	574,725
499,773	
Less accumulated depreciation	178,838
151,971	

Net property and equipment in service	395,887
347,802	
Construction in progress	8,121
8,097	

Net property and equipment	404,008
355,899	

Cable certificates, net of amortization of \$26,884,000 and \$21,509,000 at December 31, 2001 and 2000, respectively	191,132
184,983	
Goodwill, net of amortization of \$7,200,000 and \$5,952,000 at December 31, 2001 and 2000, respectively	40,940
40,002	
Other intangible assets, net of amortization of \$1,252,000 and \$729,000 at December 31, 2001 and 2000, respectively	3,387
3,936	
Deferred loan and senior notes costs, net of amortization of \$5,568,000 and \$4,166,000 at December 31, 2001 and 2000, respectively	7,630
8,402	
Notes receivable with related parties	3,246
3,235	
Property held for sale	1,170
1,550	
Other assets, at cost, net of amortization of \$70,000 and \$63,000 at December 31, 2001 and 2000, respectively	3,877
5,091	

-----	Total other assets	251,382
247,199		-----
-----	Total assets	\$ 734,679
679,007		=====

</TABLE>
See accompanying notes to consolidated financial statements.

<TABLE>	GENERAL COMMUNICATION, INC. AND SUBSIDIARIES	
	CONSOLIDATED BALANCE SHEETS	
<CAPTION>	(Continued)	
		December 31,
	LIABILITIES AND STOCKHOLDERS' EQUITY	2001 2000
	-----	-----
		(Amounts in
thousands)		<C> <C>
<S>		
Current liabilities:		
Current maturities of long-term debt and obligations under capital leases	\$ 7,346	1,600
Accounts payable	36,464	
29,094		
Accrued payroll and payroll related obligations	15,289	
10,385		
Deferred revenue	11,129	
9,477		
Accrued interest	8,049	
9,256		
Accrued liabilities	4,697	
4,134		
Subscriber deposits	1,121	
1,362		
-----	-----	-----
Total current liabilities	84,095	
65,308		
Long-term debt, excluding current maturities	346,000	
334,400		
Obligations under capital leases, excluding current maturities	45,016	
46,882		
Obligation under capital lease due to related party, excluding current maturities	620	214
Deferred income taxes, net of deferred income tax benefit	25,069	
22,057		
Other liabilities	4,580	
4,077		
-----	-----	-----
Total liabilities	505,380	
472,938		
-----	-----	-----
Redeemable preferred stock	26,907	
22,589		
-----	-----	-----
Stockholders' equity:		
Common stock (no par):		
Class A. Authorized 100,000,000 shares; issued 50,967,196 and 48,642,870 shares at December 31, 2001 and 2000, respectively	195,647	
182,706		
Class B. Authorized 10,000,000 shares; issued 3,882,843 and 3,904,038 shares at December 31, 2001 and 2000, respectively; convertible on a share-per-share basis into Class A common stock	3,281	
3,299		
Less cost of 357,958 Class A common shares held in treasury at December 31, 2001 and 2000, respectively	(1,659)	
(1,659)		
Paid-in capital	10,474	
7,368		
Notes receivable with related parties issued upon stock option exercise	(2,588)	
(2,976)		

Retained deficit	(2,771)	
(5,258)		
Accumulated other comprehensive income	8	-
--		

Total stockholders' equity	202,392	
183,480		

Commitments and contingencies		
Total liabilities and stockholders' equity	\$ 734,679	
679,007		
	=====	

</TABLE>

See accompanying notes to consolidated financial statements.

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<TABLE>

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

<CAPTION>

1999	2001	2000	
	-----	-----	-----
	(Amounts in thousands except per share		
amounts)			
<S>	<C>	<C>	<C>
Revenues	\$ 357,258	292,605	
279,179			
Cost of sales and services	139,793	119,712	
122,467			
Selling, general and administrative expenses	120,815	104,918	
98,282			
Depreciation and amortization expense	57,077	51,972	
42,680			

Operating income	39,573	16,003	
15,750			

Interest expense	31,208	38,845	
31,237			
Interest income	294	702	
621			

Interest expense, net	30,914	38,143	
30,616			
Gain on sale of property and equipment	---	491	--
-			

Net income (loss) before income taxes and cumulative effect of a change in accounting principle	8,659	(21,649)	
(14,866)			
Income tax (expense) benefit	(4,070)	8,415	
5,683			

Net income (loss) before cumulative effect of a change in accounting principle	4,589	(13,234)	
(9,183)			
Cumulative effect of a change in accounting principle, net of income tax benefit of \$245	---	---	
344			

Net income (loss)	\$ 4,589	(13,234)	
(9,527)			
	=====	=====	

=====

Amortization of the excess of GCI stock market value over stock option exercise cost on date of stock option grant	---	---	---	385	---	---	---
385							
Shares issued upon warrant exercise	1,381	---	---	---	---	---	---
1,381							
Shares issued to Employee Stock Purchase Plan	3,249	---	---	---	---	---	---
3,249							
Purchase of treasury stock	---	---	(52)	---	---	---	---
(52)							
Preferred stock dividends	---	---	---	---	---	(1,841)	---
(1,841)							

Balances at December 31, 2000	\$182,706	3,299	(1,659)	7,368	(2,976)	(5,258)	---
183,480							

</TABLE>

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(Continued)

<TABLE>

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999
(Continued)

<CAPTION>

Accumulated Other Comprehensive (Amounts in thousands) Total	Class A		Class B	Class A	Notes Receivable		Income
	Class A Common Stock	Class B Common Stock	Shares Held in Treasury	Paid-in Capital	Issued to Related Parties	Retained Earnings (Deficit)	

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balances at December 31, 2000	\$182,706	3,299	(1,659)	7,368	(2,976)	(5,258)	---
183,480							
Net income	---	---	---	---	---	4,589	---
4,589							
Fair value of cash flow hedge, net of income tax expense of \$5	---	---	---	---	---	---	8
8							
Comprehensive income	---	---	---	---	---	---	---
4,597							
Tax effect of excess stock compensation expense for tax purposes over amounts recognized for financial reporting purposes	---	---	---	2,317	---	---	---
2,317							
Class B shares converted to Class A	18	(18)	---	---	---	---	---

Shares issued under stock option plan	4,182	---	---	---	(300)	---	---
3,882							
Amortization of the excess of GCI stock market value over stock option exercise cost on date of stock option grant	---	---	---	789	---	---	---
789							
Shares issued to Employee Stock Purchase Plan	688	---	---	---	---	---	---
688							
Acquisition of G.C. Cablevision, Inc. net assets and customer base	2,388	---	---	---	---	---	---
2,388							
Series B preferred stock converted to Class A common stock	5,665	---	---	---	---	---	---
5,665							
Payment received on note issued upon officer stock option exercise	---	---	---	---	688	---	---
688							
Preferred stock dividends	---	---	---	---	---	(2,102)	---
(2,102)							

Balances at December 31, 2001	\$195,647	3,281	(1,659)	10,474	(2,588)	(2,771)	8
202,392							

</TABLE>

See accompanying notes to consolidated financial statements

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<TABLE>

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

<CAPTION>

	2001	2000
1999		
-----	-----	-----
<S>	<C>	(Amounts in thousands)
<C>		<C>
Cash flows from operating activities:		
Net income (loss)	\$ 4,589	(13,234)
(9,527)		
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	57,077	51,972
42,680		
Amortization charged to selling, general and administrative expense	---	554
1,770		
Non-cash cost of sales	10,877	---
3,703		
Deferred income tax expense (benefit)	3,958	(8,415)
(5,928)		
Deferred compensation and compensatory stock options	1,191	982
675		
Bad debt expense, net of write-offs	1,294	983
1,946		
Employee Stock Purchase Plan expense funded with issuance of General Communication, Inc. Class A common stock	---	2,773
2,448		
Write-off of capitalized interest	170	1,955

Write-off of unamortized start-up costs	---	---
589		
Write-off of deferred debt issuance costs upon modification of Senior Holdings Loan	---	---
472		
Warrants issued	---	---
42		
Gain on sale of property and equipment	---	(491)

Other noncash income and expense items	(44)	356
(114)		
Change in operating assets and liabilities	3,158	3,942
(5,413)		
-----	-----	-----
Net cash provided by operating activities	82,270	41,377
33,343		
-----	-----	-----
Cash flows from investing activities:		
Purchases of property and equipment, including construction period interest	(67,981)	(48,896)
(36,573)		
Proceeds from sale of property and equipment	---	802

Acquisition of Rogers net of cash received	(18,533)	---

Advances and billings to Kanas	(5,632)	---

(Payment) refund of deposit	(1,200)	9,100

Purchases of other assets and intangible assets	(1,096)	(2,957)
(1,236)		
Payments received on notes receivable with related parties	1,065	455
653		
Notes receivable issued to related parties	(959)	(971)
(952)		
Purchases of and additions to property held for sale	(101)	(1,550)

Cash received upon acquisition of controlling interest in Kanas	228	---

-----	-----	-----
Net cash used in investing activities	(94,209)	(44,017)

(38,108)

-----	-----	-----
Cash flows from financing activities:		
Long-term borrowings - bank debt	29,000	5,000
13,776		
Repayments of long-term borrowings and capital lease obligations	(13,667)	(11,151)
(26,620)		
Proceeds from common stock issuance, net of notes receivable with related party issued upon stock option exercise	3,882	1,706
103		
Proceeds from preferred stock issuance	---	---
20,000		
Payment of preferred stock dividends	(2,200)	---

Payment received on note receivable with related party issued upon stock option exercise	688	---

Payment of debt issuance costs	(629)	(635)
(768)		
Purchase of treasury stock	---	(52)

-----	-----	-----
Net cash provided by (used in) financing activities	17,074	(5,132)
6,491		
-----	-----	-----
Net increase (decrease) in cash and cash equivalents	5,135	(7,772)
1,726		
Cash and cash equivalents at beginning of year	5,962	13,734
12,008		
-----	-----	-----
Cash and cash equivalents at end of year	\$ 11,097	5,962
13,734		
=====	=====	=====

</TABLE>

See accompanying notes to consolidated financial statements.

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GENERAL COMMUNICATION, INC.
Notes to Consolidated Financial Statements

(1) Business and Summary of Significant Accounting Principles

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

(a) Business

General Communication, Inc. ("GCI"), an Alaska corporation, was incorporated in 1979. We offer the following services:

- Long-distance telephone service between Anchorage, Fairbanks, Juneau, and other communities in Alaska and the remaining United States and foreign countries
- Cable television services throughout Alaska
- Facilities-based competitive local access services in Anchorage and Fairbanks, Alaska
- Internet access services
- Termination of traffic in Alaska for certain common carriers
- Private line and private network services
- Managed services to certain commercial customers
- Broadband services, including our SchoolAccess(TM) offering to rural school districts and a similar offering to rural hospitals and health clinics
- Sales and service of dedicated communications systems and related equipment
- Lease and sales of capacity on two undersea fiber optic cables used in the transmission of interstate and intrastate private line, switched message long-distance and Internet services between Alaska and the remaining United States and foreign countries

(b) Principles of Consolidation

The consolidated financial statements include the accounts of GCI, GCI's wholly-owned subsidiary GCI, Inc., GCI, Inc.'s wholly-owned subsidiary GCI Holdings, Inc., GCI Holdings, Inc.'s wholly-owned subsidiaries GCI Communication Corp., GCI Cable, Inc., and GCI Transport Co., Inc., GCI Holdings, Inc.'s 85% controlling interest in GCI Fiber Communication Co., Inc., GCI

Communication Corp.'s wholly-owned subsidiary Potter View Development Co., Inc., GCI Cable, Inc.'s wholly-owned subsidiary GCI American Cablesystems, Inc., GCI American Cablesystems, Inc.'s wholly-owned subsidiary GCI Cablesystems of Alaska, Inc., GCI Transport Co., Inc.'s wholly-owned subsidiaries GCI Satellite Co., Inc., GCI Fiber Co., Inc. and Fiber Hold Co., Inc. and GCI Fiber Co., Inc.'s and Fiber Hold Co., Inc.'s wholly-owned partnership Alaska United Fiber System Partnership ("Alaska United").

The consolidated financial statements include the consolidated accounts of GCI and its wholly owned subsidiaries with all significant intercompany transactions eliminated.

GENERAL COMMUNICATION, INC.

Notes to Consolidated Financial Statements

- (c) Net Income (Loss) Per Common Share
 Net income (loss) per common share ("EPS") and common shares used to calculate basic and diluted EPS consist of the following (amounts in thousands):

	Year Ended December 31, 2001		
	Income (Num- erator)	Shares (Denom- inator)	Per-share Amounts
Net income	\$ 4,589		
Less preferred stock dividends:			
Series B	1,801		
Series C	301		
Basic EPS:			
Income available to common stockholders	2,487	53,091	\$.05
Effect of Dilutive Securities:			
Unexercised stock options	---	1,381	---
Diluted EPS:			
Income available to common stockholders	\$ 2,487	54,472	\$.05

<TABLE>
<CAPTION>

	Years Ended December 31,					
	2000			1999		
	Loss (Num- erator)	Shares (Denom- inator)	Per-share Amounts	Loss (Num- erator)	Shares (Denom- inator)	Per-share Amounts
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net loss	\$ (13,234)			\$ (9,527)		
Less preferred stock dividends:						
Series B	1,841			1,158		
Basic and Diluted EPS:						
Loss available to common stockholders	\$ (15,075)	51,444	\$ (.29)	\$ (10,685)	49,978	\$ (.21)

</TABLE>
<TABLE>

Potentially dilutive common shares outstanding which are anti-dilutive for purposes of calculating the net income (loss) per common share for the years ended December 31, 2001, 2000 and 1999 and are not included in the diluted net income (loss) per share calculation consist of the following (shares, in thousands):

<CAPTION>

	2001	2000	1999
<S>	<C>	<C>	<C>
Unexercised stock options	---	527	587
Series B redeemable preferred stock	3,832	4,070	3,588
Series C redeemable preferred stock	833	---	---

-- Potentially anti-dilutive common shares outstanding 4,665 4,597 4,175

=====

</TABLE>

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(Continued)

GENERAL COMMUNICATION, INC.

Notes to Consolidated Financial Statements

<TABLE>

Weighted average shares associated with outstanding stock options for the years ended December 31, 2001, 2000 and 1999 which have been excluded from the diluted income (loss) per share calculations because the options' exercise price was greater than the average market price of the common shares consist of the following (shares, in thousands):

<CAPTION>

	2001	2000	1999
	-----	-----	-----
<S>	<C>	<C>	<C>
Weighted average shares associated with outstanding stock options	36	3,123	2,260
	=====	=====	

=====

</TABLE>

Effective March 31, 2001 we acquired the assets and customer base of G.C. Cablevision, Inc. The seller received 238,199 unregistered shares of GCI Class A common stock with a future payment in additional shares contingent upon the market price of our common stock on a future date. At December 31, 2001 the market price condition was not met and no common stock would be issuable if this date was the end of the contingency period.

(d) Common Stock

<TABLE>

Following is the statement of common stock at December 31, 2001, 2000 and 1999 (shares, in thousands):

<CAPTION>

	Class A	Class B
	-----	-----
<S>	<C>	<C>
Balances at December 31, 1998	45,895	4,061
Class B shares converted to Class A	13	(13)
Shares issued under stock option plan	417	---
Shares issued under officer stock option agreements	50	---
Shares issued to Employee Stock Purchase Plan	395	---
Shares issued upon acquisition of customer base	100	---
	-----	-----
Balances at December 31, 1999	46,870	4,048
Class B shares converted to Class A	144	(144)
Shares issued under stock option plan	513	---
Shares issued and issuable to Employee Stock Purchase Plan	691	---
Warrant exercise	425	---
	-----	-----
Balances at December 31, 2000	48,643	3,904
Class B shares converted to Class A	21	(21)
Shares issued under stock option plan	1,044	---
Conversion of preferred stock Series B to Class A common stock	1,021	---
Shares issued upon acquisition of G.C. Cablevision, Inc. net assets and customer base	238	---
	-----	-----
Balances at December 31, 2001	50,967	3,883
	=====	=====

</TABLE>

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(Continued)

GENERAL COMMUNICATION, INC.

Notes to Consolidated Financial Statements

(e) Redeemable Preferred Stocks

<TABLE>

Redeemable preferred stocks at December 31, 2001 and 2000 consist of (amounts in thousands):

<CAPTION>

2001 2000

<S>	<C>	<C>
Series B	\$ 16,907	22,589
Series C	10,000	---
	-----	-----
	\$ 26,907	22,589
	=====	=====

</TABLE>
<TABLE>

We have 1,000,000 shares of preferred stock authorized with the following shares issued at December 31, 2001 and 2000 (shares, in thousands):

<CAPTION>

	Series B	Series C
	-----	-----
<S>	<C>	<C>
Balances at December 31, 1999 and 2000	20	---
Shares issued in lieu of cash dividend payment	3	---
Shares converted to GCI Class A common stock	(6)	---
Shares issued upon acquisition of Kanas	---	10
	-----	-----
Balances at December 31, 2001	17	10
	=====	=====

</TABLE>

The combined aggregate amount of preferred stock mandatory redemption requirements follow (amounts in thousands):

Years ending December 31:	
2002	\$ ---
2003	---
2004	---
2005	10,150
2006	---

	\$ 10,150
	=====

Series B

The redemption amount of our convertible redeemable accreting Series B preferred stock at December 31, 2001 and 2000 is \$17,148,000 and \$23,474,000, respectively. The difference between the carrying and redemption amounts is due to accrued dividends which are included in Accrued Liabilities in the Consolidated Balance Sheets until either paid in cash or through the issuance of additional Series B preferred stock.

In October 2001, a Series B preferred stockholder converted 5,665 shares of Series B preferred stock to GCI Class A common stock resulting in the issuance of approximately 1,021,000 shares of GCI Class A common stock.

Series C

We issued 10,000 shares of convertible redeemable accreting Series C preferred stock as of June 30, 2001 to acquire a controlling interest in Kanas (see note 3). The Series C preferred stock is convertible at \$12 per share into GCI Class A common stock, is non-voting, and pays a 6% per annum quarterly cash dividend. We may redeem the Series C preferred stock at any time in whole but not in part. Mandatory redemption is required at any time after the fourth anniversary date at the option of holders of 80% of the outstanding shares of the Series C preferred stock. The redemption price is \$1,000 per share plus the amount of all accrued and unpaid dividends, whether earned or declared, through the redemption date. In the event of a liquidation of GCI, the holders of Series C preferred stock shall be entitled to be paid an amount equal to the redemption price before any distribution or payment is made upon our common stock and other shares of our capital stock hereafter issued which by its terms is junior to the Series C preferred stock. Series B preferred stock is senior to Series C preferred stock. The redemption amount on December 31, 2001 was \$10,000,000.

- (f) Cash and Cash Equivalents
Cash equivalents consist of short-term, highly liquid investments that are readily convertible into cash.
- (g) Inventories
Inventory of merchandise for resale and parts is stated at the lower of cost or market. Cost is determined using the average

cost method.

- (h) **Property and Equipment**
Property and equipment is stated at cost. Construction costs of facilities are capitalized. Equipment financed under capital leases is recorded at the lower of fair market value or the present value of future minimum lease payments. Construction in progress represents distribution systems and support equipment not placed in service on December 31, 2001; management intends to place this equipment in service during 2002.

<TABLE>

Depreciation is computed on a straight-line basis based upon the shorter of the estimated useful lives of the assets or the lease term, if applicable, in the following ranges:

<CAPTION>

Asset Category	Asset Lives
<S>	<C>
Telephony distribution systems	12-20 years
Cable television distribution systems	10 years
Support equipment	3-5 years
Transportation equipment	5-10 years
Property and equipment under capital leases	5-15 years

</TABLE>

Repairs and maintenance are charged to expense as incurred. Expenditures for major renewals and betterments are capitalized. Gains or losses are recognized at the time of ordinary retirements, sales or other dispositions of property.

- (i) **Intangible Assets**
Intangible assets are valued at unamortized cost. Management reviews the valuation and amortization of intangible assets on a periodic basis, taking into consideration any events or circumstances that might indicate diminished value. The assessment of the recoverability is based on whether the asset can be recovered through undiscounted future cash flows.

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(Continued)

GENERAL COMMUNICATION, INC.

Notes to Consolidated Financial Statements

Cable certificates (certificates of convenience and public necessity) represent certain perpetual operating rights to provide cable services and are being amortized on a straight-line basis over 20 to 40 years.

The cost of the PCS license and related financing costs were capitalized as an intangible asset. The associated assets were placed into service during 2000 and the recorded cost of the license and related financing costs are being amortized over a 40-year period using the straight-line method.

Goodwill represents the excess of cost over fair value of net assets acquired and is being amortized on a straight-line basis over periods of 10 to 40 years.

In July 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets." We will adopt this statement January 1, 2002. Amongst other requirements, SFAS No. 142 requires that goodwill acquired after June 30, 2001 be subject immediately to the nonamortization and amortization provisions of the statement. Accordingly, we did not recognize amortization expense on the goodwill acquired from the purchase of all of the stock of Rogers during the year ended December 31, 2001.

- (j) **Deferred Loan and Senior Notes Costs**
Debt and Senior Notes issuance costs are deferred and amortized using the straight-line method, which approximates the interest method, over the term of the related debt and notes. Through January 1999, (the end of the construction period of the undersea fiber optic cable) issuance costs were partially amortized to Construction in Progress (see note 8). Commencing February 1999, (the month the fiber optic cable was placed in service) the issuance costs were amortized to amortization expense.
- (k) **Other Assets**
Other assets are recorded at cost and are amortized on a straight-line basis over periods of 2-15 years.
- (l) **Accounting for Derivative Instruments and Hedging Activities**
Effective January 1, 2001, we adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended. SFAS No. 133 requires companies to record derivatives on the balance sheet as assets or liabilities, measured at fair value.

- (m) Comprehensive Income
SFAS No. 130, "Reporting Comprehensive Income" requires us to report and display comprehensive income or loss and its components in a financial statement that is displayed with the same prominence as other financial statements. During the year ended December 31, 2001 we had other comprehensive income of approximately \$8,000 as a result of the cash flow hedge discussed in note 11. Total comprehensive income at December 31, 2001 is \$4,597,000. There were no components of other comprehensive income during the years ended December 31, 2000 and 1999.
- (n) Revenue Recognition
All revenues are recognized when the earnings process is complete in accordance with SEC Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements." Revenues generated from long-distance and managed services are recognized when the services are provided. Revenues from the sale of equipment are recognized at the time the equipment is delivered or installed. Technical services revenues are derived primarily from maintenance contracts on equipment and are recognized on a prorated basis over the term of the contracts. Cable television service, local access service, Internet service and private line telecommunication revenues are billed in advance and are

GENERAL COMMUNICATION, INC.
Notes to Consolidated Financial Statements

recognized as the associated service is provided. Other revenues are recognized when the service is provided. We recognize unbilled revenues when the service is provided based upon minutes of use processed or established rates, net of credits and adjustments.

- (o) Sale of Fiber Optic Cable System Capacity
During the first quarter of 2001 we completed a \$19.5 million sale of long-haul capacity in the Alaska United undersea fiber optic cable system ("fiber capacity sale") in a cash transaction (see note 8). The sale included both capacity within Alaska, and between Alaska and the Lower 48 states. We used the proceeds from the 2001 fiber capacity sale to repay \$11.7 million of the Fiber Facility debt and to fund capital expenditures and working capital.

During the second quarter of 1999 we completed a separate \$19.5 million sale of long-haul capacity in the Alaska United undersea fiber optic cable system.

The fiber capacity sales in 1999 and 2001 were pursuant to a contract giving the purchaser an indefeasible right to use a certain amount of fiber system capacity expiring on February 4, 2024. The term may be extended if the actual useful life of the fiber system capacity extends beyond the estimated useful life of twenty-five years. The fiber system capacity sold in 1999 and 2001 is integral equipment because it is attached to real estate. Because all of the benefits and risks of ownership have been transferred to the purchaser upon full receipt of the purchase price and other terms of the contract meet the requirements of SFAS No. 66, "Accounting for Sales of Real Estate" we accounted for the fiber capacity sales as sales-type leases. We recognized \$19.5 million in revenue from the 2001 and 1999 fiber capacity sales. We recognized \$10.9 million and \$3.7 million as cost of sales during the years ended December 31, 2001 and 1999, respectively. Upon the agreement for the second sale of fiber system capacity but before receipt of the cash payment, we classified \$10.9 million as Property Held for Sale in the Consolidated Balance Sheets at December 31, 2000 and 1999.

The accounting for the sale of fiber system capacity is currently evolving and accounting guidance may become available in the future which could require us to change our policy. If we are required to change our policy, it is likely the effect would be to recognize the gain from future sales of fiber capacity, if any, over the term the capacity is provided.

- (p) Advertising and Research and Development Expense
We expense advertising and research and development costs as incurred. Advertising expenses were approximately \$3,168,000, \$3,438,000 and \$4,574,000 for the years ended December 31, 2001, 2000 and 1999, respectively. We had no research and development costs for the years ended December 31, 2001, 2000 and 1999.

- (q) Interest Expense
Interest costs incurred during the construction period of significant capital projects are capitalized. Interest costs capitalized totaled \$1,260,000 during the year ended December 31, 1999. No interest was capitalized during the years ended December 31, 2001 and 2000.
- (r) Cumulative Effect of a Change in Accounting Principle
The American Institute of Certified Public Accountants issued Statement of Position ("SOP") 98-5, "Reporting on the Costs of Start-Up Activities", which provides guidance on the financial reporting of start-up costs and organization costs and requires costs of start-up activities and organization costs to be expensed as incurred. A one-time expense of \$344,000 (net of income tax benefit of \$245,000) associated with the write-off of unamortized start-up costs was recognized in the first quarter of 1999 upon adoption of SOP 98-5.

GENERAL COMMUNICATION, INC.
Notes to Consolidated Financial Statements

- (s) Income Taxes
Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for their future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable earnings in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are recognized to the extent that the benefits are more likely than not to be realized than not.
- (t) ILEC Over-Earnings Refunds
We receive refunds from time to time from ILECs with which we do business in respect of their earnings that exceed regulatory requirements. Rate of return carriers are required by the FCC to refund earnings from interstate access charges assessed to long-distance carriers when their earnings exceed their authorized rate of return. Such refunds are computed based on the ILEC's earnings in several access categories. Uncertainties exist with respect to the amount of their earnings, the refunds (if any), their timing, and their realization. We account for such refundable amounts as gain contingencies, and, accordingly, do not recognize them until realization is a certainty upon receipt.
- (u) Stock Option Plan
We account for our stock option plan in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. As such, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price. We have adopted SFAS 123, "Accounting for Stock-Based Compensation," which permits entities to recognize as expense over the vesting period the fair value of all stock-based awards on the date of grant. Alternatively, SFAS 123 also allows entities to continue to apply the provisions of APB Opinion No. 25 and provide pro forma net income and pro forma earnings per share disclosures for employee stock option grants made in 1995 and future years as if the fair-value-based method defined in SFAS 123 had been applied. We have elected to continue to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosure provisions of SFAS 123.
- (v) Stock Options and Stock warrants Issued for Non-employee Services
We account for stock options and warrants issued in exchange for nonemployee services pursuant to the provisions of SFAS 123, Emerging Issues Task Force ("EITF") 96-3 and EITF 96-18, wherein such transactions are accounted for at the fair value of the consideration or services received or the fair value of the equity instruments issued, whichever is more reliably measurable.
- When a stock option or warrant is issued for non-employee services where the fair value of such services is not stated, we value the stock option or warrant issued using the Black Scholes method.
- The fair value determined using these principles is charged to operating expense over the term for which non-employee services are provided or the stock option or warrant vesting period if no service term is stated.
- (w) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Actual results could differ from those estimates.

GENERAL COMMUNICATION, INC.

Notes to Consolidated Financial Statements

- (x) Concentrations of Credit Risk
Financial instruments that potentially subject us to concentrations of credit risk are primarily cash and cash equivalents and accounts receivable. Excess cash is invested in high quality short-term liquid money instruments issued by highly rated financial institutions. At December 31, 2001 and 2000, substantially all of our cash and cash equivalents were invested in short-term liquid money instruments. Our customers are located primarily throughout Alaska. Because of this geographic concentration, our growth and operations depend upon economic conditions in Alaska. The economy of Alaska is dependent upon the natural resources industries, and in particular oil production, as well as tourism, government, and United States military spending. Though limited to one geographical area, the concentration of credit risk with respect to our receivables is minimized due to the large number of customers, individually small balances, and short payment terms.
- (y) Fair Value of Financial Instruments
SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," requires disclosure of the fair value of financial instruments for which it is practicable to estimate that value. SFAS No. 107 specifically excludes certain items from its disclosure requirements. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.
- (z) Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of
SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. SFAS No. 121 has been superseded by SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."
- (aa) Business Combinations
SFAS No. 141, "Business Combinations," requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Use of the pooling-of-interests method has been prohibited on a prospective basis only. We used the purchase method of accounting for our acquisition of all of the common stock of Rogers (see note 3).
- (ab) Year 2000 Costs
We charged incremental Year 2000 assessment and remediation costs to expense as incurred during the years ended December 31, 2000 and 1999. No such costs were incurred during the year ended December 31, 2001.
- (ac) Reclassifications
Reclassifications have been made to the 1999 and 2000 financial statements to make them comparable with the 2001 presentation.

GENERAL COMMUNICATION, INC.

Notes to Consolidated Financial Statements

- (2) Consolidated Statements of Cash Flows Supplemental Disclosures
<TABLE>
Changes in operating assets and liabilities consist of (amounts in

thousands):

<CAPTION>

Year ended December 31,	2001	2000	1999
	-----	-----	-----
<S>	<C>	<C>	<C>
Increase in accounts receivable	\$ (10,229)	(3,451)	(5,783)
Decrease in income tax receivable	---	---	1,965
Increase in prepaid and other current assets	(487)	(390)	(235)
(Increase) decrease in inventories	2,255	(1,963)	(767)
Increase (decrease) in accounts payable	5,701	3,773	(2,229)
Increase (decrease) in accrued liabilities	1,091	982	(95)
Increase in accrued payroll and payroll related obligations	4,872	2,260	1,368
Increase in deferred revenue	1,519	2,178	1,802
Increase (decrease) in accrued interest	(1,207)	1,271	(87)
Decrease in subscriber deposits	(253)	(826)	(944)
Increase (decrease) in components of other long-term liabilities	(104)	108	(408)
	-----	-----	-----
	\$ 3,158	3,942	(5,413)
	=====	=====	=====

</TABLE>

We paid income taxes totaling \$112,000 during the year ended December 31, 2001. We paid no income taxes during the years ended December 31, 2000 and 1999. Net income tax refunds received totaled \$1,965,000 during the year ended December 31, 1999. We received no income tax refunds during the years ended December 31, 2001 and 2000.

We paid interest totaling approximately \$32,175,000, \$36,223,000 and \$32,900,000 during the years ended December 31, 2001, 2000 and 1999, respectively.

We recorded \$789,000, \$640,000 and \$211,000 during the years ended December 31, 2001, 2000 and 1999, respectively, in paid-in capital in recognition of the income tax effect of excess stock compensation expense for tax purposes over amounts recognized for financial reporting purposes.

During the years ended December 31, 2000 and 1999 we funded the employer matching portion of Employee Stock Purchase Plan contributions by issuing GCI Class A common stock valued at \$2,773,000 and \$2,448,000, respectively. Employer matching shares were purchased on the open market during the year ended December 31, 2001.

We financed the purchase of satellite transponder capacity pursuant to a long-term capital lease arrangement with a leasing company during the year ended December 31, 2000 at a cost of \$48.2 million (see note 12).

We chose to issue 2,677 additional shares of Series B preferred stock in lieu of cash payments for dividends payable thereon in 2000. The amount of dividends that would have been paid in cash totaled approximately \$2,677,000. The additional shares of Series B preferred stock were issued in 2001.

Effective March 31, 2001 we acquired the assets and customer base of G.C. Cablevision, Inc. The seller received 238,199 unregistered shares of GCI Class A common stock (see note 3).

Effective June 30, 2001 we issued \$10.0 million of Series C preferred stock in exchange for WorldCom's 85% controlling interest in Kanas (see note 3).

(3)

Acquisitions

Effective March 31, 2001 we acquired the assets and customer base of G.C. Cablevision, Inc. of Fairbanks. The seller received 238,199 unregistered shares of GCI Class A common stock with a future payment in additional shares contingent upon certain conditions (see note 1 (c)). The property and equipment was valued at \$2,088,000 on the date of acquisition. The remaining assets and liabilities acquired were immaterial.

Effective June 30, 2001 we completed the acquisition of WorldCom's 85% controlling interest in Kanas, which owns the 800-mile fiber optic cable system that extends from Prudhoe Bay to Valdez via Fairbanks. The corporation owning the fiber optic system was renamed and is now operated as GFCC. The fiber optic cable system was valued at approximately \$21,198,000 on the date of acquisition. On June 30, 2001 we issued to WorldCom, a related party, shares of Series C preferred stock (see note 1(e)) valued at \$10.0 million. The balance of the purchase price consisted of payments to Kanas to fund its operations

prior to June 30, 2001. The remaining assets and liabilities acquired were immaterial.

Effective November 19, 2001 we acquired all of the stock of Rogers, a cable television service provider in Palmer and Wasilla, Alaska for \$18.5 million in cash. Per the acquisition agreement \$467,000 was withheld from the original payment to account for the amount by which Rogers' current liabilities exceeded current assets and for certain capital expenditures incurred by the previous owners of Rogers through May 2001. We expect the final settlement to occur during the second quarter of 2002. This acquisition was funded through a \$19.0 million draw on our Senior Holdings Loan. The results of Roger's operations have been included in the consolidated financial statements in the cable services segment since the acquisition date. Because of this acquisition our cable services segment has increased homes passed by approximately 10,000 homes and has increased cable services subscribers by approximately 7,000 subscribers.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition (amounts in thousands):

Current assets	\$ 525
Property and equipment, net of accumulated depreciation	5,160
Franchise agreement	11,192
Goodwill	2,293

Total assets	19,170
Current liabilities	170

Net assets acquired	\$ 19,000
	=====

The allocation of the purchase price is subject to refinement pending final working capital settlement and valuation of property and equipment.

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GENERAL COMMUNICATION, INC.
Notes to Consolidated Financial Statements

(4) Notes Receivable with Related Parties
<TABLE> Notes receivable with related parties consist of the following (amounts in thousands):

<CAPTION>

	December 31,	
	2001	2000
	-----	-----
<S>	<C>	<C>
Notes receivable from officers bearing interest up to 9.0% or at the rate paid by us on our senior indebtedness, unsecured and secured by personal residences, a life insurance policy and GCIconmon stock, due through December 3, 2005	\$ 4,213	5,456
Notes receivable from other related parties bearing interest up to 8.305% or at the rate paid by us on our senior indebtedness, unsecured and secured by property, due through October 24, 2006	961	212
Interest receivable	842	784
	-----	-----
Total notes receivable with related parties	6,016	6,452
Less notes receivable with related parties issued upon stock option exercise, classified as a component of stockholders' equity	2,588	2,976
Less current portion, including current interest receivable	182	241
	-----	-----
Long-term portion, including long-term interest receivable	\$ 3,246	3,235
	=====	=====

</TABLE>

(5) Long-term Debt

<TABLE> Long-term debt consists of the following (amounts in thousands):

<CAPTION>

	December 31,	
	2001	2000
	-----	-----
<S>	<C>	<C>
Senior Notes (a)	\$ 180,000	180,000
Senior Holdings Loan (b)	106,000	82,700
Fiber Facility (c)	60,000	71,700
	-----	-----
Long-term debt, excluding current maturities	\$ 346,000	334,400
	=====	=====

</TABLE>

(a) On August 1, 1997 GCI, Inc. issued \$180,000,000 of 9.75% senior notes due 2007 ("Senior Notes"). The Senior Notes were issued at face value. Net proceeds to GCI, Inc. after deducting underwriting discounts and commissions totaled \$174,600,000. Issuance costs of \$6,496,000 are being amortized to amortization expense over the term of the Senior Notes.

The Senior Notes are not redeemable before August 1, 2002. After August 1, 2002, the Senior Notes are redeemable at the option of GCI, Inc. under certain conditions and at stated redemption prices. The Senior Notes include limitations on additional indebtedness and prohibit payment of dividends, payments for the purchase, redemption, acquisition or retirement of GCI, Inc.'s stock, payments for early retirement of debt subordinate to the notes, liens on property, and asset sales (excluding sales of Alaska United assets). GCI, Inc. was in compliance with all covenants during the year ending 2001. The Senior Notes are unsecured obligations.

(b) The GCI Holdings, Inc., \$150,000,000 and \$50,000,000 credit facilities ("Senior Holdings Loan") mature on June 30, 2005. The Senior Holdings Loan facilities bear interest, as amended, at either Libor plus 1.00% to 2.50%, depending on the leverage ratio of Holdings and certain of its subsidiaries, or at the greater of the prime rate or the federal funds effective rate (as defined) plus 0.05%, in each case plus an additional 0.00% to 1.375%, depending on the leverage ratio of

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GENERAL COMMUNICATION, INC.

Notes to Consolidated Financial Statements

Holdings and certain of its subsidiaries. We are required to pay a commitment fee equal to 0.50% per annum on the unused portion of the commitment. Commitment fee expense on the Senior Holdings Loan totaled \$405,000, \$570,000 and \$533,000 during the years ended December 31, 2001, 2000 and 1999, respectively.

On April 13, 1999, we amended our Holdings credit facilities. The amended facilities reduced the aggregate commitment by \$50,000,000 to \$200,000,000 and provided for the payment of a one-time amendment fee of \$530,000. Pursuant to the FASB Emerging Issues Task Force Issue 98-14, "Debtor's Accounting for Changes in Line-of-Credit or Revolving Debt Arrangements," we recorded as additional interest expense \$472,000 of deferred financing costs in the second quarter of 1999 associated with reduced borrowing capacity resulting from the amendment.

On October 25, 2000, March 23, 2001, April 27, 2001 and October 31, 2001 we further amended the Holdings \$150,000,000 and \$50,000,000 credit facilities. Among other things, amendments provided for our acquisitions of Kanas and Rogers, and contain, among other things, provision for payment of amendment fees of \$433,000, changes in certain financial covenants and ratios, and a limit of \$70 million and \$60 million for 2001 and 2002, respectively, for capital expenditures (excluding capital expenditures by certain subsidiaries). Under these amendments, Holdings may not permit the ratio of:

- Senior debt to annualized operating cash flow (as defined) of Holdings and certain of its subsidiaries to exceed 2.50 to 1.0 through September 30, 2003, and
- Fixed charges coverage ratio (as defined) of Holdings and certain of its subsidiaries to exceed 1.00 to 1.00 from January 1, 2003 through March 31, 2004 (which adjusts to 1.05 to 1.0 in April, 2004 and thereafter).

On December 17, 2001 we further amended the Holdings \$150,000,000 and \$50,000,000 credit facilities. We paid a one-time fee of \$438,000 in conjunction with this amendment. Changes in certain financial covenants and ratios outlined in this amendment are effective only upon the acquisition of the assets of WCIC (see note 12). Because of the uncertainty of the likelihood that we will complete the acquisition of the assets of WCIC we recognized the amendment fee as an expense during the year ended December 31, 2001 rather than deferring and amortizing the fee over the remaining life of the Senior Holdings Loan. Under these amendments, the applicable margin has been increased to the following amounts:

<TABLE>
<CAPTION>

Total Leverage Ratio

Base Rate

LIBOR

	-----	-----	---
	<S>	<C>	<C>
2.500%	Greater than or equal to 6.50 to 1.00	1.375%	
	Greater than or equal to 6.00 to 1.00 but less than 6.50 to 1.00	1.000%	2.125%
	Greater than or equal to 5.50 to 1.00 but less than 6.00 to 1.00	0.750%	1.875%
	Greater than or equal to 5.00 to 1.00 but less than 5.50 to 1.00	0.500%	1.625%
	Greater than or equal to 4.50 to 1.00 but less than 5.00 to 1.00	0.250%	1.375%
	Greater than or equal to 4.00 to 1.00 but less than 4.50 to 1.00	0.000%	1.250%
	Less than 4.00 to 1.00	0.000%	

1.000%
</TABLE>

If we complete the acquisition of the assets of WCIC and its subsidiaries and we enter into a refinancing of a portion of the Senior Holdings Loan the base rate and LIBOR applicable margins will be 1.125% and 2.250%, respectively. Additionally, the amendments require changes in certain financial covenants and ratios and a capital expenditure limit of \$70 million in 2001, \$65 million in 2002, \$50 million in 2003, and \$15 million in January 1, 2004 through March 31, 2004 (excluding capital expenditures by certain subsidiaries). Additionally if the acquisition is completed, Holdings may not permit the fixed charges coverage ratio (as defined) of Holdings and certain of its subsidiaries to exceed 1.00 to 1.00 from January 1,

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GENERAL COMMUNICATION, INC.
Notes to Consolidated Financial Statements

2003 through December 31, 2004 (which adjusts to 1.05 to 1.0 in January, 2005 and thereafter).

The Series B preferred stock issuance proceeds of \$19 million were used to reduce outstanding indebtedness under the Senior Holdings Loan.

<TABLE>

While Holdings may elect at any time to reduce amounts due and available under the Senior Holdings Loan facilities, a mandatory prepayment is required each quarter if the outstanding borrowings at the following dates of payment exceed the allowable borrowings using the following percentages:

<CAPTION>

Date Range of Quarterly Payments	Percentage of Reduction of Outstanding Facilities
-----	-----
<S>	<C>
March 31, 2002 through December 31, 2003	5.000%
March 31, 2004 through December 31, 2004	5.625%
March 31, 2005	7.500%
July 31, 2005	7.500% and all remaining outstanding balances

</TABLE>

We borrowed an additional \$9.0 million on our Holdings credit facilities in the first quarter of 2002 to fund our Senior Notes interest payment. We are scheduled to make a \$5.7 million principal payment on our Holdings credit facilities at December 31, 2002, though we expect to refinance the Holdings credit facilities during the second or third quarter of 2002.

The facilities contain, among others, covenants requiring maintenance of specific levels of operating cash flow to indebtedness and to interest expense, and limitations on acquisitions and additional indebtedness. The facilities prohibit any direct or indirect distribution, dividend, redemption or other payment to any person on account of any general or limited partnership interest in, or shares of capital stock or other securities of Holdings or any of its subsidiaries. Holdings was in compliance with all Senior Holdings Loan facilities covenants during the year ended December 31, 2001.

Substantially all of Holdings' assets as well as a pledge of Holdings' stock by GCI, Inc. collateralize the Senior Holdings Loan facilities.

\$3.0 million of the Senior Holdings Loan facilities have been used to provide a letter of credit to secure payment of certain access charges associated with our provision of telecommunications services within the State of Alaska.

In connection with the initial funding and amendments of the Senior Holdings Loan facilities, Holdings paid bank fees and

other expenses since the initial funding through December 31, 2001 of approximately \$3,893,000 that are being amortized to amortization expense over the life of the agreement and approximately \$438,000 that were charged to Selling, General and Administrative Expense in the Consolidated Statements of Operations during the year ended December 31, 2001.

- (c) On January 27, 1998 Alaska United closed a \$75 million project finance facility ("Fiber Facility") to construct a fiber optic cable system connecting Anchorage, Fairbanks, Valdez, Whittier, Juneau and Seattle. The Fiber Facility is a 10-year term loan that is interest only for the first 5 years. The facility can be extended an additional two years at any time between the second and fifth anniversary of closing the facility if we can demonstrate projected revenues from certain capacity commitments will be sufficient to pay all operating costs, interest, and principal installments based on the extended maturity. The Fiber Facility interest rate was either Libor plus 3.0%, or at the lender's prime rate plus

GENERAL COMMUNICATION, INC.

Notes to Consolidated Financial Statements

1.75% while the loan balance was greater than \$60 million. The interest rate declined to Libor plus 2.5%-2.75%, or, at our option, the lender's prime rate plus 1.25%-1.5% when the loan balance was reduced to \$60 million.

The Fiber Facility contains covenants requiring certain intercompany loans and advances in order to maintain specific levels of cash flow necessary to pay operating costs and interest and principal installments. Alaska United was in compliance with all covenants during the year ended December 31, 2001.

All of Alaska United's assets, as well as a pledge of the partnership interests' owning Alaska United, collateralize the Fiber Facility.

In connection with the funding of the Fiber Facility, Alaska United paid bank fees and other expenses of \$2,183,000 that are being amortized over the life of the agreement. Through January 1999, (the end of the construction period of the undersea fiber optic cable system) bank fees and costs were amortized to Construction in Progress. Commencing February 1999, (the month the fiber optic cable was placed in service) the bank fees and costs were amortized to amortization expense.

- (d) On December 31, 1992, we entered into a \$12,000,000 loan agreement ("Undersea Fiber and Equipment Loan Agreement"), of which approximately \$9,000,000 of the proceeds were used to acquire capacity on the undersea fiber optic cable system linking Seward, Alaska and Pacific City, Oregon. Concurrently, we leased the capacity under a ten-year all events, take or pay, contract with WorldCom, who subleased the capacity back to us. The obligation was fully paid and the lease and sublease were cancelled at December 31, 1999.

As of December 31, 2001 maturities of long-term debt were as follows (amounts in thousands):

Years ending December 31,	
2003	\$ 45,286
2004	59,286
2005	44,286
2006	14,285
2007 and thereafter	182,857

	\$ 346,000
	=====

(6) Income Taxes

<TABLE>

Total income tax (expense) benefit was allocated as follows (amounts in thousands):

<CAPTION>

<S>	Years ended December 31,		
	2001	2000	1999

<C>	<C>	<C>	<C>
Net (income) loss from continuing operations	\$ (4,070)	8,415	5,928
Cumulative effect of a change in accounting principle	---	---	(245)
	-----	-----	-----
	(4,070)	8,415	5,683

Tax effect of excess stock compensation expense for tax purposes over amounts recognized for financial reporting purposes in Stockholders' Equity

	2,317	640	211
	-----	-----	-----
\$	(1,753)	9,055	5,894
	=====	=====	=====

</TABLE>

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GENERAL COMMUNICATION, INC.
Notes to Consolidated Financial Statements

(Continued)

<TABLE>
Income tax (expense) benefit consists of the following (amounts in thousands):

<CAPTION>

	Years ended December 31,		
	2001	2000	1999
	-----	-----	-----
<S>	<C>	<C>	<C>
Deferred tax (expense) benefit:			
Federal taxes	\$ (3,115)	6,494	4,807
State taxes	(955)	1,921	876
	-----	-----	-----
Total tax (expense) benefit	\$ (4,070)	8,415	5,683
	=====	=====	=====

</TABLE>

<TABLE>
Total income tax (expense) benefit differed from the "expected" income tax (expense) benefit determined by applying the statutory federal income tax rate of 34% as follows (amounts in thousands):

<CAPTION>

	Years ended December 31,		
	2001	2000	1999
	-----	-----	-----
<S>	<C>	<C>	<C>
"Expected" statutory tax (expense) benefit	\$ (2,944)	7,361	5,054
State income taxes, net of federal benefit	(630)	1,268	649
Income tax effect of goodwill amortization, nondeductible expenditures and other items, net	(496)	(399)	(469)
Other	---	185	449
	-----	-----	-----
	\$ (4,070)	8,415	5,683
	=====	=====	=====

</TABLE>

<TABLE>
The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2001 and 2000 are presented below (amounts in thousands):

<CAPTION>

	December 31,	
	2001	2000
	-----	-----
<S>	<C>	<C>
Current deferred tax assets:		
Accounts receivable, principally due to allowance for doubtful accounts	\$ 1,351	539
Compensated absences, accrued for financial reporting purposes	1,599	1,305
Inventory expense for financial reporting purposes in excess of amounts recognized for tax purposes	1,323	892
Workers compensation and self insurance health reserves, principally due to accrual for financial reporting purposes	637	341
Other	(220)	144
	-----	-----
Total current deferred tax assets	\$ 4,690	3,221
	=====	=====

</TABLE>

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GENERAL COMMUNICATION, INC.
Notes to Consolidated Financial Statements

(Continued)

<TABLE>
<CAPTION>

	December 31,	
	2001	2000
	-----	-----
<S>	<C>	<C>
Long-term deferred tax assets:		
Net operating loss carryforwards	\$ 62,760	51,052
Alternative minimum tax credits	2,081	2,502
Lease expense for financial reporting purposes in excess of amounts recognized for tax purposes	---	857

Deferred compensation expense for financial reporting purposes in excess of amounts recognized for tax purposes	1,913	979
State income taxes	1,755	---
Employee stock option compensation expense for financial reporting purposes in excess of (less than) amounts recognized for tax purposes	145	(579)
Sweepstakes award in excess of amounts recognized for tax purposes	188	193
Charitable contributions expense for financial reporting purposes in excess of amounts recognized for tax purposes	423	315
Deferred loan fees for financial reporting purposes in excess of amounts recognized for tax purposes	347	---
Cost of sales and services for financial reporting purposes in excess of amounts recognized for tax purposes	402	---
Other	350	82
	-----	-----
Total long-term deferred tax assets	70,364	55,401
	-----	-----
Long-term deferred tax liabilities:		
Plant and equipment, principally due to differences in depreciation	80,516	67,108
Amortizable assets	13,670	9,017
Costs recognized for tax purposes in excess of amounts recognized for book purposes	891	1,319
Other	356	14
	-----	-----
Total gross long-term deferred tax liabilities	95,433	77,458
	-----	-----
Net combined long-term deferred tax liabilities	\$ 25,069	22,057
	=====	=====

</TABLE>

In conjunction with the acquisition of seven Alaska cable television companies in 1996, we incurred a net deferred income tax liability of \$24.4 million and acquired net operating losses totaling \$57.6 million. We determined that approximately \$20 million of the acquired net operating losses would not be utilized for income tax purposes, and elected with our December 31, 1996 income tax returns to forego utilization of such acquired losses under Internal Revenue Code section 1.1502-32(b)(4). Deferred tax assets were not recorded associated with the foregone losses and, accordingly, no valuation allowance was provided. At December 31, 2001, we have (1) tax net operating loss carryforwards of approximately \$156.1 million that will begin expiring in 2007 if not utilized, and (2) alternative minimum tax credit carryforwards of approximately \$2.1 million available to offset regular income taxes payable in future years. The following schedule shows our tax net operating loss carryforwards by year of expiration (amounts in thousands):

	107	(Continued)
	GENERAL COMMUNICATION, INC.	
	Notes to Consolidated Financial Statements	
Years ending December 31,		
2007	\$ 3,006	
2008	7,509	
2009	11,482	
2010	8,935	
2011	6,685	
2012	---	
2018	19,386	
2019	28,786	
2020	45,400	
2021	24,931	

Total tax net operating loss carryforwards	\$ 156,120	
	=====	

Our utilization of remaining acquired net operating loss carryforwards is subject to annual limitations pursuant to Internal Revenue Code section 382 which could reduce or defer the utilization of these losses.

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, future taxable income exclusive of reversing temporary differences and carryforwards, and tax planning strategies. The amount of deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

The Job Creation and Worker Assistance Act of 2002 was signed into law on March 9, 2002 and contains several provisions that are effective for tax years ending in 2001, one of which relates to net operating losses. The Act amends IRC Section 172(b)(1) to provide, generally, that a net operating loss for a tax year ending in 2001 or 2002 can be carried back five years, rather than the two-year carryback generally allowed by section 172(b)(1)(A). The Act also amends IRC Section 56(d)(1) to allow alternative minimum tax net operating losses carried forward into tax years ending in 2001 or 2002 to be used without regard to the 90 percent alternative minimum taxable income limitation that generally applies. In addition, alternative minimum tax net operating losses generated in 2001 or 2002 and carried back to an earlier year under IRC Section 172 are not subject to the 90 percent alternative minimum taxable income limitation. SFAS No. 109 states that a change in tax law or rates that affects deferred income taxes is recorded in the statement of operations in the year of enactment. Accordingly the deferred income tax effect, which we estimate to total approximately \$2 million, will be recorded as a reduction of our recorded deferred tax assets in our consolidated balance sheet in the first quarter of 2002.

(7) Stockholders' Equity

Common Stock

GCI's Class A common stock and Class B common stock are identical in all respects, except that each share of Class A common stock has one vote per share and each share of Class B common stock has ten votes per share. In addition, each share of Class B common stock outstanding is convertible, at the option of the holder, into one share of Class A common stock.

WorldCom owns 8,251,509 shares of GCI's Class A common stock that represents approximately 16 and 17 percent of the issued and outstanding shares at December 31, 2001 and 2000, respectively. WorldCom owns 1,275,791 shares of GCI's Class B common stock that represents approximately 33 percent of the issued and outstanding shares at December 31, 2001 and 2000.

Certain subsidiaries of WorldCom filed a Schedule 13D with the SEC on November 13, 2001 disclosing their intention to monitor their investments in us, to take actions consistent with their best interests, and,

subject to market conditions and other factors, to explore opportunities to sell up to one-half of their interest in us. On February 13, 2002 we filed a Form S-3 with the SEC on behalf of WorldCom to register for resale 4,500,000 shares of our Class A common stock. In the Schedule 13D WorldCom disclosed their intention to maintain strategic and commercial relationships with us for the foreseeable future and their expectation that their two current representatives on our Board of Directors will continue as directors, subject to their nomination and approval at our annual meetings of shareholders. We also intend to maintain strategic and commercial relationships with WorldCom and its subsidiaries for the foreseeable future.

In October 2001, a Series B preferred stockholder converted 5,665 shares of Series B preferred stock to GCI Class A common stock resulting in the issuance of approximately 1,021,000 shares of GCI Class A common stock.

Stock Option Plan

In December 1986, GCI adopted a Stock Option Plan (the "Option Plan") in order to provide a special incentive to our officers, non-employee directors, and employees by offering them an opportunity to acquire an equity interest in GCI. The Option Plan, as amended in 1999, provides for the grant of options for a maximum of 8,700,000 shares of GCI Class A common stock, subject to adjustment upon the occurrence of stock dividends, stock splits, mergers, consolidations or certain other changes in corporate structure or capitalization. If an option expires or terminates, the shares subject to the option will be available for further grants of options under the Option Plan. The Option Committee of GCI's Board of Directors administers the Option Plan.

The Option Plan provides that all options granted under the Option Plan must expire not later than ten years after the date of grant. If at the time an option is granted the exercise price is less than the market value of the underlying common stock, the difference in these amounts at the time of grant is expensed ratably over the vesting period of the option. Options granted pursuant to the Option Plan are only exercisable if at the time of exercise the option holder is our employee, non-employee director, or a consultant or advisor working on our behalf.

Information for the years 1999, 2000 and 2001 with respect to the Option Plan follows:

<CAPTION>

Exercise	Shares	Weighted Average Exercise Price	Range of Prices
<S> Outstanding at December 31, 1998	<C> 4,070,334	<C> \$4.95	<C> \$0.01-
\$7.63			
Granted	865,796	\$4.57	\$3.25-
\$6.00			
Exercised	(416,365)	\$3.83	\$0.01-
\$6.00			
Forfeited	(165,050)	\$6.03	\$0.01-
\$7.63			
Outstanding at December 31, 1999	4,354,715	\$4.94	\$0.01-
\$7.63			

</TABLE>

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GENERAL COMMUNICATION, INC.
Notes to Consolidated Financial Statements

(Continued)

<TABLE>
<CAPTION>

Exercise	Shares	Weighted Average Exercise Price	Range of Prices
<S> Granted	<C> 1,970,599	<C> \$5.96	<C> \$3.00-
\$7.50			
Exercised	(513,289)	\$2.37	\$0.01-
\$6.50			
Forfeited	(398,460)	\$5.18	\$0.01-
\$7.63			
Outstanding at December 31, 2000	5,413,565	\$5.54	\$0.01-
\$7.63			
Granted	755,277	\$7.34	\$2.84-
\$11.25			
Exercised	(1,044,511)	\$4.01	\$0.01-
\$7.50			
Forfeited	(24,200)	\$6.53	\$6.00-
\$10.98			
Outstanding at December 31, 2001	5,100,131	\$6.11	\$0.01-
\$11.25			
Available for grant at December 31, 2001	659,280		

</TABLE>

Stock Options Not Pursuant to a Plan

In June 1989, an officer was granted options to acquire 100,000 GCI Class A common shares at \$0.75 per share. The options vested in equal annual increments over a five-year period, expiring in February 1999. Options to acquire 50,000 shares were exercised during 1998, and options to acquire the remaining 50,000 shares were exercised in 1999 before their expiration.

Stock Warrants Not Pursuant to a Plan

We entered into a stock warrant agreement in December 1998 with Prime II Management, L.P. ("PMLP"). In lieu of cash payments for services from January 1, 1998 to January 31, 1999 under the amended Management Agreement, PMLP agreed to accept a stock warrant which provided for the purchase of 425,000 shares of GCI Class A common stock, with immediate vesting at the stock warrant date and an exercise price of \$3.25 per share. The fair value of the stock warrant was \$750,000. The stock warrant was exercised in 2000.

We entered into a stock warrant agreement in exchange for services in December 1998 with certain of our legal counsel which provides for the purchase of 16,667 shares of GCI Class A common stock, vesting in December 1999, with an exercise price of \$3.00 per share, and expiring

December 2003. The fair value of the stock warrant was approximately \$23,000.

We entered into a stock warrant agreement in exchange for services in June 1999 with certain of our legal counsel which provides for the purchase of 25,000 shares of GCI Class A common stock, vesting through December 2001, with an exercise price of \$3.00 per share, and expiring December 2003. The fair value of the stock warrant was approximately \$94,000.

SFAS 123 Disclosures

Our stock options and warrants expire at various dates through October 2011. At December 31, 2001, 2000, and 1999, the weighted-average remaining contractual lives of options outstanding were 6.95, 6.88 and 6.14 years, respectively.

At December 31, 2001, 2000, and 1999, the number of exercisable shares under option was 2,837,361, 2,350,334 and 2,509,756, respectively, and the weighted-average exercise price of those options was \$5.75, \$4.78 and \$3.91, respectively.

The per share weighted-average fair value of stock options granted during 2001 was \$6.99 per share for compensatory and \$10.58 for non-compensatory options; for 2000 was \$4.07 per share for compensatory and \$2.71 for non-compensatory options; and for 1999 was \$4.14 per share for compensatory and \$2.85 for non-compensatory options. The amounts were determined as of the options' grant dates using a qualified

GENERAL COMMUNICATION, INC.

Notes to Consolidated Financial Statements

Black-Scholes option-pricing model with the following weighted-average assumptions: 2001 - risk-free interest rate of 4.664%, volatility of 0.6178 and an expected life of 6.67 years; 2000 - risk-free interest rate of 4.987%, volatility of 0.6203 and an expected life of 5.82 years; and 1999 - risk-free interest rate of 6.66%, volatility of 0.6455 and an expected life of 5.7 years.

<TABLE>

Summary information about our stock options and warrants outstanding at December 31, 2001:

<CAPTION>

Exercisable Average Price	Options and Warrants Outstanding			Options and Warrants		
	Range of Exercise Prices	Number outstanding as of 12/31/01	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable as of 12/31/01	Weighted Exercise
<S>	<C>	<C>	<C>	<C>	<C>	<C>
\$0.01-\$4.00	872,646	5.07	\$3.48	744,199	\$3.54	
\$4.06-\$5.69	438,804	7.57	\$4.97	176,800	\$4.92	
\$6.00-\$6.00	608,283	6.57	\$6.00	392,989	\$6.00	
\$6.13-\$6.13	50,000	8.95	\$6.13	10,000	\$6.13	
\$6.50-\$6.50	1,824,600	7.76	\$6.50	656,714	\$6.50	
\$6.63-\$6.94	80,000	6.08	\$6.80	45,333	\$6.81	
\$7.00-\$7.00	778,022	6.63	\$7.00	428,788	\$7.00	
\$7.25-\$7.50	544,750	7.00	\$7.41	346,000	\$7.36	
\$7.63-\$10.98	145,693	8.31	\$8.88	36,538	\$7.63	
\$11.25-\$11.25	50,000	9.50	\$11.25	---	\$ ---	
\$0.01-\$11.25	5,392,798	6.95	\$6.10	2,837,361	\$5.75	

</TABLE>

<TABLE>

Had compensation cost for our 2001, 2000 and 1999 grants for stock-based compensation plans been determined consistent with SFAS 123, our net income (loss) and net income (loss) per common share would approximate the pro forma amounts below (in thousands except per share data):

<CAPTION>

	As Reported	Pro Forma
<S>	<C>	<C>
2001:		
Net income	\$ 4,589	\$ 1,578
Basic and diluted net income (loss) per common share	\$ 0.05	\$ (0.01)

2000:		
Net loss	\$ (13,234)	\$ (15,646)
Basic and diluted net loss per common share	\$ (0.29)	\$ (0.34)
1999:		
Net loss	\$ (9,527)	\$ (11,714)
Basic and diluted net loss per common share	\$ (0.21)	\$ (0.26)

</TABLE>

Pro forma net income (loss) reflects options granted in 1996 through 2001. Therefore, the full impact of calculating compensation cost for stock options under SFAS 123 is not reflected in the pro forma net income amounts presented above since compensation cost is reflected over the options' vesting period of generally 5 years and compensation cost for options granted prior to January 1, 1996 is not considered.

Class A Common Shares Held in Treasury

In 2000 we acquired a total of 10,000 shares of GCI Class A common stock for approximately \$52,000 to fund deferred compensation agreements for an officer.

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(Continued)

GENERAL COMMUNICATION, INC.

Notes to Consolidated Financial Statements

Employee Stock Purchase Plan

In December 1986, we adopted an Employee Stock Purchase Plan ("Plan") qualified under Section 401 of the Internal Revenue Code of 1986 ("Code"). The Plan provides for acquisition of GCI's Class A and Class B common stock at market value. The Plan permits each employee who has completed one year of service to elect to participate in the Plan. Eligible employees may elect to reduce their compensation in any even dollar amount up to 10 percent of such compensation up to a maximum of \$10,500 in 2001 and \$11,000 in 2002; they may contribute up to 10 percent of their compensation with after-tax dollars, or they may elect a combination of salary reductions and after-tax contributions.

We may match employee salary reductions and after tax contributions in any amount, elected by our Board of Directors each year, but not more than 10 percent of any one employee's compensation will be matched in any year. For the years ended December 31, 2001, 2000 and 1999 the combination of salary reductions, after tax contributions and matching contributions could not exceed 25 percent of any employee's compensation (determined after salary reduction) for any year. For the year ended December 31, 2002 the combination of salary reductions, after tax contributions and matching contributions cannot exceed 100 percent of any employee's compensation up to a maximum of \$40,000 (determined after salary reduction) for any year. Matching contributions vest over six years. Employee contributions may be invested in GCI common stock, WorldCom common stock, AT&T common stock or various mutual funds. TCI common stock was previously offered to employees as an investment choice however TCI's merger with AT&T in March 1999 resulted in the conversion of TCI shares of common stock into AT&T shares of common stock.

Employee contributions invested in GCI common stock receive up to 100% matching, as determined by our Board of Directors each year, in GCI common stock. Employee contributions invested in other than GCI common stock receive up to 50% matching, as determined by our Board of Directors each year, in GCI common stock. Our matching contributions allocated to participant accounts totaled approximately \$3,194,000, \$2,773,000 and \$2,448,000 for the years ended December 31, 2001, 2000, and 1999, respectively. The Plan may, at its discretion, purchase shares of GCI common stock from GCI at market value or may purchase GCI's common stock on the open market. In 1999 and 2000 we funded our employer-matching contributions through the issuance of new shares of GCI common stock rather than market purchases. In 2001 we funded our employer-matching contributions through the purchase of shares on the open market.

Effective July 1, 2000, we transferred all of the Plan assets to Merrill, Lynch, Pierce, Fenner and Smith, Incorporated who became the Plan's new recordkeeper.

We are exploring opportunities to allow our employees to diversify certain of their holdings of GCI common stock in the Plan beginning in 2002.

(8)

Fiber Optic Cable System

In early February 1999 we completed construction of our fiber optic cable system with commercial services commencing at that time. The cities of Anchorage, Juneau and Seattle are connected via a subsea route. Subsea and terrestrial connections extended the fiber optic cable to Fairbanks via Whittier and Valdez. The total system cost was approximately \$125 million. Portions of the fiber optic system capacity

2001							
Revenues:							
Intersegment	\$ 20,239	1,650	8,716	6,110	36,715	355	37,070
External	200,694	76,554	25,229	11,996	314,473	42,785	357,258

Total revenues	220,933	78,204	33,945	18,106	351,188	43,140	394,328

Cost of sales and services:							
Intersegment	16,739	---	1,586	17,345	35,670	461	36,131
External	73,257	20,829	14,037	4,749	112,872	26,921	139,793

Total cost of sales and services	89,996	20,829	15,623	22,094	148,542	27,382	175,924

Contribution:							
Intersegment	3,500	1,650	7,130	(11,235)	1,045	(106)	939
External	127,437	55,725	11,192	7,247	201,601	15,864	217,465

Total contribution	130,937	57,375	18,322	(3,988)	202,646	15,758	218,404

Selling, general and administrative expenses	34,218	19,528	9,122	5,698	68,566	52,249	120,815

Earnings (loss) from operations before depreciation, amortization, net interest expense and income taxes	96,719	37,847	9,200	(9,686)	134,080	(36,491)	97,589
Depreciation and amortization	23,301	20,704	3,530	2,879	50,414	6,663	57,077

Operating income (loss)	\$ 73,418	17,143	5,670	(12,565)	83,666	(43,154)	40,512
=====							
Total assets	\$ 294,175	321,722	30,040	27,363	673,300	61,379	734,679
=====							
Capital expenditures	\$ 27,035	16,034	8,085	6,516	57,670	10,311	67,981
=====							
2000							
Revenues:							
Intersegment	\$ 15,750	1,493	6,675	3,173	27,091	123	27,214
External	182,676	67,898	20,205	8,425	279,204	13,401	292,605

Total revenues	198,426	69,391	26,880	11,598	306,295	13,524	319,819

Cost of sales and services:							
Intersegment	13,554	---	1,401	11,692	26,647	123	26,770
External	76,568	17,821	10,768	4,389	109,546	10,166	119,712

Total cost of sales and services	90,122	17,821	12,169	16,081	136,193	10,289	146,482

Contribution:							
Intersegment	2,196	1,493	5,274	(8,519)	444	---	444
External	106,108	50,077	9,437	4,036	169,658	3,235	172,893

Total contribution	108,304	51,570	14,711	(4,483)	170,102	3,235	173,337

</TABLE>

<TABLE>
<CAPTION>

Reportable Segments		
Long-	Local	Total

	Distance Services	Cable Services	Access Services	Internet Services	Reportable Segments	All Other	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Selling, general and administrative expenses	\$ 31,139	17,997	9,343	5,090	63,569	41,349	104,918
Earnings (loss) from operations before depreciation, amortization, net interest expense and income taxes	77,165	33,573	5,368	(9,573)	106,533	(38,114)	68,419
Depreciation and amortization	20,817	18,942	4,375	1,915	46,049	5,923	51,972
Operating income (loss)	\$ 56,348	14,631	993	(11,488)	60,484	(44,037)	16,447
Total assets	\$ 257,913	304,094	24,827	22,768	609,602	69,405	679,007
Capital expenditures	\$ 15,577	11,661	3,430	7,902	38,570	10,326	48,896
1999							
Revenues:							
Intersegment	\$ 5,243	1,942	3,937	207	11,329	---	11,329
External	164,043	61,146	15,543	4,799	245,531	33,648	279,179
Total revenues	169,286	63,088	19,480	5,006	256,860	33,648	290,508
Cost of sales and services:							
Intersegment	3,430	---	1,255	6,094	10,779	---	10,779
External	80,970	15,478	7,892	3,151	107,491	14,976	122,467
Total cost of sales and services	84,400	15,478	9,147	9,245	118,270	14,976	133,246
Contribution:							
Intersegment	1,813	1,942	2,682	(5,887)	550	---	550
External	83,073	45,668	7,651	1,648	138,040	18,672	156,712
Total contribution	84,886	47,610	10,333	(4,239)	138,590	18,672	157,262
Selling, general and administrative expenses	22,872	15,092	9,269	4,448	51,681	46,601	98,282
Earnings (loss) from operations before depreciation, amortization, net interest expense and income taxes	62,014	32,518	1,064	(8,687)	86,909	(27,929)	58,980
Depreciation and amortization	16,270	17,626	3,281	1,128	38,305	4,375	42,680
Operating income (loss)	\$ 45,744	14,892	(2,217)	(9,815)	48,604	(32,304)	16,300
Total assets	\$ 223,941	310,421	28,364	16,176	578,902	64,249	643,151
Capital expenditures	\$ 17,626	7,186	3,207	5,991	34,010	2,563	36,573

</TABLE>

Long-distance services, local access services and Internet services are billed utilizing a unified accounts receivable system and are not reported separately by business segment. All such accounts receivable are included above in the long-distance services segment for all periods presented.

<TABLE>

A reconciliation of reportable segment revenues to consolidated revenues follows (amounts in thousands):

<CAPTION>

Years ended December 31, 1999	2001	2000	
	-----	-----	
<S> Reportable segment revenues	<C> \$ 351,188	<C> 306,295	<C>
256,860			
Plus All Other revenues	43,140	13,524	
33,648			
Less intersegment revenues eliminated in consolidation	37,070	27,214	
11,329			
	-----	-----	
Consolidated revenues	\$ 357,258	292,605	
279,179	=====	=====	

</TABLE>

<TABLE>

A reconciliation of reportable segment earnings from operations before depreciation, amortization, net interest expense, income taxes and cumulative effect of a change in accounting principle to consolidated net income (loss) before income taxes and cumulative effect of a change in accounting principle follows (amounts in thousands):

<CAPTION>

Years ended December 31, 1999	2001	2000	
	-----	-----	
<S> Reportable segment earnings from operations before depreciation, amortization, net interest expense, income taxes and cumulative effect of a change in accounting principle	<C> \$ 134,080	<C> 106,533	<C>
86,909			
Less All Other loss from operations before depreciation, amortization, net interest expense, income taxes and cumulative effect of a change in accounting principle	36,491	38,114	
27,929			
Less intersegment contribution eliminated in consolidation	939	444	
550			
	-----	-----	
Consolidated earnings from operations before depreciation, amortization, net interest expense, income taxes and cumulative effect of a change in accounting principle	96,650	67,975	
58,430			
Less depreciation and amortization expense	57,077	51,972	
42,680			
	-----	-----	
Consolidated operating income	39,573	16,003	
15,750			
Less interest expense, net	30,914	38,143	
30,616			
Plus gain on sale of property and equipment	---	491	-
--			
	-----	-----	
Consolidated net income (loss) before income taxes and cumulative effect of a change in accounting principle	\$ 8,659	(21,649)	
(14,866)	=====	=====	

</TABLE>

<TABLE>

A reconciliation of reportable segment operating income to consolidated net income (loss) before income taxes and cumulative effect of a change in accounting principle follows (amounts in thousands):

<CAPTION>

Years ended December 31, 1999	2001	2000	
	-----	-----	
<S>	<C>	<C>	<C>

48,604	Reportable segment operating income	\$ 83,666	60,484
32,304	Less All Other operating loss	43,154	44,037
550	Less intersegment contribution eliminated in consolidation	939	444

15,750	Consolidated operating income	39,573	16,003
30,616	Less interest expense, net	30,914	38,143
--	Plus gain on sale of property and equipment	---	491

(14,866)	Consolidated net income (loss) before income taxes and cumulative effect of a change in accounting principle	\$ 8,659	(21,649)
=====			

</TABLE>

We provide long-distance services to WorldCom (see note 11) and Sprint, major customers. We earned revenues from Sprint, net of discounts, included in the long-distance segment, totaling approximately \$36,899,000 for the year ended December 31, 2001. As a percentage of total revenues, Sprint revenues totaled 10.3% for the year ended December 31, 2001. Sprint was not a major customer for segment disclosure purposes for the years ended December 31, 2000 and 1999.

(10) Financial Instruments

Fair Value of Financial Instruments

<TABLE>

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. The carrying amounts and estimated fair values of our financial instruments at December 31, 2001 and 2000 follows (amounts in thousands):

<CAPTION>

	2001		2000	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<S>	<C>	<C>	<C>	<C>
Short-term assets	\$ 66,747	66,747	53,589	53,589
Notes receivable with related parties	\$ 3,246	3,246	3,235	3,235
Short-term liabilities	\$ 47,172	47,172	41,312	41,312
Long-term debt and capital lease obligations	\$397,096	411,712	381,496	396,976
Fair value hedge asset	\$ 1,261	1,261	---	---
Cash flow hedge liability	\$ 217	217	---	---

</TABLE>

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

Short-term assets: The fair values of cash and cash equivalents, net receivables and current portion of notes receivable with related parties approximate their carrying values due to the short-term nature of these financial instruments.

Notes receivable with related parties: The carrying value of notes receivable with related parties is estimated to approximate fair values. Although there are no quoted market prices available for these

instruments, the fair value estimates were based on the change in interest rates and risk related interest rate spreads since the note origination dates.

Short-term liabilities: The fair values of current maturities of long-term debt and capital lease obligations, accounts payable, accrued interest, and subscriber deposits approximate their carrying value due to the short-term nature of these financial instruments.

Long-term debt and capital lease obligations: The fair value of long-term debt is based primarily on discounting the future cash flows of each instrument at rates currently offered to us for similar debt instruments of comparable maturities by our bankers.

Derivative Instruments and Hedging Activities

Effective January 3, 2001, we entered into an interest rate swap agreement to convert \$50 million of 9.75% fixed rate debt to a variable interest rate equal to the 90 day Libor rate plus 334 basis points. Terms of the interest rate swap mirror the underlying fixed rate debt, except the interest rate swap extends through August 1, 2007 and is cancelable at the option of the counterparty beginning August 1, 2002. We entered into the transaction to take advantage of an anticipated decline in interest rates. Under SFAS No. 133, the interest rate swap is accounted for as a fair value hedge. The differential to be paid or received is recorded as an increase or decrease in Interest Expense in the Consolidated Statements of Operations in the period in which it is recognized. During the year ended December 31, 2001 we recognized approximately \$1.1 million as a decrease to interest expense. As of December 31, 2001, the amount of change in the fair value of debt approximates the change in the fair value of the interest rate swap.

Effective September 21, 2001, we entered into an interest rate swap agreement to convert \$25 million of variable interest rate debt equal to the 90 day Libor rate plus 334 basis points to 3.98% fixed rate debt plus applicable margins. Terms of the interest rate swap mirror the underlying variable rate debt, except the interest rate swap terminates on September 21, 2004. We entered into the transaction to help insulate us from future increases in interest rates. Under SFAS No. 133, the interest rate swap is accounted for as a cash flow hedge. The initial fair value of the interest rate swap was recorded in other comprehensive income in the consolidated statements of stockholders' equity. The change in the fair value of the interest rate swap net of income taxes will be recorded as an increase or decrease in other comprehensive income in the Consolidated Statements of Stockholders' Equity in the period in which it is recognized. The interest rate swap fair value of \$13,000 (\$8,000 after deducting income taxes) was recorded in other comprehensive income in the Consolidated Statements of Stockholders' Equity during the year ended December 31, 2001. The accrual of interest income or expense is recognized in Interest Expense in the Consolidated Statements of Operations. During the year ended December 31, 2001 we recognized approximately \$112,000 in incremental interest expense resulting from this transaction.

(11) Related Party Transactions

We earned revenues from WorldCom, a major shareholder of GCI (see note 7), net of discounts, of approximately \$58,225,000, \$53,065,000 and \$43,676,000 for the years ended December 31, 2001, 2000 and 1999, respectively. As a percentage of total revenues, WorldCom revenues totaled 16.3%, 18.1% and 15.6% for the years ended December 31, 2001, 2000 and 1999, respectively. Amounts receivable, net of accounts payable, from WorldCom totaled \$15,379,000 and \$10,453,000 at December 31, 2001 and 2000, respectively. We paid WorldCom for distribution of our traffic in the Lower 49 states amounts totaling approximately \$7,289,000, \$9,124,000 and \$10,623,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

We entered into a long-term capital lease agreement in 1991 with the wife of our president for property occupied by us. We guarantee the lease. The lease term is 15 years with monthly payments increasing in \$800 increments at each two-year anniversary of the lease. Monthly lease costs will increase to \$19,200

effective October 2003. Since the property was not sold prior to the tenth year of the lease, the owner is required to pay us the greater of one-half of the appreciated value of the property over \$900,000, or \$500,000. Accordingly, we have recognized a \$500,000 account receivable in Employee and Other Receivables and a corresponding increase in Obligations Under Capital Lease Due to Related Party at December 31, 2001. The account receivable was paid in the first quarter of 2002. The leased asset was capitalized in 1991 at the owner's cost of \$900,000 and the related obligation was recorded in the accompanying financial statements.

GCI Cable, Inc. ("GCI Cable") was a party to a Management Agreement with PMLP that began in 1996. We mutually agreed to terminate the agreement in 2000. In connection with the agreement, GCI Cable received services valued at approximately \$239,000 and \$334,000 including reimbursable expenses for the years ended December 31, 2000 and 1999, respectively.

During the six-month period ended June 30, 2001 and the year ended December 31, 2000 we provided management services to Kanas. Effective June 30, 2001 we completed the acquisition of WorldCom's 85% controlling interest in Kanas (see note 3). During the six-month period ended June

30, 2001 and the year ended December 31, 2000 we earned revenues of approximately \$618,000 and \$690,000, respectively, for management services and long-distance services provided to Kanas. We paid approximately \$372,000 and \$744,000 to Kanas for the lease and maintenance of fiber optic cable capacity during the six-month period ended June 30, 2001 and the year ended December 31, 2000, respectively. We advanced approximately \$4.9 million and \$3.0 million to Kanas to partially fund its operations during the six-month period ended June 30, 2001 and the year ended December 31, 2000, respectively. Accounts receivable from Kanas were approximately \$3.7 million at December 31, 2000 and were classified as Other Assets in the Consolidated Balance Sheets at December 31, 2000.

In January 2001 we entered into an aircraft operating lease agreement with a company owned by GCI's president. The lease is month-to-month, may be terminated at any time upon one hundred and twenty days written notice, and contains a monthly lease rate of \$40,000. Upon signing the lease, the lessor was granted an option to purchase 250,000 shares of GCI Class A common stock at \$6.50 per share. At December 31, 2001 204,333 shares under the option agreement are exercisable, the remaining 45,667 shares become exercisable at a rate of approximately 11,000 per month through April 2002. We paid a deposit of \$1.5 million in connection with the lease. The deposit will be repaid to us upon the earlier of (1) thirty-six months from the initial date of the lease, (2) six months after the agreement terminates, or (3) nine months after the date of a termination notice.

(12) Commitments and Contingencies

Leases

Operating Leases as Lessee. We lease business offices, have entered into site lease agreements and use satellite transponder capacity and certain equipment pursuant to operating lease arrangements. Rental costs under such arrangements amounted to approximately \$9,292,000, \$8,152,000 and \$13,678,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

Satellite Transponder Capacity Capital Lease. We lease satellite transponder capacity through a capital lease arrangement with a leasing company. The capital lease was entered into in March 2000. The effective term of the lease is nine years from the closing date. The capital lease includes certain covenants requiring maintenance of specific levels of operating cash flow to indebtedness and limitations on additional indebtedness. We were in compliance with all covenants during the year ending December 31, 2001.

We began operating the satellite transponders on April 1, 2000. The satellite transponders are recorded at a cost of \$48.2 million and are being depreciated over nine years with a remaining residual value of \$14.3 million at December 31, 2001. At December 31, 2001 and 2000 \$45.9 million and \$47.6 million, respectively, was financed under this capital lease.

<TABLE>

A summary of future minimum lease payments for all leases follows (amounts in thousands):

<CAPTION>

Years ending December 31:	Operating	Capital
<S>	<C>	<C>
2002	\$ 8,692	6,771
2003	7,393	6,673
2004	5,518	8,632
2005	4,994	10,426
2006	3,378	9,868
2007 and thereafter	10,369	34,250
	-----	-----
Total minimum lease payments	\$ 40,344	76,620
	=====	
Less amount representing interest		(29,338)
Less current maturities of obligations under capital leases		(1,646)

Subtotal - long-term obligations under capital leases		45,636
Less long-term obligations under capital leases due to related party, excluding current maturities		(620)

Long-term obligations under capital leases, excluding related party, excluding current maturities		\$ 45,016
		=====

</TABLE>

The leases generally provide that we pay the taxes, insurance and maintenance expenses related to the leased assets. We expect that in the normal course of business leases that expire will be renewed or replaced by leases on other properties.

Operating Leases as Lessor. In 1999 we signed agreements with a large commercial customer for the lease of DS3 circuits on Alaska United facilities within Alaska, and between Alaska and the Lower 48 states. The lease agreements were for three years with renewal options. One lease was canceled in January 2002, approximately two months before its expiration. We do not expect that the remaining two leases will be renewed.

In 2000 we signed additional agreements with WorldCom (see note 11) for the lease of DS3 circuits within Alaska, and between Alaska and the Lower 48 states. The lease agreements are for five years with no renewal options.

A summary of minimum future operating lease rentals follows (amounts in thousands):

Years ending December 31,	
2002	\$ 4,513
2003	3,984
2004	3,984
2005	3,984

Total minimum lease rentals	\$ 16,465
	=====

Telecommunication Services Agreement

We lease a portion of our 800-mile fiber optic system capacity that extends from Prudhoe Bay to Valdez via Fairbanks, and provide management and maintenance services for this capacity to a customer. The telecommunications service agreement is for fifteen years and may be extended for up to two successive three-year periods and, upon expiration of the extensions, one additional year.

A summary of minimum future service revenues, assuming the agreement is not terminated pursuant to contract provisions, follows (amounts in thousands):

Years ending December 31,	
2002	\$ 7,620
2003	7,620
2004	7,620
2005	7,620
2006	7,620
2007 and thereafter	72,087

Total minimum future service revenues	\$ 110,187
	=====

In December 2001 we signed an additional agreement with our customer in which we agreed to, amongst other things, upgrade the 800-mile fiber optic system, install multiple earth stations, and potentially provide other services.

Deferred Compensation Plan

During 1995, we adopted a non-qualified, unfunded deferred compensation plan to provide a means by which certain employees may elect to defer receipt of designated percentages or amounts of their compensation and to provide a means for certain other deferrals of compensation. We may contribute matching deferrals at a rate selected by us. Participants immediately vest in all elective deferrals and all income and gain attributable thereto. Matching contributions and all income and gain attributable thereto vest over a six-year period. Participants may elect to be paid in either a single lump sum payment or annual installments over a period not to exceed 10 years. Vested balances are payable upon termination of employment, unforeseen emergencies, death and total disability. Participants are general creditors of us with respect to deferred compensation plan benefits. Compensation deferred pursuant to the plan totaled approximately \$39,000, \$0 and \$60,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

Self-Insurance

We are self-insured for losses and liabilities related primarily to health and welfare claims up to predetermined amounts above which third

party insurance applies. A reserve of \$1.5 million and \$660,000 was recorded at December 31, 2001 and 2000, respectively, to cover estimated reported losses, estimated unreported losses based on past experience modified for current trends, and estimated expenses for investigating and settling claims. Actual losses will vary from the recorded reserve. While we use what we believe is pertinent information and factors in determining the amount of reserves, future additions to the reserves may be necessary due to changes in the information and factors used.

We are self-insured for damage or loss to certain of our transmission facilities, including our buried, under sea, and above-ground transmission lines. If we become subject to substantial uninsured liabilities due to damage or loss to such facilities, our financial position, results of operations or liquidity may be adversely affected.

Litigation and Disputes

We are involved in various lawsuits, billing disputes, legal proceedings and regulatory matters that have arisen in the normal course of business. While the ultimate results of these items cannot be predicted with certainty, we do not expect at this time the resolution of them to have a material adverse effect on our financial position, results of operations or liquidity.

Cable Service Rate Reregulation

Federal law permits regulation of basic cable programming services rates. However, Alaska law provides that cable television service is exempt from regulation by the RCA unless 25% of a system's subscribers request such regulation by filing a petition with the RCA. At December 31, 2001, only the Juneau system is subject to RCA regulation of its basic service rates. No petition requesting regulation has been filed for any other system. (The Juneau system serves 7.4% of our total basic service subscribers at December 31, 2001.) On July 27, 2000 the RCA approved in full a requested rate increase for the Juneau system, which was effective October 1, 2000.

Internal Revenue Service Examination

Our U.S. income tax return for 1999 was selected for examination by the Internal Revenue Service during 2001. The examination commenced during the third quarter of 2001. We believe this examination will not have a material adverse effect on our financial position, results of operations or our liquidity.

ILEC Over-earnings Refund

The FCC ruled in February 2001 that ACS's earnings for the 1997 to 1998 reporting period exceeded their authorized rate of return and ordered a refund to us of approximately \$2.7 million, plus interest. Rate of return carriers such as ACS are required by the FCC to refund earnings from interstate access charges assessed to long-distance carriers when their earnings exceed their authorized rate of return. ACS has appealed the FCC ruling which is expected to be decided by the U.S. Court of Appeals for the District of Columbia circuit in June 2002. We are unable to determine the final amount to be refunded and when it may be refunded. The refundable amount has been accounted for as a gain contingency, and, accordingly, has not been recorded. The refundable amount, if any, will be recorded upon receipt when realization is a certainty.

Bid to Purchase Fiber Optic Cable System Assets

The assets of WCIC, a competing fiber optic cable system connecting Alaska to the Lower 48 states, have been offered for sale following its bankruptcy filing and reorganization. We have submitted several bids to purchase system assets and capacity, none of which have been accepted. We have amended our credit agreements as described further in note 5 to allow us to obtain sufficient financing in the event we are the successful bidder. We expect the seller to complete the sales transaction in the second or third quarter of 2002.

(13) Supplementary Financial Data

<TABLE>

The following is a summary of unaudited quarterly results of operations for the years ended December 31, 2001 and 2000 (amounts in thousands, except per share amounts):

<CAPTION>

First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
------------------	-------------------	------------------	-------------------	---------------

	<S>	<C>	<C>	<C>	<C>	<C>
2001						
Total revenues (1)		\$ 96,917	85,535	88,019	86,787	357,258
Net income (1)		\$ 2,423	166	1,527	473	
4,589						
Basic net income (loss) per common share	\$	0.04	(0.01)	0.02	0.00	0.05
Diluted net income (loss) per common share (2)	\$	0.03	(0.01)	0.02	0.00	0.05
2000						
Total revenues	\$	68,277	71,426	75,906	76,996	292,605
Net loss	\$	(5,498)	(3,526)	(2,352)	(1,858)	
(13,234)						
Basic and diluted net loss per common share	\$	(0.12)	(0.08)	(0.05)	(0.04)	
(0.29)						

<FN>

-
- (1) The first quarter of 2001 includes \$19.5 million of revenue and \$8.7 of operating income from the sale of long-haul capacity in the Alaska United undersea fiber optic cable system.
- (2) Due to rounding, the sum of quarterly net income (loss) per common share amounts does not agree to total year net income per common share.
-

</FN>
</TABLE>

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Part IV

<TABLE>
Item 14. Exhibits, Consolidated Financial Statement Schedules, and Reports on Form 8-K
<CAPTION>

(a) (1) Consolidated Financial Statements Page No.

--

<S>	<C>
Included in Part II of this Report:	
Independent Auditors' Report.....	84
Consolidated Balance Sheets, December 31, 2001 and 2000.....	85 -- 86
Consolidated Statements of Operations, Years ended December 31, 2001, 2000 and 1999.....	87
Consolidated Statements of Stockholders' Equity, Years ended December 31, 2001, 2000 and 1999.....	88
Consolidated Statements of Cash Flows, Years ended December 31, 2001, 2000 and 1999.....	90
Notes to Consolidated Financial Statements.....	91 -- 123

(a) (2) Consolidated Financial Statement Schedules

Included in Part IV of this Report:	
Independent Auditors' Report.....	131
Schedule VIII - Valuation and Qualifying Accounts, Years ended December 31, 2001, 2000 and 1999.....	132

</TABLE>

Other schedules are omitted, as they are not required or are not applicable, or the required information is shown in the applicable financial statements or notes thereto.

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(b) Exhibits

<TABLE>

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):

<CAPTION>

Exhibit No.	Description
3.1	Restated Articles of Incorporation of the Company dated December 18, 2000 (30)
3.2	Amended and Restated Bylaws of the Company dated January 28, 2000 (28)
4.1	1997 Amendment No. 1 to Voting Agreement dated October 31, 1996, among Prime II Management L.P., as agent for the Voting Prime Sellers, MCI Telecommunications Corporation, Ronald A. Duncan, Robert M. Walp and TCI GCI, Inc. (23)
10.1	Employee stock option agreements issued to individuals Spradling, Strid, Behnke, and

	Lewkowski (3)
10.3	Westin Building Lease (5)
10.4	Duncan and Hughes Deferred Bonus Agreements (6)
10.5	Compensation Agreement between General Communication, Inc. and William C. Behnke dated January 1, 1997 (19)
10.6	Order approving Application for a Certificate of Public Convenience and Necessity to operate as a Telecommunications (Intrastate Interexchange Carrier) Public Utility within Alaska (3)
10.7	1986 Stock Option Plan, as amended (21)
10.8	Loan agreement between National Bank of Alaska and GCI Leasing Co., Inc. dated December 31, 1992 (4)
10.13	MCI Carrier Agreement between MCI Telecommunications Corporation and General Communication, Inc. dated January 1, 1993 (8)
10.14	Contract for Alaska Access Services Agreement between MCI Telecommunications Corporation and General Communication, Inc. dated January 1, 1993 (8)
10.15	Promissory Note Agreement between General Communication, Inc. and Ronald A. Duncan, dated August 13, 1993 (9)
10.16	Deferred Compensation Agreement between General Communication, Inc. and Ronald A. Duncan, dated August 13, 1993 (9)
10.17	Pledge Agreement between General Communication, Inc. and Ronald A. Duncan, dated August 13, 1993 (9)
10.19	Summary Plan Description pertaining to the Revised Qualified Employee Stock Purchase Plan of General Communication, Inc. (10)
10.20	The GCI Special Non-Qualified Deferred Compensation Plan (11)
10.21	Transponder Purchase Agreement for Galaxy X between Hughes Communications Galaxy, Inc. and GCI Communication Corp. (11)
10.23	Management Agreement, between Prime II Management, L.P., and GCI Cable, Inc., dated October 31, 1996 (12)
10.25	Licenses: (5)
10.25.1	214 Authorization
10.25.2	International Resale Authorization
10.25.3	Digital Electronic Message Service Authorization
10.25.4	Fairbanks Earth Station License
10.25.5	Fairbanks (Esro) Construction Permit for P-T-P Microwave Service
10.25.6	Fairbanks (Polaris) Construction Permit for P-T-P Microwave Service
10.25.7	Anchorage Earth Station Construction Permit
10.25.8	License for Eagle River P-T-P Microwave Service
10.25.9	License for Juneau Earth Station
10.25.10	Issaquah Earth Station Construction Permit
10.26	ATU Interconnection Agreement between GCI Communication Corp. and Municipality of Anchorage, executed January 15, 1997 (18)
10.29	Asset Purchase Agreement, dated April 15, 1996, among General Communication,

</TABLE>

<TABLE>
<CAPTION>

Exhibit No.	Description

<S>	<C>
	Inc., ACNFI, ACNJI and ACNCSI (12)
10.30	Asset Purchase Agreement, dated May 10, 1996, among General Communication, Inc., and Alaska Cablevision, Inc. (12)
10.31	Asset Purchase Agreement, dated May 10, 1996, among General Communication, Inc., and McCaw/Rock Homer Cable System, J.V. (12)
10.32	Asset Purchase Agreement, dated May 10, 1996, between General Communication, Inc., and McCaw/Rock Seward Cable System, J.V. (12)
10.33	Amendment No. 1 to Securities Purchase and Sale Agreement, dated October 31, 1996, among General Communication, Inc., and the Prime Sellers Agent (13)
10.34	First Amendment to Asset Purchase Agreement, dated October 30, 1996, among General Communication, Inc., ACNFI, ACNJI and ACNCSI (13)
10.36	Order Approving Arbitrated Interconnection Agreement as Resolved and Modified by Order U-96-89(8) dated January 14, 1997 (18)
10.37	Amendment to the MCI Carrier Agreement executed April 20, 1994 (18)
10.38	Amendment No. 1 to MCI Carrier Agreement executed July 26, 1994 (16)
10.39	MCI Carrier Addendum--MCI 800 DAL Service effective February 1, 1994 (16)
10.40	Third Amendment to MCI Carrier Agreement dated as of October 1, 1994 (16)
10.41	Fourth Amendment to MCI Carrier Agreement dated as of September 25, 1995 (16)
10.42	Fifth Amendment to the MCI Carrier Agreement executed April 19, 1996 (18)
10.43	Sixth Amendment to MCI Carrier Agreement dated as of March 1, 1996 (16)
10.44	Seventh Amendment to MCI Carrier Agreement dated November 27, 1996 (20)
10.45	First Amendment to Contract for Alaska Access Services between General Communication, Inc. and MCI Telecommunications Corporation dated April 1, 1996 (20)
10.46	Service Mark License Agreement between MCI Communications Corporation and General Communication, Inc. dated April 13, 1994 (19)
10.47	Radio Station Authorization (Personal Communications Service License), Issue Date June 23, 1995 (19)
10.48	Framework Agreement between National Bank of Alaska (NBA) and General Communication, Inc. dated October 31, 1995 (17)
10.49	1997 Call-Off Contract between National Bank of Alaska (NBA) and General Communication, Inc. (GCI) dated November 1, 1996 (20)
10.50	Contract No. 92MR067A Telecommunications Services between BP Exploration (Alaska), Inc. and GCI Network Systems dated April 1, 1992 (20)
10.51	Amendment No. 03 to BP Exploration (Alaska) Inc. Contract No. 92MR067A effective August 1,

	1996 (20)
10.52	Lease Agreement dated September 30, 1991 between RDB Company and General Communication, Inc. (3)
10.53	Certificate of Public Convenience and Necessity No. 436 for Telecommunications Service (Relay Services) (19)
10.54	Order Approving Transfer Upon Closing, Subject to Conditions, and Requiring Filings dated September 23, 1996 (19)
10.55	Order Granting Extension of Time and Clarifying Order dated October 21, 1996 (19)
10.56	Contract for Alaska Access Services among General Communication, Inc. and GCI Communication Corp., and Sprint Communications Company L.P. dated June 1, 1993 (20)
10.57	First Amendment to Contract for Alaska Access Services between General Communication, Inc. and Sprint Communications Company L.P. dated as of August 7, 1996 (20)
10.58	Employment and Deferred Compensation Agreement between General Communication, Inc. and John M. Lowber dated July 1992 (19)
10.59	Deferred Compensation Agreement between GCI Communication Corp. and Dana L. Tindall dated August 15, 1994 (19)

</TABLE>

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<TABLE>
<CAPTION>

Exhibit No.	Description
<S>	<C>
10.60	Transponder Lease Agreement between General Communication Incorporated and Hughes Communications Satellite Services, Inc., executed August 8, 1989 (9)
10.61	Addendum to Galaxy X Transponder Purchase Agreement between GCI Communication Corp. and Hughes Communications Galaxy, Inc. dated August 24, 1995 (19)
10.62	Order Approving Application, Subject to Conditions; Requiring Filing; and Approving Proposed Tariff on an Inception Basis, dated February 4, 1997 (19)
10.63	Resale Solutions Switched Services Agreement between Sprint Communications Company L.P. and GCI Communications, Inc. dated May 31, 1996 (20)
10.64	Commitment Letter from Credit Lyonnais New York Branch, NationsBank of Texas, N.A. and TD Securities (USA) Inc. for Fiber Facility dated as of July 3, 1997 (19)
10.65	Commitment Letter from NationsBank for Credit Facility dated July 2, 1997 (19)
10.66	Supply Contract Between Submarine Systems International Ltd. And GCI Communication Corp. dated as of July 11, 1997. (23)
10.67	Supply Contract Between Tyco Submarine Systems Ltd. And Alaska United Fiber System Partnership Contract Variation No. 1 dated as of December 1, 1997. (23)
10.68	\$200,000,000 Amended and Restated Credit Agreement between GCI Holdings, Inc. and NationsBank of Texas, N.A., as administrative agent, Credit Lyonnais New York Branch, as documentation agent, and TD Securities (USA), Inc. as syndication agent, dated as of November 14, 1997. (23)
10.69	\$50,000,000 Amended and Restated Credit Agreement between GCI Holdings, Inc. and NationsBank of Texas, N.A., as administrative agent, Credit Lyonnais New York Branch, as documentation agent, and TD Securities (USA), Inc. as syndication agent, dated as of November 14, 1997. (23)
10.70	Credit and Security Agreement Dated as of January 27, 1998 among Alaska United Fiber System Partnership as Borrower and The Lenders Referred to Herein and Credit Lyonnais New York Branch as Administrative Agent and NationsBank of Texas, N.A. as Syndication Agent and TD Securities (USA), Inc. as Documentation Agent. (24)
10.71	Third Amendment to Contract for Alaska Access Services between General Communication, Inc. and MCI Telecommunications Corporation dated February 27, 1998 (25)
10.72	Consent and First Amendment to Credit Agreements dated November 14, 1997 (26)
10.73	Second Amendment to \$200,000,000 Amended and Restated Credit Agreement (26)
10.74	Second Amendment to \$50,000,000 Amended and Restated Credit Agreement (26)
10.75	Third Amendment to \$200,000,000 Amended and Restated Credit Agreement (26)
10.76	Third Amendment to \$50,000,000 Amended and Restated Credit Agreement (26)
10.77	General Communication, Inc. Preferred Stock Purchase Agreement (26)
10.78	Qualified Employee Stock Purchase Plan of General Communication, Inc., as amended and restated January 01, 2000 (28)
10.79	Statement of Stock Designation (Series B) (26)
10.80	Fourth Amendment to Contract for Alaska Access Services between General Communication, Inc. and its wholly owned subsidiary GCI Communication Corp., and MCI WorldCom. (27)
10.81	Fifth Amendment to Contract for Alaska Access Services between General Communication, Inc. and its wholly owned subsidiary GCI Communication Corp., and Sprint Communications Company L.P. (27)
10.82	Lease Intended for Security between GCI Satellite Co., Inc. and General Electric Capital Corporation (29)

</TABLE>

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<TABLE>
<CAPTION>

Exhibit No.	Description
<S>	<C>
10.83	Fourth Amendment to \$50,000,000 Amended and Restated Credit Agreements (30)
10.84	Fourth Amendment to \$200,000,000 Amended and Restated Credit Agreement (30)
10.85	Fifth Amendment to \$50,000,000 Amended and Restated Credit Agreements (30)

10.86	Fifth Amendment to \$200,000,000 Amended and Restated Credit Agreement (30)
10.87	Sixth Amendment to \$50,000,000 Amended and Restated Credit Agreements (30)
10.88	Sixth Amendment to \$200,000,000 Amended and Restated Credit Agreements (30)
10.89	Fifth Amendment to Contract for Alaska Access Services between General Communication, Inc. and its wholly owned subsidiary GCI Communication Corp., and MCI WorldCom Network Services, Inc., formerly known as MCI Telecommunications Corporation dated August 7, 2000 ** (31)
10.90	Sixth Amendment to Contract for Alaska Access Services between General Communication, Inc. and its wholly owned subsidiary GCI Communication Corp., and MCI WorldCom Network Services, Inc., formerly known as MCI Telecommunications Corporation dated February 14, 2001 ** (31)
10.91	Seventh Amendment to Contract for Alaska Access Services between General Communication, Inc. and its wholly owned subsidiary GCI Communication Corp., and MCI WorldCom Network Services, Inc., formerly known as MCI Telecommunications Corporation dated March 8, 2001 ** (31)
10.92	Sixth Amendment to Contract for Alaska Access Services between General Communication, Inc. and its wholly owned subsidiary GCI Communication Corp., and Sprint Communications Company L.P. dated March 9, 2001 ** (31)
10.93	Seventh Amendment to \$50,000,000 Amended and Restated Credit Agreements (33)
10.94	Seventh Amendment to \$200,000,000 Amended and Restated Credit Agreements (33)
10.95	Eighth Amendment to \$50,000,000 Amended and Restated Credit Agreements *
10.96	Eighth Amendment to \$200,000,000 Amended and Restated Credit Agreements *
10.97	Ninth Amendment to \$50,000,000 Amended and Restated Credit Agreements *
10.98	Ninth Amendment to \$200,000,000 Amended and Restated Credit Agreements *
10.99	Statement of Stock Designation (Series C) *
21.1	Subsidiaries of the Registrant *
23.1	Consent of KPMG LLP (Accountant for Company) *
99	Additional Exhibits:
99.1	The Articles of Incorporation of GCI Communication Corp. (2)
99.2	The Bylaws of GCI Communication Corp. (2)
99.7	The Bylaws of GCI Cable, Inc. (14)
99.8	The Articles of Incorporation of GCI Cable, Inc. (14)
99.15	The Bylaws of GCI Holdings, Inc. (19)
99.16	The Articles of Incorporation of GCI Holdings, Inc. (19)
99.17	The Articles of Incorporation of GCI, Inc. (18)
99.18	The Bylaws of GCI, Inc. (18)
99.19	The Bylaws of GCI Transport, Inc. (23)
99.20	The Articles of Incorporation of GCI Transport, Inc. (23)
99.21	The Bylaws of Fiber Hold Co., Inc. (23)
99.22	The Articles of Incorporation of Fiber Hold Co., Inc. (23)
99.23	The Bylaws of GCI Fiber Co., Inc. (23)
99.24	The Articles of Incorporation of GCI Fiber Co., Inc. (23)
99.25	The Bylaws of GCI Satellite Co., Inc. (23)
99.26	The Articles of Incorporation of GCI Satellite Co., Inc. (23)
99.27	The Partnership Agreement of Alaska United Fiber System (23)
99.28	The Bylaws of Potter View Development Co., Inc. (32)
99.29	The Articles of Incorporation of Potter View Development Co., Inc. (32)
99.30	The Bylaws of GCI American Cablesystems, Inc. *
99.31	The Articles of Incorporation of GCI American Cablesystems, Inc. *

</TABLE>

<TABLE>
<CAPTION>

Exhibit No.	Description

<S>	<C>
99.32	The Bylaws of GCI Cablesystems of Alaska, Inc. *
99.33	The Articles of Incorporation of GCI Cablesystems of Alaska, Inc. *
99.34	The Bylaws of GCI Fiber Communication Co., Inc. *
99.35	The Articles of Incorporation of GCI Fiber Communication Co., Inc. *

</TABLE>

** Certain information has been redacted from this document which we desire to keep undisclosed.
* Filed herewith.

<TABLE>
<CAPTION>

Exhibit Reference	Description

<S>	<C>
2	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 1990
3	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 1991
4	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 1992
5	Incorporated by reference to The Company's Registration Statement on Form 10 (File No.

0-15279), mailed to the Securities and Exchange Commission on December 30, 1986

6 Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 1989.

8 Incorporated by reference to The Company's Current Report on Form 8-K dated June 4, 1993.

9 Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 1993.

10 Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 1994.

11 Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 1995.

12 Incorporated by reference to The Company's Form S-4 Registration Statement dated October 4, 1996.

13 Incorporated by reference to The Company's Current Report on Form 8-K dated November 13, 1996.

14 Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 1996.

16 Incorporated by reference to The Company's Current Report on Form 8-K dated March 14, 1996, filed March 28, 1996.

17 Incorporated by reference to The Company's Amendment to Annual Report dated December 31, 1995 on Form 10-K/A as amended on August 6, 1996.

18 Incorporated by reference to The Company's Form S-3 Registration Statement (File No. 333-28001) dated May 29, 1997.

19 Incorporated by reference to The Company's Amendment No. 1 to Form S-3/A Registration Statement (File No. 333-28001) dated July 8, 1997.

20 Incorporated by reference to The Company's Amendment No. 2 to Form S-3/A Registration Statement (File No. 333-28001) dated July 21, 1997.

21 Incorporated by reference to The Company's Amendment No. 3 to Form S-3/A Registration Statement (File No. 333-28001) dated July 22, 1997.

23 Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 1997.

24 Incorporated by reference to The Company's Quarterly Report on Form 10-Q for

</TABLE>

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<TABLE>
<CAPTION>

Exhibit Reference	Description
<S>	<C>
	the period ended June 30, 1998.
25	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 1998.
26	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended March 31, 1999.
27	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended June 30, 1999.
28	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 1999.
29	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended June 30, 2000.
30	Incorporated by reference to The Company's Annual Report on Form 10-K for the year ended December 31, 2000.
31	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended March 31, 2001
32	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended June 30, 2001
33	Incorporated by reference to The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2001

</TABLE>

(c) Reports on Form 8-K

None.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
General Communication, Inc.:

Under date of March 8, 2002, we reported on the consolidated balance sheets of General Communication, Inc. and subsidiaries ("Company") as of December 31, 2001 and 2000 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2001, which are included in the Company's 2001 Annual Report on Form 10-K. In connection with our audit of the aforementioned consolidated

financial statements, we also audited the related consolidated financial statement schedule which is listed in the index in Item 14(a)(2) of the Company's 2001 Annual Report on Form 10-K. This consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this consolidated financial statement schedule based on our audits.

In our opinion this consolidated financial statement schedule, when considered in relation to the consolidated financial statements taken as a whole, presents fairly, in all material respects the information set forth therein.

/s/
KPMG LLP

Anchorage, Alaska
March 8, 2002

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Schedule VIII

<TABLE>

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

Valuation and Qualifying Accounts

Years ended December 31, 2001, 2000 and 1999

<CAPTION>

Balance end of Description year	Balance at beginning of year	Additions		Deductions	at
		Charged to profit and loss	Other	Write-offs net of recoveries	
(Amounts in thousands)					
<S>	<C>	<C>	<C>	<C>	
<C>					
Allowance for doubtful receivables, year ended:					
December 31, 2001 4,166	\$ 2,864	4,076	---	2,774	
December 31, 2000 2,864	\$ 2,833	5,546	---	5,515	
December 31, 1999 2,833	\$ 887	4,224	---	2,278	

</TABLE>

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GENERAL COMMUNICATION, INC.

By: /s/ Ronald A. Duncan
Ronald A. Duncan, President
(Chief Executive Officer)

Date: March 27, 2002

<TABLE>

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

<CAPTION>

Signatures -----	Title -----	Date -----
<S> /s/ Carter F. Page ----- Carter F. Page	<C> Chairman of the Board and Director	<C> March 27, 2002 -----
/s/ Ronald A. Duncan ----- Ronald A. Duncan	President, Chief Executive Officer and Director (Principal Executive Officer)	March 27, 2002 -----
/s/ Robert M. Walp ----- Robert M. Walp	Vice Chairman of Board and Director	March 27, 2002 -----
----- Ronald R. Beaumont	Director	-----
/s/ Stephen M. Brett ----- Stephen M. Brett	Director	March 27, 2002 -----
/s/ Donne F. Fisher ----- Donne F. Fisher	Director	March 27, 2002 -----
/s/ William P. Glasgow ----- William P. Glasgow	Director	March 27, 2002 -----
/s/ Paul S. Lattanzio ----- Paul S. Lattanzio	Director	March 27, 2002 -----
/s/ Stephen R. Mooney ----- Stephen R. Mooney	Director	March 27, 2002 -----
----- James M. Schneider	Director	-----
/s/ John M. Lowber ----- John M. Lowber	Senior Vice President, Chief Financial Officer, Secretary and Treasurer (Principal Financial Officer)	March 27, 2002 -----
/s/ Alfred J. Walker ----- Alfred J. Walker	Vice President, Chief Accounting Officer (Principal Accounting Officer)	March 27, 2002 -----

</TABLE>

EIGHTH AMENDMENT

TO

\$50,000,000 AMENDED AND RESTATED CREDIT AGREEMENT

EIGHTH AMENDMENT TO \$50,000,000 AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment") is dated as of the 31st day of October, 2001 and entered into among GCI HOLDINGS, INC., an Alaskan corporation (herein, together with its successors and assigns, called the "Borrower"), the Lenders (as defined in the Credit Agreement as defined below), BANK OF AMERICA, N.A., as Administrative Agent for itself and the Lenders (the "Administrative Agent"), CREDIT LYONNAIS NEW YORK BRANCH, as Documentation Agent and TD SECURITIES (USA), INC. as Syndication Agent.

WITNESSETH:

WHEREAS, the Borrower, the Lenders and the Administrative Agent entered into a \$50,000,000 Amended and Restated Credit Agreement, dated November 14, 1997, as amended by that certain Consent and First Amendment, dated January 27, 1998, by that certain Second Amendment to Amended and Restated Credit Agreement dated as of July 3, 1998, by that certain Third Amendment to Amended and Restated Credit Agreement dated as of April 13, 1999, by that certain Fourth Amendment to Amended and Restated Credit Agreement dated as of January 18, 2000, by that certain Fifth Amendment to Amended and Restated Credit Agreement dated as of October 25, 2000, by that certain Sixth Amendment to Amended and Restated Credit Agreement dated as of March 23, 2001 and by that certain Seventh Amendment to Amended and Restated Credit Agreement dated as of April 27, 2001 (as amended and as further amended, restated or otherwise modified from time to time, the "Credit Agreement") and a \$200,000,000 Amended and Restated Credit Agreement, dated as of November 14, 1997 (as amended by that certain Consent and First Amendment, dated January 27, 1998, by that certain Second Amendment to Amended and Restated Credit Agreement dated as of July 3, 1998, by that certain Third Amendment to Amended and Restated Credit Agreement dated as of April 13, 1999, by that certain Fourth Amendment to Amended and Restated Credit Agreement dated as of January 18, 2000, by that certain Fifth Amendment to Amended and Restated Credit Agreement dated as of October 25, 2000, by that certain Sixth Amendment to Amended and Restated Credit Agreement dated as of March 23, 2001, by that certain Seventh Amendment to Amended and Restated Credit Agreement dated as of April 27, 2001, and as further amended, restated or otherwise modified from time to time, the "\$200MM Credit Facility");

WHEREAS, the Borrower has requested certain provisions of the Credit Agreement be amended;

WHEREAS, the Lenders, the Administrative Agent and the Borrower have agreed to modify the Credit Agreement upon the terms and conditions set forth below;

NOW, THEREFORE, for valuable consideration hereby acknowledged, the Borrower, the Lenders and the Administrative Agent agree as follows:

SECTION 1. Definitions, Generally.

(a) Unless specifically defined or redefined below, capitalized terms used herein shall have the meanings ascribed thereto in the Credit Agreement.

(b) The definition of "Rogers" shall be added to Article I in alphabetical order and shall read in its entirety as follows:

"Rogers" means Rogers American Cablesystems, Inc., a Delaware Corporation.

(c) The definition of "Kansas Notes Default" shall be added to Article I in alphabetical order and shall read in its entirety as follows:

"Kansas Notes Default" means the failure of GCI Fiber Communication Co., Inc. (f/k/a/ Kanas) to pay the Kanas Notes and the promissory note originally due MCI WorldCom Network Services, Inc., dated May 18, 2001, in the principal amount of \$3,000,000, which notes have been assigned to the Borrower, which in turn assigned the notes to the Lenders as collateral for the Obligations.

SECTION 2. Amendment to Section 7.01(e). Section 7.01(e) in Article VII of the Credit Agreement shall be amended and restated in its entirety as follows:

(e) Fixed Charges Coverage Ratio. Commencing January 1, 2003, and at all times thereafter during the term hereof, the Fixed Charges Coverage Ratio shall not be less during the following time periods than the ratio set forth opposite such time periods:

Time Period

Minimum Ratio

From January 1, 2003 through

March 31, 2004 1.00 to 1.00

April 1, 2004 and thereafter 1.05 to 1.00

SECTION 3. Amendment to Section 7.01(f). Section 7.01(f) in Article VII of the Credit Agreement shall be amended and restated in its entirety as follows:

(f) Capital Expenditures. Capital Expenditures paid or incurred by the Borrower and the Restricted Subsidiaries shall not exceed, in the aggregate, the following amounts during the following fiscal years, provided that, any unused portion of any such year may be used during the following fiscal year only (but not thereafter):

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Fiscal Year -----	Maximum Amount -----
1998	\$90,000
1999	\$35,000
2000	\$35,000
2001	\$70,000
2002	\$60,000
January 1, 2003 and thereafter	Not Applicable

SECTION 4. Amendment to Section 7.06. Section 7.06 in Article VII of the Credit Agreement shall be amended and restated in its entirety as follows:

7.06. Distributions and Restricted Payments . The Borrower shall not, and shall not permit the Parents or any Restricted Subsidiary to, make any Restricted Payments, other than any Restricted Payment in the form of a Distribution made by any Restricted Subsidiary to any other Restricted Subsidiary or to the Borrower, and except

(a) so long as

(i) there exists no Default or Event of Default both before and after giving effect to any such Restricted Payment,

(ii) the Total Leverage Ratio is less than 5.00 to 1.00 both before and after giving effect to any such Restricted Payment and

(iii) the date of such Restricted Payment is after September 30, 2000, the Borrower and the Parents may make Restricted Payments made

(A) exclusively out of the Capital Stock of GCI and/or

(B) exclusively out of Excess Cash Flow, provided that all such Restricted Payments made under this subsection (B) in the aggregate over the term of this Agreement shall not exceed the difference between \$15,000,000 minus the sum of (I) the aggregate amount of Investments made in accordance with the terms of Section 7.10(e) hereof over the term of this Agreement, and (II) all cash distributions made by the Borrower in accordance with the terms of Section 7.06(e) or Section 7.06(f) hereof and those payments permitted pursuant to Section 5 of the Seventh Amendment to Amended and Restated Credit Agreement dated as of April 27, 2001,

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(b) so long as there exists no Default or Event of Default both before and after giving effect to any such Restricted Payment, the Borrower may make Restricted Payments in the form of

(i) Distributions to GCII in an amount not in excess of cash income Taxes attributable to income from the Borrower and its Restricted Subsidiaries allocated to GCII (and GCII may make Restricted Payments in such amounts in the form of Distributions to GCI), and

(ii) scheduled cash interest payments required to be paid by GCII under the Senior Notes, and GCII may make Restricted Payments in the form of (and not in excess of) scheduled cash interest payments required to be paid by GCII under the Senior Notes,

provided that, the Lenders agree that in no event shall the opening phrase of this subsection (b) prohibit the payment of any such Distribution by the Borrower or payment of interest by GCII on the

Senior Notes for more than 180 consecutive days in any consecutive 360-day period, unless there exists an Event of Default under Section 8.01(a) hereof (whether by acceleration or otherwise),

(c) so long as there exists no Default or Event of Default both before and after giving effect to the payment thereof, the Borrower or any other GCI Entity may make payments of Management Fees and amounts due under the Transponder Purchase Agreement for Galaxy X referred to in Section 7.18 hereof,

(d) so long as there exists no Default or Event of Default both before and after giving effect to any such Restricted Payment, the Borrower or any other GCI Entity may make scheduled Restricted Payments on Funded Debt which was incurred in accordance with the terms of Sections 7.02(b) hereof (but with respect to the Senior Notes, only payments of cash interest accrued thereon made in accordance with Section 7.06(b)(ii) above may be made), 7.02(d), 7.02(f)(i), and 7.02(g) hereof (but in no case shall any prepayments be made on such Funded Debt),

(e) so long as there exists no Default or Event of Default both before and after giving effect to the payment thereof, GCI may make payments and distributions annually in an aggregate amount not to exceed \$600,000 a year, to the holders of its Series C 6% Preferred Stock, provided that such payments and distributions permitted to be paid under this subsection (e) may only be made out of the aggregate cash proceeds actually received by GCI after January 1, 2000 from the exercise of stock options and stock warrants, and .

(f) so long as (i) there exists no Default or Event of Default both before and after giving effect to the payment thereof, (ii) the Total Leverage Ratio is less than 5.00 to 1.00 both before and after giving effect to each such Restricted

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Payment, (iii) each such Distribution made by the Borrower to GCI shall be used by GCI within one Business Day after its receipt to make the Restricted Payment described below, and (iv) each such payment is deducted from the \$15,000,000 basket permitted by Section 7.06(a) above, GCI may make (A) a cash interest payment in an aggregate amount not to exceed \$1,000,000 on April 30, 2002 and (B) a cash interest payment in an aggregate amount not to exceed \$1,000,000 on October 31, 2002, in each case to the holders of its Series B 8 1/2% Preferred Stock, and the Borrower may make a cash Distribution to GCI in such amounts.

SECTION 5. Amendment to Section 7.10. Section 7.10 in Article VII of the Credit Agreement shall be amended and restated in its entirety as follows:

7.10. Loans and Investments. The Borrower shall not, and shall not permit any of the other GCI Entities to, make any loan, advance, extension of credit or capital contribution to, or make or have any Investment in, any Person, or make any commitment to make any such extension of credit or Investment, or make any acquisition, except

(a) Investments on the Closing Date constituting a \$50,000,000 capital contribution to AUSB and other Investments existing on the date hereof and contemplated by the terms of this Agreement, each as shown on Schedule 5.13 hereto,

(b) Investments in Cash Equivalents,

(c) Investments in advances or loans in the ordinary course of business to officers and employees, provided that the aggregate amount of all such Investments made in cash do not exceed in the aggregate \$4,000,000 outstanding at any one time,

(d) Investments in accounts receivable arising in the ordinary course of business,

(e) so long as (i) there exists no Default or Event of Default, both before and after giving effect to the making of such Investments, (ii) the Total Leverage Ratio is less than 5.00 to 1.00 both before and after giving effect to any such Investment and (iii) the date of such Investment is after September 30, 2000, Investments made exclusively out of Excess Cash Flow up to a maximum amount of the difference between \$15,000,000 in the aggregate over the term of this Agreement, minus the aggregate amount of Restricted Payments made in accordance with the terms of Section 7.06(a) hereof over the term of this Agreement,

(f) loans, advances, extensions of credit or capital

contributions to, or among, Restricted Subsidiaries and to GCI Transport

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Co., Inc. and its Subsidiaries in connection with the assignment or other transfer to GCI Transport Co., Inc. or its Subsidiaries of the \$9,100,000 deposit made in connection with the Transponder Purchase Agreement for Galaxy X referred to in Section 7.18 hereof (provided the Borrower provides the Administrative Agent with a Pro Forma Compliance Certificate evidencing no Default or Event of Default both before and after the assignment),

(g) so long as there exists no Default or Event of Default both before and after giving effect to the making of each such Investment, Investments constituting loans and/or advances to AUSB in accordance with the terms of the Keepwell Agreement and the Completion Guaranty as may be evidenced by the Intercompany Notes (collaterally assigned to the Administrative Agent on a first Lien basis), which Investments in an aggregate amount over the term of this Agreement do not exceed \$73,000,000,

(h) investments in Participation Certificates of CoBank to the extent required pursuant to Section 6.16,

(i) so long as

(A) there is no Default or Event of Default both before and after giving effect to such Investment or acquisition,

(B) for any such acquisition or Investment by the Borrower for which payment is made by issuance of Capital Stock of the Borrower for 95% or more of the purchase price, such acquisition or Investment must be in a Person that has four full fiscal quarters historical positive cash flow,

(C) if the Capital Stock or assets to be acquired are in a related business in which the Borrower is not currently in, the Borrower provides the Lenders with pro forma projections for such related business,

(D) all such Investments and acquisitions are in existing markets of the Borrower and its Restricted Subsidiaries, and

(E) all such assets and Properties, including Capital Stock, purchased by the Borrower or any Restricted Subsidiary of the Borrower, shall be subject to first and prior perfected Liens (except for Permitted Liens) in favor of the Administrative Agent and the Lenders securing the Obligations in form and substance substantially identical to the existing collateral documentation,

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Investments in Capital Stock or acquisitions of assets of Persons engaged in the Borrower's existing lines of business or businesses related thereto not in excess of \$5,000,000 in the aggregate for the cash portion for all such Investments or acquisitions, provided that, such \$5,000,000 cash portion amount may be increased to \$20,000,000 in the aggregate, if the Total Leverage Ratio is less than 5.00 to 1.00 both before and after giving effect to any such Investment or acquisition and

(j) so long as

(A) there is no Default or Event of Default both before and after giving effect to such Investment or acquisition,

(B) GCI Cable Inc. acquires not less than 100% of the Capital Stock of Rogers,

(C) all Capital Stock of Rogers owned by GCI Cable Inc. and each of its Subsidiaries is immediately upon acquisition thereof pledged and collaterally assigned to secure the Obligations pursuant to a pledge agreement and/or collateral

assignment in form substantially similar to those pledge agreements executed previously by the GCI Entities, and such Capital Stock is immediately delivered to the Administrative Agent together with stock powers and other items reasonably requested by the Administrative Agent to secure the Obligations,

(D) the aggregate purchase price for such Capital Stock does not exceed \$19,000,000 cash (subject to adjustments not in excess of \$1,000,000 in accordance with the securities purchase agreement to be executed in connection with the acquisition) on terms and conditions acceptable to the Administrative Agent and which such terms do not violate the terms of Section 7.19 hereof or any other provision of this Agreement and the other Loan Papers,

(E) Rogers and each of its Subsidiaries becomes a Restricted Subsidiary hereunder immediately upon the acquisition of such Capital Stock and is in compliance with all terms and provisions of this Agreement and the Loan Papers immediately upon the acquisition by GCI Cable Inc. of the Capital Stock of Rogers,

(F) the Administrative Agent has received all other documentation, information and agreements relating to Rogers and its Subsidiaries, and the purchase of the Capital Stock of Rogers reasonably requested by the Administrative Agent,

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(G) the Administrative Agent has received projections after giving effect to the purchase of the Capital Stock of Rogers demonstrating pro forma compliance with the financial covenants contained in this Agreement throughout the term of this Agreement,

(H) the Capital Stock of Rogers is acquired free and clear of all Liens (except Liens of the Lenders securing the Obligations),

(I) Rogers and its Subsidiaries each executes a Guaranty of the Obligations in form and substance similar to the existing guaranties executed by the other Restricted Subsidiaries, and otherwise complies fully with the terms of Section 2.15 hereof once acquired and

(J) the Borrower shall have delivered to the Administrative Agent and Lenders legal opinions from counsel to the Borrower and its Restricted Subsidiaries regarding the acquisition of the Capital Stock of Rogers, and such other matters as reasonably requested by Special Counsel, including, without limitation, opinions regarding the waivers, consents and amendments in connection with the Indenture and AUSP Credit Agreement, and the related agreements,

GCI Cable Inc. may purchase 100% of the Capital Stock of Rogers.

SECTION 6. Conditions Precedent. This Eighth Amendment shall not be effective until the Administrative Agent shall have determined in its sole discretion that all proceedings of the Borrower taken in connection with this Eighth Amendment and the transactions contemplated hereby shall be satisfactory in form and substance to the Administrative Agent and the Borrower has satisfied the following conditions:

(a) the Borrower shall have delivered to the Administrative Agent a loan certificate of the Borrower certifying (i) as to the accuracy of its representations and warranties set forth in Article V of the Credit Agreement, as amended by this Eighth Amendment and the other Loan Papers, (ii) that there exists no Default or Event of Default, and the execution, delivery and performance of this Eighth Amendment will not cause a Default or Event of Default, except those Defaults and Events of Default specifically waived hereby, (iii) as to resolutions authorizing the Borrower to execute, deliver and perform this Eighth Amendment and all Loan Papers and to execute and perform all transactions contemplated by this Eighth Amendment, and all other documents and instruments delivered or executed in connection with this Eighth Amendment,

(iv) that it has complied with all agreements and conditions to be complied with by it under the Credit Agreement, the other Loan Papers and this Eighth Amendment by the date hereof and (v) that it has received all consents, amendments and waivers from all Persons necessary or required, if any, to (A) enter into this Amendment or (B) effectuate the amendments set forth above, including, without limitation, under the Indenture and related documentation and under the AUSP Credit Agreement and related documentation;

(b) the Administrative Agent shall have received an opinion of counsel to the Parents, the Borrower and its Subsidiaries, in form and substance acceptable to the Administrative Agent and Special Counsel;

(c) the Borrower and the Lenders shall have entered into a Eighth amendment to the \$200MM Credit Facility on terms substantially identical to the terms of this Eighth Amendment;

(d) the Borrower shall have paid the Administrative Agent a 15 basis points amendment fee, such amendment fee to be allocated among the Lenders executing this Eighth Amendment prior to noon (Central Standard time), November 7, 2001, as evidenced by a facsimile receipt by counsel to the Administrative Agent of such Lender's signature to this Eighth Amendment prior to such time;

(e) the Administrative Agent shall have received each of the Loan Papers, financial statements, projections, legal opinions, consents, and other documentation required to be delivered pursuant to Section 7.10 of the Credit Agreement in connection with the acquisition of the Capital Stock of Kanas, including without limitation ; Pledge and Security Agreements executed by the Borrower, and GCI Fiber Communication Co. Inc. (formerly, Kanas), Capital Stock and blank stock powers and UCC-1's with respect thereto, the Kanas Notes and \$3,000,000 Restated Subordinated Demand Note, duly endorsed by the Borrower, together with each of the loan documents and collateral documents securing same, as reasonably requested by the Administrative Agent. No Default Certificates executed by the Borrower and GCI Fiber Communication Co., Inc., Guaranty executed by GCI Fiber Communication Co., Inc., and Subordination Agreement and Consent and Waiver Agreement executed by the Borrower and GCI Fiber Communication Co., Inc.

(f) the Administrative Agent shall have received each of the Loan Papers, financial statements, projections, legal opinions, consents, and other documentation in the possession of the Borrower in connection with the acquisition of the Capital Stock of Rogers; and

(g) the Borrower shall have delivered such other documents, instruments, and certificates, in form and substance satisfactory to the

Administrative Agent, as the Administrative Agent shall deem necessary or appropriate in connection with this Eighth Amendment and the transactions contemplated hereby.

SECTION 7. Representations and Warranties. The Borrower represents and warrants to the Lenders and the Administrative Agent that (a) this Eighth Amendment constitutes its legal, valid, and binding obligation, enforceable in accordance with the terms hereof (subject as to enforcement of remedies to any applicable bankruptcy, reorganization, moratorium, or other laws or principles of equity affecting the enforcement of creditors' rights generally), (b) there exists no Default or Event of Default under the Credit Agreement, (c) its representations and warranties set forth in the Credit Agreement and other Loan Papers are true and correct on the date hereof, (d) it has complied with all agreements and conditions to be complied with by it under the Credit Agreement and the other Loan Papers by the date hereof, and (e) the Credit Agreement, as amended hereby, and the other Loan Papers remain in full force and effect.

SECTION 8. Waiver. GCI has acquired the Kanas Notes and assigned them to the Borrower. The Borrower has informed the Administrative Agent of the existence of the Kanas Notes Default and now seeks a waiver by the Lenders of the Event of Default which exists as a result thereof under Section 8.01(h) of the Credit Agreement (the "Kanas Default"). The Lenders hereby waive the Kanas Default, subject to the satisfaction of the terms and conditions of Section 6 hereof. The Borrower acknowledges that this waiver is a one-time limited and conditional continuing waiver of Section 8.01(h) of the Credit Agreement, and does not constitute a waiver by any Lender of any of its rights or remedies now or at any time in the future.

SECTION 9. Entire Agreement; Ratification. THE CREDIT AGREEMENT AND THE LOAN PAPERS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENT OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES. EXCEPT AS MODIFIED OR SUPPLEMENTED HEREBY, THE CREDIT AGREEMENT, THE OTHER LOAN

PAPERS AND ALL OTHER DOCUMENTS AND AGREEMENTS EXECUTED IN CONNECTION THEREWITH SHALL CONTINUE IN FULL FORCE AND EFFECT.

SECTION 10. Counterparts. This Eighth Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument. In making proof hereof, it shall not be necessary to produce or account for any counterpart other than one signed by the party against which enforcement is sought.

SECTION 11. GOVERNING LAW. THIS Eighth AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF TEXAS, BUT GIVING EFFECT TO FEDERAL LAWS.

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SECTION 12. CONSENT TO JURISDICTION. THE BORROWER HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR TEXAS STATE COURT SITTING IN DALLAS IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN PAPERS AND THE BORROWER IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE ADMINISTRATIVE AGENT OR ANY LENDER TO BRING PROCEEDINGS AGAINST THE BORROWER IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY THE BORROWER AGAINST THE ADMINISTRATIVE AGENT OR ANY LENDER OR ANY AFFILIATE OF THE ADMINISTRATIVE AGENT OR ANY LENDER INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN PAPER SHALL BE BROUGHT ONLY IN A COURT IN DALLAS, TEXAS.

SECTION 13. WAIVER OF JURY TRIAL. THE BORROWER, THE ADMINISTRATIVE AGENT AND EACH LENDER HEREBY WAIVES TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN PAPER OR THE RELATIONSHIP ESTABLISHED THEREUNDER.

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IN WITNESS WHEREOF, this Eighth Amendment to Amended and Restated Credit Agreement is executed as of the date first set forth above.

GCI HOLDINGS, INC.

By:

Its:

12

BANK OF AMERICA, N.A., Individually as a Lender and as Administrative Agent

By:

Its:

13

CREDIT LYONNAIS NEW YORK BRANCH, as Documentation Agent and Individually as a Lender

By:

Its:

14

TD SECURITIES (USA), INC., as

Syndication Agent

By:

Its:

15
TORONTO DOMINION (TEXAS), INC.,
Individually as a Lender

By:

Its:

16
COBANK, ACB, Individually as a Lender

By:

Its:

17
GENERAL ELECTRIC CAPITAL CORPORATION,
Individually as a Lender

By:

Its:

18
UNION BANK OF CALIFORNIA, N.A.,
Individually as a Lender

By:

Its:

19
BANK OF HAWAII, Individually as a Lender

By:

Its:

20
THE BANK OF NEW YORK, Individually as a
Lender

By: /s/ Brendan Nedzi

Its: Senior Vice President

21

BNP PARIBAS, Individually as a Lender

By:

Its:

By:

Its:

22

FLEET NATIONAL BANK, Individually as a
Lender

By:

Its:

23

THE FUJI BANK, LIMITED, Individually as
a Lender

By:

Its:

24

SUMITOMO MITSUI BANKING CORPORATION,
Individually as a Lender

By:

Its:

25

WELLS FARGO BANK ALASKA, N.A. f/k/a
NATIONAL BANK OF ALASKA, Individually as
a Lender

By:

Its:

26

ALLFIRST BANK, Individually as a Lender

By:

Its:

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EIGHTH AMENDMENT

TO

\$200,000,000 AMENDED AND RESTATED CREDIT AGREEMENT

EIGHTH AMENDMENT TO \$200,000,000 AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment") is dated as of the 31st day of October, 2001 and entered into among GCI HOLDINGS, INC., an Alaskan corporation (herein, together with its successors and assigns, called the "Borrower"), the Lenders (as defined in the Credit Agreement as defined below), BANK OF AMERICA, N.A., as Administrative Agent for itself and the Lenders (the "Administrative Agent"), CREDIT LYONNAIS NEW YORK BRANCH, as Documentation Agent and TD SECURITIES (USA), INC. as Syndication Agent.

WITNESSETH:

WHEREAS, the Borrower, the Lenders and the Administrative Agent entered into a \$200,000,000 Amended and Restated Credit Agreement, dated November 14, 1997, as amended by that certain Consent and First Amendment, dated January 27, 1998, by that certain Second Amendment to Amended and Restated Credit Agreement dated as of July 3, 1998, by that certain Third Amendment to Amended and Restated Credit Agreement dated as of April 13, 1999, by that certain Fourth Amendment to Amended and Restated Credit Agreement dated as of January 18, 2000, by that certain Fifth Amendment to Amended and Restated Credit Agreement dated as of October 25, 2000, by that certain Sixth Amendment to Amended and Restated Credit Agreement dated as of March 23, 2001 and by that certain Seventh Amendment to Amended and Restated Credit Agreement dated as of April 27, 2001 (as amended and as further amended, restated or otherwise modified from time to time, the "Credit Agreement") and a \$50,000,000 Amended and Restated Credit Agreement, dated as of November 14, 1997 (as amended by that certain Consent and First Amendment, dated January 27, 1998, by that certain Second Amendment to Amended and Restated Credit Agreement dated as of July 3, 1998, by that certain Third Amendment to Amended and Restated Credit Agreement dated as of April 13, 1999, by that certain Fourth Amendment to Amended and Restated Credit Agreement dated as of January 18, 2000, by that certain Fifth Amendment to Amended and Restated Credit Agreement dated as of October 25, 2000, by that certain Sixth Amendment to Amended and Restated Credit Agreement dated as of March 23, 2001, by that certain Seventh Amendment to Amended and Restated Credit Agreement dated as of April 27, 2001, and as further amended, restated or otherwise modified from time to time, the "\$50MM Credit Facility");

WHEREAS, the Borrower has requested certain provisions of the Credit Agreement be amended;

WHEREAS, the Lenders, the Administrative Agent and the Borrower have agreed to modify the Credit Agreement upon the terms and conditions set forth below;

NOW, THEREFORE, for valuable consideration hereby acknowledged, the Borrower, the Lenders and the Administrative Agent agree as follows:

SECTION 1. Definitions, Generally.

(a) Unless specifically defined or redefined below, capitalized terms used herein shall have the meanings ascribed thereto in the Credit Agreement.

(b) The definition of "Rogers" shall be added to Article I in alphabetical order and shall read in its entirety as follows:

"Rogers" means Rogers American Cablesystems, Inc., a Delaware Corporation.

(c) The definition of "Kanas Notes Default" shall be added to Article I in alphabetical order and shall read in its entirety as follows:

"Kanas Notes Default" means the failure of GCI Fiber Communication Co., Inc. (f/k/a Kanas) to pay the Kanas Notes and the promissory note originally due MCI WorldCom Network Services, Inc., dated May 18, 2001, in the principal amount of \$3,000,000, which notes have been assigned to the Borrower, which in turn assigned the notes to the Lenders as collateral for the Obligations.

SECTION 2. Amendment to Section 7.01(e). Section 7.01(e) in Article VII of the Credit Agreement shall be amended and restated in its entirety as follows:

(e) Fixed Charges Coverage Ratio. Commencing January 1, 2003, and at all times thereafter during the term hereof, the Fixed Charges Coverage Ratio shall not be less during the following time periods than the ratio set forth opposite such time periods:

Time Period

Minimum Ratio

From January 1, 2003 through

March 31, 2004 1.00 to 1.00

April 1, 2004 and thereafter 1.05 to 1.00

SECTION 3. Amendment to Section 7.01(f). Section 7.01(f) in Article VII of the Credit Agreement shall be amended and restated in its entirety as follows:

(f) Capital Expenditures. Capital Expenditures paid or incurred by the Borrower and the Restricted Subsidiaries shall not exceed, in the aggregate, the following amounts during the following fiscal years, provided that, any unused portion of any such year may be used during the following fiscal year only (but not thereafter):

Fiscal Year	2	Maximum Amount
-----		-----
1998		\$90,000
1999		\$35,000
2000		\$35,000
2001		\$70,000
2002		\$60,000
January 1, 2003 and thereafter		Not Applicable

SECTION 4. Amendment to Section 7.06. Section 7.06 in Article VII of the Credit Agreement shall be amended and restated in its entirety as follows:

7.06. Distributions and Restricted Payments . The Borrower shall not, and shall not permit the Parents or any Restricted Subsidiary to, make any Restricted Payments, other than any Restricted Payment in the form of a Distribution made by any Restricted Subsidiary to any other Restricted Subsidiary or to the Borrower, and except

(a) so long as

(i) there exists no Default or Event of Default both before and after giving effect to any such Restricted Payment,

(ii) the Total Leverage Ratio is less than 5.00 to 1.00 both before and after giving effect to any such Restricted Payment and

(iii) the date of such Restricted Payment is after September 30, 2000, the Borrower and the Parents may make Restricted Payments made

(A) exclusively out of the Capital Stock of GCI and/or

(B) exclusively out of Excess Cash Flow, provided that all such Restricted Payments made under this subsection (B) in the aggregate over the term of this Agreement shall not exceed the difference between \$15,000,000 minus the sum of (I) the aggregate amount of Investments made in accordance with the terms of Section 7.10(e) hereof over the term of this Agreement, and (II) all cash distributions made by the Borrower in accordance with the terms of Section 7.06(e) or Section 7.06(f) hereof and those payments permitted pursuant to Section 5 of the Seventh Amendment to Amended and Restated Credit Agreement dated as of April 27, 2001,

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(b) so long as there exists no Default or Event of Default both before and after giving effect to any such Restricted Payment, the Borrower may make Restricted Payments in the form of

(i) Distributions to GCII in an amount not in excess of cash income Taxes attributable to income from the Borrower and its Restricted Subsidiaries allocated to GCII (and GCII may make Restricted Payments in such amounts in the form of Distributions to GCI), and

(ii) scheduled cash interest payments required to be paid by GCII under the Senior Notes, and GCII may make Restricted Payments in the form of (and not in excess of) scheduled cash interest payments required to be paid by GCII under the Senior Notes,

provided that, the Lenders agree that in no event shall the opening phrase of this subsection (b) prohibit the payment of any such Distribution by the Borrower or payment of interest by GCII on the

Senior Notes for more than 180 consecutive days in any consecutive 360-day period, unless there exists an Event of Default under Section 8.01(a) hereof (whether by acceleration or otherwise),

(c) so long as there exists no Default or Event of Default both before and after giving effect to the payment thereof, Borrower or any GCI Entity may make payments of Management Fees and amounts due under the Transponder Purchase Agreement for Galaxy X referred to in Section 7.18 hereof,

(d) so long as there exists no Default or Event of Default both before and after giving effect to any such Restricted Payment, the Borrower or any other GCI Entity may make scheduled Restricted Payments on Funded Debt which was incurred in accordance with the terms of Sections 7.02(b) hereof (but with respect to the Senior Notes, only payments of cash interest accrued thereon made in accordance with Section 7.06(b)(ii) above may be made), 7.02(d), 7.02(f)(i), and 7.02(g) hereof (but in no case shall any prepayments be made on such Funded Debt),

(e) so long as there exists no Default or Event of Default both before and after giving effect to the payment thereof, GCI may make payments and distributions annually in an aggregate amount not to exceed \$600,000 a year, to the holders of its Series C 6% Preferred Stock, provided that such payments and distributions permitted to be paid under this subsection (e) may only be made out of the aggregate cash proceeds actually received by GCI after January 1, 2000 from the exercise of stock options and stock warrants, and .

(f) so long as (i) there exists no Default or Event of Default both before and after giving effect to the payment thereof, (ii) the Total Leverage Ratio is less than 5.00 to 1.00 both before and after giving effect to each such Restricted

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Payment, (iii) each such Distribution made by the Borrower to GCI shall be used by GCI within one Business Day after its receipt to make the Restricted Payment described below, and (iv) each such payment is deducted from the \$15,000,000 basket permitted by Section 7.06(a) above, GCI may make (A) a cash interest payment in an aggregate amount not to exceed \$1,000,000 on April 30, 2002 and (B) a cash interest payment in an aggregate amount not to exceed \$1,000,000 on October 31, 2002, in each case to the holders of its Series B 8 1/2% Preferred Stock, and the Borrower may make a cash Distribution to GCI in such amounts.

SECTION 5. Amendment to Section 7.10. Section 7.10 in Article VII of the Credit Agreement shall be amended and restated in its entirety as follows:

7.10. Loans and Investments. The Borrower shall not, and shall not permit any of the other GCI Entities to, make any loan, advance, extension of credit or capital contribution to, or make or have any Investment in, any Person, or make any commitment to make any such extension of credit or Investment, or make any acquisition, except

(a) Investments on the Closing Date constituting a \$50,000,000 capital contribution to AUSB and other Investments existing on the date hereof and contemplated by the terms of this Agreement, each as shown on Schedule 5.13 hereto,

(b) Investments in Cash Equivalents,

(c) Investments in advances or loans in the ordinary course of business to officers and employees, provided that the aggregate amount of all such Investments made in cash do not exceed in the aggregate \$4,000,000 outstanding at any one time,

(d) Investments in accounts receivable arising in the ordinary course of business,

(e) so long as (i) there exists no Default or Event of Default, both before and after giving effect to the making of such Investments, (ii) the Total Leverage Ratio is less than 5.00 to 1.00 both before and after giving effect to any such Investment and (iii) the date of such Investment is after September 30, 2000, Investments made exclusively out of Excess Cash Flow up to a maximum amount of the difference between \$15,000,000 in the aggregate over the term of this Agreement, minus the aggregate amount of Restricted Payments made in accordance with the terms of Section 7.06(a) hereof over the term of this Agreement,

(f) loans, advances, extensions of credit or capital

contributions to, or among, Restricted Subsidiaries and to GCI Transport

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Co., Inc. and its Subsidiaries in connection with the assignment or other transfer to GCI Transport Co., Inc. or its Subsidiaries of the \$9,100,000 deposit made in connection with the Transponder Purchase Agreement for Galaxy X referred to in Section 7.18 hereof (provided the Borrower provides the Administrative Agent with a Pro Forma Compliance Certificate evidencing no Default or Event of Default both before and after the assignment),

(g) so long as there exists no Default or Event of Default both before and after giving effect to the making of each such Investment, Investments constituting loans and/or advances to AUSB in accordance with the terms of the Keepwell Agreement and the Completion Guaranty as may be evidenced by the Intercompany Notes (collaterally assigned to the Administrative Agent on a first Lien basis), which Investments in an aggregate amount over the term of this Agreement do not exceed \$73,000,000,

(h) investments in Participation Certificates of CoBank to the extent required pursuant to Section 6.16,

(i) so long as

(A) there is no Default or Event of Default both before and after giving effect to such Investment or acquisition,

(B) for any such acquisition or Investment by the Borrower for which payment is made by issuance of Capital Stock of the Borrower for 95% or more of the purchase price, such acquisition or Investment must be in a Person that has four full fiscal quarters historical positive cash flow,

(C) if the Capital Stock or assets to be acquired are in a related business in which the Borrower is not currently in, the Borrower provides the Lenders with pro forma projections for such related business,

(D) all such Investments and acquisitions are in existing markets of the Borrower and its Restricted Subsidiaries, and

(E) all such assets and Properties, including Capital Stock, purchased by the Borrower or any Restricted Subsidiary of the Borrower, shall be subject to first and prior perfected Liens (except for Permitted Liens) in favor of the Administrative Agent and the Lenders securing the Obligations in form and substance substantially identical to the existing collateral documentation,

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Investments in Capital Stock or acquisitions of assets of Persons engaged in the Borrower's existing lines of business or businesses related thereto not in excess of \$5,000,000 in the aggregate for the cash portion for all such Investments or acquisitions, provided that, such \$5,000,000 cash portion amount may be increased to \$20,000,000 in the aggregate, if the Total Leverage Ratio is less than 5.00 to 1.00 both before and after giving effect to any such Investment or acquisition and

(j) so long as

(A) there is no Default or Event of Default both before and after giving effect to such Investment or acquisition,

(B) GCI Cable Inc. acquires not less than 100% of the Capital Stock of Rogers,

(C) all Capital Stock of Rogers owned by GCI Cable Inc. and each of its Subsidiaries is immediately upon acquisition thereof pledged and collaterally assigned to secure the Obligations pursuant to a pledge agreement and/or collateral

assignment in form substantially similar to those pledge agreements executed previously by the GCI Entities, and such Capital Stock is immediately delivered to the Administrative Agent together with stock powers and other items reasonably requested by the Administrative Agent to secure the Obligations,

(D) the aggregate purchase price for such Capital Stock does not exceed \$19,000,000 cash (subject to adjustments not in excess of \$1,000,000 in accordance with the securities purchase agreement to be executed in connection with the acquisition) on terms and conditions acceptable to the Administrative Agent and which such terms do not violate the terms of Section 7.19 hereof or any other provision of this Agreement and the other Loan Papers,

(E) Rogers and each of its Subsidiaries becomes a Restricted Subsidiary hereunder immediately upon the acquisition of such Capital Stock and is in compliance with all terms and provisions of this Agreement and the Loan Papers immediately upon the acquisition by GCI Cable Inc. of the Capital Stock of Rogers,

(F) the Administrative Agent has received all other documentation, information and agreements relating to Rogers and its Subsidiaries, and the purchase of the Capital Stock of Rogers, reasonably requested by the Administrative Agent,

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(G) the Administrative Agent has received projections after giving effect to the purchase of the Capital Stock of Rogers demonstrating pro forma compliance with the financial covenants contained in this Agreement throughout the term of this Agreement,

(H) the Capital Stock of Rogers is acquired free and clear of all Liens (except Liens of the Lenders securing the Obligations),

(I) Rogers and its Subsidiaries each executes a Guaranty of the Obligations in form and substance similar to the existing guaranties executed by the other Restricted Subsidiaries, and otherwise complies fully with the terms of Section 2.15 hereof once acquired and

(J) the Borrower shall have delivered to the Administrative Agent and Lenders legal opinions from counsel to the Borrower and its Restricted Subsidiaries regarding the acquisition of the Capital Stock of Rogers, and such other matters as reasonably requested by Special Counsel, including, without limitation, opinions regarding the waivers, consents and amendments in connection with the Indenture and AUSP Credit Agreement, and the related agreements,

GCI Cable Inc. may purchase 100% of the Capital Stock of Rogers.

SECTION 6. Conditions Precedent. This Eighth Amendment shall not be effective until the Administrative Agent shall have determined in its sole discretion that all proceedings of the Borrower taken in connection with this Eighth Amendment and the transactions contemplated hereby shall be satisfactory in form and substance to the Administrative Agent and the Borrower has satisfied the following conditions:

(a) the Borrower shall have delivered to the Administrative Agent a loan certificate of the Borrower certifying (i) as to the accuracy of its representations and warranties set forth in Article V of the Credit Agreement, as amended by this Eighth Amendment and the other Loan Papers, (ii) that there exists no Default or Event of Default, and the execution, delivery and performance of this Eighth Amendment will not cause a Default or Event of Default, except those Defaults and Events of Default specifically waived hereby, (iii) as to resolutions authorizing the Borrower to execute, deliver and perform this Eighth Amendment and all Loan Papers and to execute and perform all transactions contemplated by this Eighth Amendment, and all other documents and instruments delivered or executed in connection with this Eighth Amendment,

(iv) that it has complied with all agreements and conditions to be complied with by it under the Credit Agreement, the other Loan Papers and this Eighth Amendment by the date hereof and (v) that it has received all consents, amendments and waivers from all Persons necessary or required, if any, to (A) enter into this Amendment or (B) effectuate the amendments set forth above, including, without limitation, under the Indenture and related documentation and under the AUSP Credit Agreement and related documentation;

(b) the Administrative Agent shall have received an opinion of counsel to the Parents, the Borrower and its Subsidiaries, in form and substance acceptable to the Administrative Agent and Special Counsel;

(c) the Borrower and the Lenders shall have entered into a Eighth amendment to the \$50MM Credit Facility on terms substantially identical to the terms of this Eighth Amendment;

(d) the Borrower shall have paid the Administrative Agent a 15 basis points amendment fee, such amendment fee to be allocated among the Lenders executing this Eighth Amendment prior to noon (Central Standard time), November 7, 2001, as evidenced by a facsimile receipt by counsel to the Administrative Agent of such Lender's signature to this Eighth Amendment prior to such time;

(e) the Administrative Agent shall have received each of the Loan Papers, financial statements, projections, legal opinions, consents, and other documentation required to be delivered pursuant to Section 7.10 of the Credit Agreement in connection with the acquisition of the Capital Stock of Kanas, including without limitation ; Pledge and Security Agreements executed by the Borrower, and GCI Fiber Communication Co. Inc. (formerly, Kanas), Capital Stock and blank stock powers and UCC-1's with respect thereto, the Kanas Notes and \$3,000,000 Restated Subordinated Demand Note, duly endorsed by the Borrower, together with each of the loan documents and collateral documents securing same, as reasonably requested by the Administrative Agent. No Default Certificates executed by the Borrower and GCI Fiber Communication Co., Inc., Guaranty executed by GCI Fiber Communication Co., Inc., and Subordination Agreement and Consent and Waiver Agreement executed by the Borrower and GCI Fiber Communication Co., Inc.

(f) the Administrative Agent shall have received each of the Loan Papers, financial statements, projections, legal opinions, consents, and other documentation in the possession of the Borrower in connection with the acquisition of the Capital Stock of Rogers; and

(g) the Borrower shall have delivered such other documents, instruments, and certificates, in form and substance satisfactory to the

Administrative Agent, as the Administrative Agent shall deem necessary or appropriate in connection with this Eighth Amendment and the transactions contemplated hereby.

SECTION 7. Representations and Warranties. The Borrower represents and warrants to the Lenders and the Administrative Agent that (a) this Eighth Amendment constitutes its legal, valid, and binding obligation, enforceable in accordance with the terms hereof (subject as to enforcement of remedies to any applicable bankruptcy, reorganization, moratorium, or other laws or principles of equity affecting the enforcement of creditors' rights generally), (b) there exists no Default or Event of Default under the Credit Agreement, (c) its representations and warranties set forth in the Credit Agreement and other Loan Papers are true and correct on the date hereof, (d) it has complied with all agreements and conditions to be complied with by it under the Credit Agreement and the other Loan Papers by the date hereof, and (e) the Credit Agreement, as amended hereby, and the other Loan Papers remain in full force and effect.

SECTION 8. Waiver. GCI has acquired the Kanas Notes and assigned them to the Borrower. The Borrower has informed the Administrative Agent of the existence of the Kanas Notes Default and now seeks a waiver by the Lenders of the Event of Default which exists as a result thereof under Section 8.01(h) of the Credit Agreement (the "Kanas Default"). The Lenders hereby waive the Kanas Default, subject to the satisfaction of the terms and conditions of Section 6 hereof. The Borrower acknowledges that this waiver is a one-time limited and conditional continuing waiver of Section 8.01(h) of the Credit Agreement, and does not constitute a waiver by any Lender of any of its rights or remedies now or at any time in the future.

SECTION 9. Entire Agreement; Ratification. THE CREDIT AGREEMENT AND THE LOAN PAPERS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENT OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES. EXCEPT AS MODIFIED OR SUPPLEMENTED HEREBY, THE CREDIT AGREEMENT, THE OTHER LOAN

PAPERS AND ALL OTHER DOCUMENTS AND AGREEMENTS EXECUTED IN CONNECTION THEREWITH SHALL CONTINUE IN FULL FORCE AND EFFECT.

SECTION 10. Counterparts. This Eighth Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument. In making proof hereof, it shall not be necessary to produce or account for any counterpart other than one signed by the party against which enforcement is sought.

SECTION 11. GOVERNING LAW. THIS Eighth AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF TEXAS, BUT GIVING EFFECT TO FEDERAL LAWS.

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SECTION 12. CONSENT TO JURISDICTION. THE BORROWER HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR TEXAS STATE COURT SITTING IN DALLAS IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN PAPERS AND THE BORROWER IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE ADMINISTRATIVE AGENT OR ANY LENDER TO BRING PROCEEDINGS AGAINST THE BORROWER IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY THE BORROWER AGAINST THE ADMINISTRATIVE AGENT OR ANY LENDER OR ANY AFFILIATE OF THE ADMINISTRATIVE AGENT OR ANY LENDER INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN PAPER SHALL BE BROUGHT ONLY IN A COURT IN DALLAS, TEXAS.

SECTION 13. WAIVER OF JURY TRIAL. THE BORROWER, THE ADMINISTRATIVE AGENT AND EACH LENDER HEREBY WAIVES TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN PAPER OR THE RELATIONSHIP ESTABLISHED THEREUNDER.

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IN WITNESS WHEREOF, this Eighth Amendment to Amended and Restated Credit Agreement is executed as of the date first set forth above.

GCI HOLDINGS, INC.

By: /s/ John M. Lowber

Its: Secretary/Treasurer

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BANK OF AMERICA, N.A., Individually as a Lender and as Administrative Agent

By: /s/ Derrick Bell

Its: Principal

13

CREDIT LYONNAIS NEW YORK BRANCH, as Documentation Agent and Individually as a Lender

By: /s/ Jeremy Horn

Its:

14

TD SECURITIES (USA), INC., as

Syndication Agent

By: /s/ Michael J. Bandzierz

Its: Managing Director

15

TORONTO DOMINION (TEXAS), INC.,
Individually as a Lender

By: /s/ Jill Hall

Its: Vice President

16

COBANK, ACB, Individually as a Lender

By: /s/ JR Koer

Its: Vice President

17

GENERAL ELECTRIC CAPITAL CORPORATION,
Individually as a Lender

By: /s/ Brian P. Ward

Its: Manager-Operations

18

UNION BANK OF CALIFORNIA, N.A.,
Individually as a Lender

By: /s/ Stender E. Sweeney II

Its: Vice President

19

BANK OF HAWAII, Individually as a Lender

By: /s/ J. Bryan Scarce

Its: Vice President

20

THE BANK OF NEW YORK, Individually as a
Lender

By: /s/ Brendan Nedzi

Its: Senior Vice Presiden

21

BNP PARIBAS, Individually as a Lender

By: /s/ Gregg Bonardi

Its: Director, Media & Telecom Finance

By: /s/ Serge Desrayaud

Its: Head of Asset Management
Media & Telecommunications Group

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FLEET NATIONAL BANK, Individually as a
Lender

By: /s/ Denis D. Hamboyan

Its: Director

23

THE FUJI BANK, LIMITED, Individually as a
Lender

By: /s/ Masahito Fukuda

Its: Senior Vice President

24

SUMITOMO MITSUI BANKING CORPORATION,
Individually as a Lender

By: /s/ Suresh S. Tata

Its: Senior Vice President

25

WELLS FARGO BANK ALASKA, N.A. f/k/a
NATIONAL BANK OF ALASKA, Individually as
a Lender

By: Brent Ulmer

Its: Vice President

26

ALLFIRST BANK, Individually as a Lender

By: Michael G. Toomey

Its: Vice President

NINTH AMENDMENT

TO

\$50,000,000 AMENDED AND RESTATED CREDIT AGREEMENT

NINTH AMENDMENT TO \$50,000,000 AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment") is dated as of the 17th day of December, 2001 and entered into among GCI HOLDINGS, INC., an Alaskan corporation (herein, together with its successors and assigns, called the "Borrower"), the Lenders (as defined in the Credit Agreement as defined below), BANK OF AMERICA, N.A., as Administrative Agent for itself and the Lenders (the "Administrative Agent"), CREDIT LYONNAIS NEW YORK BRANCH, as Documentation Agent and TD SECURITIES (USA), INC. as Syndication Agent.

WITNESSETH:

WHEREAS, the Borrower, the Lenders and the Administrative Agent entered into a \$50,000,000 Amended and Restated Credit Agreement, dated November 14, 1997, as amended by that certain Consent and First Amendment, dated January 27, 1998, by that certain Second Amendment to Amended and Restated Credit Agreement dated as of July 3, 1998, by that certain Third Amendment to Amended and Restated Credit Agreement dated as of April 13, 1999, by that certain Fourth Amendment to Amended and Restated Credit Agreement dated as of January 18, 2000, by that certain Fifth Amendment to Amended and Restated Credit Agreement dated as of October 25, 2000, by that certain Sixth Amendment to Amended and Restated Credit Agreement dated as of March 23, 2001, by that certain Seventh Amendment to Amended and Restated Credit Agreement dated as of April 27, 2001, and by that certain Eighth Amendment to Amended and Restated Credit Agreement dated as of October 31, 2001 (as amended and as further amended, restated or otherwise modified from time to time, the "Credit Agreement") and a \$200,000,000 Amended and Restated Credit Agreement, dated as of November 14, 1997 (as amended by that certain Consent and First Amendment, dated January 27, 1998, by that certain Second Amendment to Amended and Restated Credit Agreement dated as of July 3, 1998, by that certain Third Amendment to Amended and Restated Credit Agreement dated as of April 13, 1999, by that certain Fourth Amendment to Amended and Restated Credit Agreement dated as of January 18, 2000, by that certain Fifth Amendment to Amended and Restated Credit Agreement dated as of October 25, 2000, by that certain Sixth Amendment to Amended and Restated Credit Agreement dated as of March 23, 2001, by that certain Seventh Amendment to Amended and Restated Credit Agreement dated as of April 27, 2001, and by that certain Eighth Amendment to Amended and Restated Credit Agreement dated as of October 31, 2001, and as further amended, restated or otherwise modified from time to time, the "\$200MM Credit Facility");

WHEREAS, the Borrower has requested certain provisions of the Credit Agreement be amended;

WHEREAS, the Lenders, the Administrative Agent and the Borrower have agreed to modify the Credit Agreement upon the terms and conditions set forth below;

NOW, THEREFORE, for valuable consideration hereby acknowledged, the Borrower, the Lenders and the Administrative Agent agree as follows:

SECTION 1. Definitions, Generally.

(a) Unless specifically defined or redefined below, capitalized terms used herein shall have the meanings ascribed thereto in the Credit Agreement.

(b) The definition of "Applicable Margin" in Article I is hereby deleted and the following definition of "Applicable Margin" is substituted in its stead:

"Applicable Margin" means (i) with respect to the Base Rate Advances under the Facility, 1.375% per annum and (ii) with respect to LIBOR Advances under the Facility, 2.500% per annum. Notwithstanding the foregoing, effective three Business Days after receipt by the Administrative Agent from the Borrower of a Compliance Certificate delivered to the Lenders for any reason and demonstrating a change in the Total Leverage Ratio to an amount so that another Applicable Margin should be applied pursuant to the table set forth below, the Applicable Margin for each type of Advance shall mean the respective amount set forth below opposite such relevant Total Leverage Ratio in Columns A and B below, in each case until the first succeeding Quarterly Date which is at least three Business Days after receipt by the Administrative Agent from the Borrower of a Compliance Certificate, demonstrating a change in the Total Leverage Ratio to an amount so that another Applicable Margin shall be applied; provided that, if there exists a Default or if the Total Leverage Ratio shall at any time be greater than or equal to 6.50 to 1.00, the Applicable Margin shall again be the respective amounts first set forth in this definition; provided further, that the Applicable Margin in effect on the Closing Date shall be determined pursuant to a Compliance Certificate delivered on the Closing Date, provided, further, that if the Borrower fails to

deliver any financial statements to the Administrative Agent within the required time periods set forth in Sections 6.05(a) and Section 6.05(b) hereof, the Applicable Margin shall again be the respective amounts first set forth in this definition until the date which is three Business Days after the Administrative Agent receives financial statements from the Borrower which demonstrate that another Applicable Margin should be applied pursuant to the table set forth below; and provided further, that the Applicable Margin shall never be a negative number.

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<TABLE>
<CAPTION>

Total Leverage Ratio	Column A Base Rate	Column B LIBOR
<S> Greater than or equal to 6.50 to 1.00	<C> 1.375%	<C> 2.500%
Greater than or equal to 6.00 to 1.00 but less than 6.50 to 1.00	1.000%	2.125%
Greater than or equal to 5.50 to 1.00 but less than 6.00 to 1.00	0.750%	1.875%
Greater than or equal to 5.00 to 1.00 but less than 5.50 to 1.00	0.500%	1.625%
Greater than or equal to 4.50 to 1.00 but less than 5.00 to 1.00	0.250%	1.375%
Greater than or equal to 4.00 to 1.00 but less than 4.50 to 1.00	0.000%	1.250%
Less than 4.00 to 1.00	0.000%	1.000%

</TABLE>

Notwithstanding the foregoing, if (a) the Borrower acquires the assets of WCIC as contemplated by the terms of this Agreement and (b) the Borrower enters into the Term Loan B Agreement, then, on such date that both of the preceding (a) and (b) are satisfied, the Applicable Margin set forth above shall no longer be applicable, and the following definition of Applicable Margin shall apply, immediately, automatically and without notice to any Person:

"Applicable Margin" means (i) with respect to the Base Rate Advances under the Facility, 1.125% per annum and (ii) with respect to LIBOR Advances under the Facility, 2.250% per annum; provided that, notwithstanding the foregoing, if the interest rate margin for libor advances or base rate advances under the Term Loan B Agreement is more than 0.50% higher or lower than the corresponding interest rate margin set forth in clause (i) or clause (ii) preceding in this definition of "Applicable Margin", then the Applicable Margin hereunder shall mean a per annum percentage rate equal to (a) with respect to the Base Rate Advances under the Facility, that percentage rate which is 0.50% below the per annum applicable interest rate margin for base rate advances under the Term Loan B Agreement (however defined in such Term Loan B Agreement), and (b) with respect to the LIBOR Advances under the Facility, that percentage rate which is 0.50% below the per annum applicable interest rate margin for libor rate advances under the Term Loan B Agreement (however defined in such Term Loan B Agreement). If neither base rate advances or libor rate advances (or their equivalents) are offered under the Term Loan B Agreement, the parties hereto agree that the Applicable Margin hereunder shall be in each case 0.50% below the economic equivalent of the applicable interest rate margin provided for in the Term Loan B Agreement.

(c) The definition of "Intercreditor Agreement" is hereby added in alphabetical order to Article I of the Credit Agreement and shall read in its entirety as follows:

"Intercreditor Agreement" means that certain Intercreditor Agreement, in the form attached as Exhibit A, between the Borrower, Bank of America, N.A. as collateral agent thereunder and the Administrative Agent, evidencing the agreement between the Lenders hereunder and the lenders under the Term Loan B Agreement for the Collateral to secure the Obligations and the Term Loan B Obligations on a pari passu basis, as such agreement is amended, restated or otherwise modified from time to time.

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(d) The definition of "Lenders" in Article I is hereby deleted and the following definition of "Lenders" is substituted in its stead:

"Lenders" means the lenders listed on the signature pages of this Agreement, and each Eligible Assignee which hereafter becomes a party to this Agreement pursuant to Section 10.04 hereof or pursuant to an amendment to this Agreement, for so long as any such Person is owed any portion of the Obligation or is obligated to make Advances under

the Revolver/Term Loan, and, any Bank Affiliate who is owed any portion of the Obligations.

(e) The definition of "Loan Papers" in Article I is hereby deleted and the following definition of "Loan Papers" is substituted in its stead:

"Loan Papers" means this Agreement; the Notes; Interest Rate Hedge Agreements executed among any GCI Entity and any Lender or Bank Affiliate; the Intercreditor Agreement, all Pledge Agreements; all Guaranties executed by any Person guaranteeing payment of any portion of the Obligations; all Fee Letters; each Assignment and Acceptance; all promissory notes evidencing any portion of the Obligations; assignments, security agreements and pledge agreements granting any interest in any of the Collateral; stock certificates and partnership agreements constituting part of the Collateral; mortgages, deeds of trust, financing statements, collateral assignments, and other documents and instruments granting an interest in any portion of the Collateral, or related to the perfection and/or the transfer thereof, all collateral assignments or other agreements granting a Lien on any intercompany note, including without limitation, the Intercompany Notes; and all other documents, instruments, agreements or certificates executed or delivered by the Borrower or any other GCI Entity, as security for the Borrower's obligations hereunder, in connection with the loans to the Borrower or otherwise; as each such document shall, with the consent of the Lenders pursuant to the terms hereof, be amended, revised, renewed, extended, substituted or replaced from time to time.

(f) The definition of "Ninth Amendment " is hereby added in alphabetical order to Article I and shall read in its entirety as follows:

"Ninth Amendment" means that certain Ninth Amendment to this \$50,000,000 Amended and Restated Credit Agreement, dated as of December 17, 2001, among the Borrower, the Administrative Agent and certain Lenders.

(g) The definition of "Term Loan B Agreement" is hereby added in alphabetical order to Article I and shall read in its entirety as follows:

"Term Loan B Agreement" means that certain senior secured term loan agreement entered into after the date hereof as a replacement and refinancing of a portion of indebtedness previously available under this Agreement, to be executed

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among the Borrower, Bank of America, N.A., as Administrative Agent and the lenders as defined therein, as such agreement may be amended, restated or otherwise modified from time to time.

(h) The definition of "Term Loan B Obligations" is hereby added in alphabetical order to Article I and shall read in its entirety as follows:

"Term Loan B Obligations" means, with respect to the Term Loan B Agreement and all of the Term Loan B Papers, all present and future obligations, indebtedness and liabilities, and all renewals and extensions of all or any part thereof, of the Borrower and each other GCI Entity to lenders and administrative agent under the Term Loan B Agreement arising from, by virtue of, or pursuant to the Term Loan B Agreement, any of the other Term Loan B Papers and any and all renewals and extensions thereof or any part thereof, or future amendments thereto, all interest accruing on all or any part thereof and reasonable attorneys' fees incurred by lenders and administrative agent thereunder for the administration, execution of waivers, amendments and consents, and in connection with any restructuring, workouts or in the enforcement or the collection of all or any part thereof, whether such obligations, indebtedness and liabilities are direct, indirect, fixed, contingent, joint, several or joint and several. Without limiting the generality of the foregoing, "Term Loan B Obligations" includes all amounts which would be owed by the Borrower, each other GCI Entity and any other Person (other than administrative agent or lenders thereunder) to the administrative agent or lenders thereunder under any Term Loan B Paper, but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving the Borrower, any other GCI Entity or any other Person (including all such amounts which would become due or would be secured but for the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding of the Borrower, any other GCI Entity or any other Person under any Debtor Relief Law).

(i) The definition of "Term Loan B Papers" is hereby added in alphabetical order to Article I and shall read in its entirety as follows:

"Term Loan B Papers" means "Loan Papers" as it will be defined

under the Term Loan B Agreement, including without limitation, the Term Loan B Agreement, the Intercreditor Agreement, all promissory notes, fee letters, pledge agreements, security agreements, mortgages, deeds of trust, assignments and other documentation executed in connection with the Term Loan B Agreement from time to time, all guarantees executed by any Person guaranteeing payment of any portion of the Term Loan B Obligations, each assignment and acceptance; as each such document shall be amended, revised, renewed, extended, substituted or replaced from time to time.

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(j) The definition of "WCIC" is hereby added in alphabetical order to Article I and shall read in its entirety as follows:

"WCIC" means WCI Cable, Inc. and its Subsidiaries.

SECTION 2. Amendment to Opening Phrase of Section 2.04(b)(ii). The opening phrase of Section 2.04(b)(ii) in Article II of the Credit Agreement shall be amended and restated in its entirety as follows:

(ii) Asset Sales. On the date of any Asset Sale by any of the GCI Entities (this provision not permitting such Asset Sales) excluding Asset Sales permitted under Section 7.05(b) hereof,

SECTION 3. Amendment to Section 2.04(c). Section 2.04(c) in Article II of the Credit Agreement shall be amended and restated in its entirety as follows:

(c) Commitment Reductions, Generally. To the extent the sum of the aggregate outstanding Advances under the Revolver/Term Loan exceed the Revolver/Term Commitment after any reduction thereof, prior to or on the Conversion Date, the Borrower shall immediately repay on the date of such reduction, any such excess amount and all accrued interest thereon, together with any amounts constituting any Consequential Loss. Once reduced or terminated pursuant to this Section 2.04, the Revolver/Term Commitment may not be increased or reinstated. At such time as the Intercreditor Agreement becomes effective, each of the terms and provisions of Sections 2.04(b)(ii), (iii), (iv), (v), and (vi) shall be governed by the terms and provisions of the Intercreditor Agreement, and in the event of a conflict between this Section 2.04 and the Intercreditor Agreement, the terms and provisions of the Intercreditor Agreement shall control.

SECTION 4. Amendment to Section 2.05(b)(i). Section 2.05(b)(i) in Article II of the Credit Agreement shall be amended and restated in its entirety as follows:

(b) Mandatory Prepayments.

(i) Asset Sales. (A) Prior to the Conversion Date, on the date of any Asset Sale of any GCI Entity (except Asset Sales in accordance with the terms of Section 7.05(b) hereof), the Borrower shall repay the Obligations and the obligations under the Revolving Credit Agreement by an amount equal to 100% of the Net Proceeds, applied pro rata to the obligations as specified under the Revolving Credit Agreement and Advances outstanding under the Revolver/Term Loan, and (B) after the Conversion Date, (I) if there exists no Default or Event of Default, on the date of any Asset Sale of any GCI Entity (except Asset Sales in accordance with the terms of Section 7.05(b) hereof), the Borrower shall repay the obligations by an amount equal to 100% of the Net Proceeds, applied to the obligations as specified under the Revolving Credit Agreement, and (II) if

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there exists a Default or Event of Default, on the date of any Asset Sale of any GCI Entity, the Borrower shall repay the Obligations and the obligations under the Revolving Credit Agreement by an amount equal to 100% of the Net Proceeds, applied pro rata to the obligations as specified under the Revolving Credit Agreement and Advances outstanding under the Revolver/Term Loan. Any amounts repaying the Revolver/Term Loan on and after the Conversion Date will be applied in the inverse order of maturity and may not be reborrowed. On such date, the Borrower shall deliver to the Administrative Agent a certificate of an Authorized Officer certifying as to the amount of (including the calculation of) such repayment and, with respect to the Asset Sale giving rise thereto, the gross proceeds thereof and the costs and expenses payable as a result thereof which were deducted in determining the amount of Net Proceeds.

SECTION 5. Amendment to Section 2.05(c). Section 2.05(c) in Article II of the Credit Agreement shall be amended and restated in its entirety as follows:

(c) Prepayments, Generally. Any prepayment of Advances pursuant to this Section 2.05 shall be applied first to Base Rate Advances, if any, then outstanding under the Facility, second to LIBOR Advances for which the date of prepayment is the last day of the applicable Interest Period, if any, outstanding under the Facility and third to LIBOR Advances with the shortest remaining Interest Periods outstanding under the Facility. At such time as the Intercreditor Agreement becomes effective, each of the terms and provisions of Sections 2.05(b) (i), (ii), (iii), (iv), and (v) shall be governed by the terms and provisions of the Intercreditor Agreement, and in the event of a conflict between this Section 2.05 and the Intercreditor Agreement, the terms and provisions of the Intercreditor Agreement shall control.

SECTION 6. Amendment to Section 2.12(d). Section 2.12(d) in Article II of the Credit Agreement shall be amended and restated in its entirety as follows:

(d) Except as specifically set forth in Sections 2.04 and 2.05 hereof, so long as there exists no Default or Event of Default all payments made by the Borrower shall be applied as designated by the Borrower, and, if there exists a Default or Event of Default, or if the Borrower fails to designate application of payments, all payments made by the Borrower shall be applied pro rata among the obligations under the Revolving Credit Agreement and the Revolver/Term Loan. Any payment made by the Borrower in excess of the Revolver/Term Commitment or outstanding Advances under the Revolver/Term Loan, shall be applied to outstanding amounts (or to reduce the commitment) of any other outstanding Obligations. Notwithstanding the foregoing, if the Intercreditor Agreement is effective, all mandatory prepayments made by the Borrower and proceeds and dispositions of Collateral shall be applied in accordance with the terms of the Intercreditor Agreement, to the extent that the terms and provisions of the Intercreditor Agreement govern such application.

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SECTION 7. Amendment to Section 7.01(e). Section 7.01(e) in Article II of the Credit Agreement shall be amended and restated in its entirety as follows:

(e) Fixed Charges Coverage Ratio. (i) Prior to the acquisition of the assets of WCIC in accordance with the terms of this Agreement,

Commencing January 1, 2003, and at all times thereafter during the term hereof, the Fixed Charges Coverage Ratio shall not be less during the following time periods than the ratio set forth opposite such time periods:

Time Period -----	Minimum Ratio -----
From January 1, 2003 through March 31, 2004	1.00 to 1.00
April 1, 2004 and thereafter	1.05 to 1.00, or

(ii) On and after the acquisition of the assets of WCIC in accordance with the terms of this Agreement,

Commencing April 1, 2004, and at all times thereafter during the term hereof, the Fixed Charges Coverage Ratio shall not be less during the following time periods than the ratio set forth opposite such time periods:

Time Period -----	Minimum Ratio -----
From April 1, 2004 through December 31, 2004	1.00 to 1.00
January 1, 2005 and thereafter	1.05 to 1.00

SECTION 8. Amendment to Section 7.01(f). Section 7.01(f) in Article II of the Credit Agreement shall be amended and restated in its entirety as follows:

(f) Capital Expenditures. (i) Prior to the acquisition of the assets of WCIC in accordance with the terms of this Agreement,

Capital Expenditures (not including any Galaxy X Transponder (as defined in the definition of Operating Cash Flow) purchases) paid or incurred by the Borrower and the Restricted Subsidiaries shall not exceed, in the aggregate, the following amounts during the following fiscal years, provided that, any unused portion of any such year may be used during the following fiscal year only (but not thereafter):

Fiscal Year -----	Maximum Amount -----
1998	\$90,000,000
1999	\$35,000,000
2000	\$35,000,000
2001	\$70,000,000
2002	\$60,000,000
January 1, 2003 and thereafter	Not Applicable, or

(ii) On and after the acquisition of the assets of WCIC in accordance with the terms of this Agreement,

Capital Expenditures (not including any Galaxy X Transponder (as defined in the definition of Operating Cash Flow) purchases) paid or incurred by the Borrower and the Restricted Subsidiaries shall not exceed, in the aggregate, the following amounts during the following fiscal years, provided that, any unused portion of any such year may be used during the following fiscal year only (but not thereafter), provided that, in the fiscal year 2002 only, the Borrower may exclude the purchase price for the acquisition of WCIC's assets from the calculation of its Capital Expenditures, in an amount not to exceed \$65,000,000:

Fiscal Year -----	Maximum Amount -----
1998	\$90,000,000
1999	\$35,000,000
2000	\$35,000,000
2001	\$70,000,000
2002	\$65,000,000
2003	\$50,000,000
January 1, 2004 through March 31, 2004	\$15,000,000
April 1, 2004 and thereafter	Not Applicable

SECTION 9. Amendment to Section 7.02. Section 7.02 in Article VII of the Credit Agreement shall be amended and restated in its entirety as follows:

7.02. Debt. The Borrower shall not, and shall not permit any of the other GCI Entities to, create, incur, assume, become or be liable in any manner in respect of, or suffer to exist, any Debt, except (a) Debt under the Loan Papers and the Revolving Credit Agreement, (b) Debt under the Senior Notes and other Debt in existence on the date hereof as shown on Schedule 5.08a hereto, and renewals, extensions (but not increases), and refinancings thereof on terms substantially similar thereto and on terms no more restrictive, (c) trade payables incurred and paid in the ordinary course of business, (d) Debt permitted to be incurred as Contingent Liabilities pursuant to Section 7.03 hereof, (e) Debt between the

Borrower and its Restricted Subsidiaries, (f) so long as there exists no Default or Event of Default in existence at the time incurred and none is caused thereby, (i) \$5,000,000 in Debt constituting Capital Leases outstanding in the aggregate at any one time, (ii) unsecured subordinated Debt of the Borrower on terms and conditions acceptable to the Administrative Agent and each Lender, subordinated to the Facility pursuant to the subordination language set forth on Schedule 7.02 hereto, (g) Debt under the Project Agreements, and (h) so long as (i) there exists no Default or Event of Default both before and after giving effect to its incurrence, (ii) the maturity of such Debt is later than the Maturity Date, (iii) the weighted average life of such Debt is longer than the weighted average life of the Revolver/Term Loan, (iv) the Term Loan B Agreement contains representations and warranties, conditions precedent, affirmative covenants, negative covenants and events of default substantially similar to the representations and warranties, conditions precedent, affirmative covenants, negative covenants and Events of Default in this Agreement (and in no case may such terms be more restrictive than the terms of this Agreement) and (v) the Borrower has paid in immediately available funds an amendment fee to the Administrative Lender for the benefit of those Lenders that executed and delivered the Ninth Amendment to the Administrative Agent prior to noon (eastern time) on December 17, 2001, such amendment fee to be in an amount equal to 40 basis points on each such executing Lender's pro rata portion of the principal amount of the outstanding Revolver/Term Loan, the Borrower and the other GCI Entities may incur senior secured Debt under the Term Loan B Agreement, and the Term Loan B Obligations, in a maximum principal amount not to exceed the lesser of (A) \$65,000,000, or (B) the gross cash purchase price paid by the Borrower for the acquisition of the assets of WCIC.

SECTION 10. Amendment to Section 7.04. Section 7.04 in Article VII of the Credit Agreement shall be amended and restated in its entirety as follows:

7.04. Liens. Borrower shall not, and shall not permit any of the other GCI Entities to, create or suffer to exist any Lien upon any of its Properties, except Permitted Liens and Liens securing Debt permitted under Section 7.02(f) (i) and, on a pari passu basis pursuant to the Intercreditor Agreement, Liens securing Term Loan B Obligations permitted to be incurred under Section 7.02(h) hereof. It is specifically acknowledged and agreed that the Borrower shall not, and shall not permit any of the other GCI Entities to, hereafter agree with any Person (other than Administrative Agent) not to grant a Lien on any of its assets, except as specifically provided in the Indenture on the Closing Date and except as provided in the Term Loan B Agreement and the Term Loan B Papers.

SECTION 11. Amendment to Section 7.05. Section 7.05 in Article VII of the Credit Agreement shall be amended and restated in its entirety as follows:

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7.05. Dispositions of Assets. The Borrower shall not, and shall not permit any of the other GCI Entities to, sell, lease, assign, or otherwise dispose of any assets of the Borrower or any Restricted Subsidiary, or otherwise consummate any Asset Sale, except (a) Permitted Dispositions and sales or dispositions of assets in the ordinary course of business, including dispositions of obsolete or useless assets, (b) so long as there exists no Default or Event of Default both before and after giving effect to such disposition, any sale of any portion of the assets acquired by the Borrower from WCIC described on Schedule 7.05 hereto, so long as such sales do not generate, in the aggregate, gross proceeds in excess of \$10,000,000 and (c) so long as there exists no Default or Event of Default both before and after giving effect to such disposition, Asset Sales in an aggregate amount over the term of this Agreement not to exceed \$10,000,000 (or \$20,000,000 if before and immediately after giving effect to any Asset Sale, the Total Leverage Ratio is equal to or less than 4.50 to 1.00), so long as any amounts received from Asset Sales (except those Asset Sales permitted by Sections 7.05(a) and (b) above) in the aggregate over \$10,000,000 in any fiscal year of the Borrower and its Restricted Subsidiaries (or \$20,000,000 if before and immediately after giving effect to any Asset Sale, the Total Leverage Ratio is equal to or less than 4.50 to 1.00) are immediately used to reduce the Revolving Commitment, and the Revolver/Term Commitment, in accordance with Section 2.04 hereof, and repay the outstanding Obligations in accordance with the terms of Section 2.05 hereof, as applicable.

SECTION 12. Amendment to Section 7.06. Section 7.06 in Article VII of the Credit Agreement shall be amended by deleting the "and" after subsection (e), adding "and" after subsection (f), and adding subsection (g) which shall read as follows:

(g) Restricted Payments to pay scheduled interest and principal on Term Loan B Obligations under the Term Loan B Agreement, and costs, fees and expenses and other Term Loan B Obligations payable under the Term Loan B Agreement and the other Term Loan B Papers.

SECTION 13. Amendment to Section 7.10(j) and Addition of New Section 7.10(k). Section 7.10(j) in Article VII of the Credit Agreement shall be amended and restated in its entirety as follows, and a new Section 7.10(k) shall be added to the end of Section 7.10 of the Credit Agreement as follows:

(j) INTENTIONALLY DELETED.

(k) so long as

(A) there is no Default or Event of Default both before and after giving effect to such Investment or acquisition,

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(B) all assets owned by WCIC and each of its Subsidiaries are immediately upon acquisition thereof pledged and collaterally assigned to secure the Obligations (on a pari passu basis with the Debt evidenced by the Term Loan B Agreement pursuant to the Intercreditor Agreement) pursuant to a security agreement and/or collateral assignment in form substantially similar to those security agreements executed previously by the GCI Entities and Administrative Agent receives all other items reasonably requested by the Administrative Agent to secure the Obligations,

(C) the aggregate purchase price for such assets is

paid in cash and/or equity, or any combination thereof, and does not exceed \$65,000,000, on terms and conditions acceptable to the Administrative Agent and which such terms do not violate the terms of Section 7.19 hereof or any other provision of this Agreement and the other Loan Papers,

(D) the Administrative Agent has received all other documentation, information and agreements relating to WCIC and its Subsidiaries, as is reasonably requested by the Administrative Agent, including without limitation, an Intercreditor Agreement,

(E) the Administrative Agent has received projections after giving effect to the purchase of the assets of WCIC demonstrating pro forma compliance with the financial covenants contained in this Agreement throughout the term of this Agreement,

(F) the assets of WCIC are acquired free and clear of all Liens (except Permitted Liens, Liens of the Lenders securing the Obligations and Liens securing the Term Loan B Obligations under the Term Loan B Agreement on a pari passu basis), and

(G) the Borrower shall have delivered to the Administrative Agent and Lenders legal opinions from counsel to the Borrower and its Restricted Subsidiaries regarding the acquisition (in the form delivered in connection with the acquisition), and such other matters as reasonably requested by Special Counsel, including, without limitation, opinions regarding the Indenture and AUSP Credit Agreement, and the related agreements,

the Borrower may purchase the assets of WCIC and its Subsidiaries.

SECTION 14. Amendment to Section 7.18. Section 7.18 in Article VII of the Credit Agreement shall be amended and restated in its entirety as follows:

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7.18. Amendments to Material Agreements. The Borrower shall not, nor shall the Borrower permit any other GCI Entity to, amend or change any Project Agreement or any AUSP Financing Agreement in any manner that is material and adverse to the interests of the Lenders except with the prior written consent of Majority Lenders, or amend or change any Loan Paper other than with the prior written consent of the Lenders pursuant to Section 10.01 hereof, nor shall the Borrower or any other GCI Entity change or amend (or take any action or fail to take any action the result of which is an effective amendment or change) or accept any waiver or consent with respect to (a) any Non-Compete Agreement, (b) that certain Transponder Purchase Agreement for Galaxy X, dated August 24, 1995, among the Borrower and Hughes Communications Galaxy, Inc., now held by PanAmSat Corp., as assignee, (c) that certain Transponder Service Agreement, dated August 24, 1995, among General Communication Corp. and Hughes Communications Satellite Services, Inc., now held by PanAmSat Corp., as assignee, (d) the Senior Notes and all documentation and agreements relating to the Senior Notes, other than changes that result in a decrease in interest rate, extension of maturity, or deletion of covenants or obligations to repay, and changes anticipated by Section 9.01(1) of the Indenture, (e) the Prime Management Agreement, (f) all documentation related to any Funded Debt of any GCI Entity, and (g) the Term Loan B Agreement or any of the Term Loan B Papers, except, in the case of this subsection (g), amendments, modifications, consents, waivers and changes to immaterial provisions, or amendments, modifications, consents, waivers and changes which are in form and substance similar to any amendments, modifications, consents, waivers and changes to this Agreement or the other Loan Papers.

SECTION 15. Amendment to Section 7.19. Section 7.19 in Article VII of the Credit Agreement shall be amended and restated in its entirety as follows:

7.19 Limitation on Restrictive Agreements. The Borrower shall not, and shall not permit the Parents or any Restricted Subsidiary to, other than in connection with the Term Loan B Agreement, the Term Loan B Papers, the Senior Notes, the Revolving Credit Agreement, the AUSP Financing Agreements or the Project Agreements, enter into any indenture, agreement, instrument, financing document or other arrangement which, directly or indirectly, prohibits or restrains, or has the effect of prohibiting or restraining, or imposes materially adverse conditions upon: (a) the incurrence of Debt, (b) the granting of Liens (except for provisions contained in Capital Leases of property that are permitted hereunder that limit Liens only on the specific property subject to the Capital Lease, except for Liens in favor of the

Administrative Agent and the Lenders), (c) the making or granting of Guarantees, (d) the payment of dividends or Distributions, (e) the purchase, redemption or retirement of any Capital Stock, (f) the making of loans or advances, (g) transfers or sales of property or assets (including Capital Stock) by the Parents, the Borrower or any of the Restricted

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Subsidiaries, (h) the making of Investments or acquisitions, or (i) any change of control or management.

SECTION 16. Amendment to Section 8.01. Section 8.01 in Article VIII of the Credit Agreement shall be amended by deleting the "or" after subsection (w), adding "or" after subsection (y) and adding subsection (z) which shall read as follows:

(z) an Event of Default shall have occurred under the Term Loan B Agreement.

SECTION 17. Addition of Schedule 7.05. Schedule 7.05 attached to this Ninth Amendment shall be added to Schedules to the Credit Agreement in numerical order as Schedule 7.05.

SECTION 18. Conditions Precedent. This Amendment shall not be effective until the Administrative Agent shall have determined in its sole discretion that all proceedings of the Borrower taken in connection with this Amendment and the transactions contemplated hereby shall be satisfactory in form and substance to the Administrative Agent and the Borrower has satisfied the following conditions:

(a) the Borrower shall have delivered to the Administrative Agent a loan certificate of the Borrower certifying (i) as to the accuracy of its representations and warranties set forth in Article V of the Credit Agreement, as amended by this Amendment and the other Loan Papers, (ii) that there exists no Default or Event of Default, and the execution, delivery and performance of this Amendment will not cause a Default or Event of Default, except those Defaults and Events of Default specifically waived hereby, (iii) as to resolutions authorizing the Borrower to execute, deliver and perform this Amendment and all Loan Papers and to execute and perform all transactions contemplated by this Amendment, and all other documents and instruments delivered or executed in connection with this Amendment, (iv) that it has complied with all agreements and conditions to be complied with by it under the Credit Agreement, the other Loan Papers and this Amendment by the date hereof and (v) that it has received all consents, amendments and waivers from all Persons necessary or required, if any, to (A) enter into this Amendment or (B) effectuate the amendments set forth above, including, without limitation, under the Indenture and related documentation and under the AUSP Credit Agreement and related documentation;

(b) the Administrative Agent shall have received an opinion of counsel to the Parents, the Borrower and its Subsidiaries, in form and substance acceptable to the Administrative Agent and Special Counsel, including without limitation, an opinion as to no conflict with the transactions contemplated herein under the Indenture and the AUSP Credit Agreement;

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(c) the Borrower and the Lenders shall have entered into a Ninth Amendment to the \$200MM Credit Facility on terms substantially identical to the terms of this Amendment;

(d) the Borrower shall have paid the Administrative Agent a ten basis points amendment fee, such amendment fee to be allocated among the Lenders executing this Amendment prior to noon (eastern time), December 17, 2001, as evidenced by a facsimile receipt by counsel to the Administrative Agent of such Lender's signature to this Amendment prior to such time;

(e) the Administrative Agent shall have received each of the Loan Papers, financial statements, projections, legal opinions, consents, and other documentation, as reasonably requested by the Administrative Agent, and the Administrative Agent shall have received "No Default Certificates" executed by the Borrower and its Restricted Subsidiaries; and

(f) the Borrower shall have delivered such other documents, instruments, and certificates, in form and substance satisfactory to the Administrative Agent, as the Administrative Agent shall deem necessary or appropriate in connection with this Amendment and the transactions contemplated hereby.

SECTION 19. Representations and Warranties. The Borrower represents and warrants to the Lenders and the Administrative Agent that (a) this Amendment constitutes its legal, valid, and binding obligation, enforceable in accordance with the terms hereof (subject as to enforcement of remedies to any applicable bankruptcy, reorganization, moratorium, or other laws or principles of equity affecting the enforcement of creditors' rights generally), (b) there exists no Default or Event of Default under the Credit Agreement, (c) its representations and warranties set forth in the Credit Agreement and other Loan Papers are true and correct on the date hereof, (d) it has complied with all agreements and conditions to be complied with by it under the Credit Agreement and the other Loan Papers by the date hereof, and (e) the Credit Agreement, as amended hereby, and the other Loan Papers remain in full force and effect.

SECTION 20. Entire Agreement; Ratification. THE CREDIT AGREEMENT AND THE LOAN PAPERS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENT OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES. EXCEPT AS MODIFIED OR SUPPLEMENTED HEREBY, THE CREDIT AGREEMENT, THE OTHER LOAN PAPERS AND ALL OTHER DOCUMENTS AND AGREEMENTS EXECUTED IN CONNECTION THEREWITH SHALL CONTINUE IN FULL FORCE AND EFFECT.

SECTION 21. Counterparts. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument. In making

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proof hereof, it shall not be necessary to produce or account for any counterpart other than one signed by the party against which enforcement is sought.

SECTION 22. GOVERNING LAW. THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF TEXAS, BUT GIVING EFFECT TO FEDERAL LAWS.

SECTION 23. CONSENT TO JURISDICTION. THE BORROWER HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR TEXAS STATE COURT SITTING IN DALLAS IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN PAPERS AND THE BORROWER IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE ADMINISTRATIVE AGENT OR ANY LENDER TO BRING PROCEEDINGS AGAINST THE BORROWER IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY THE BORROWER AGAINST THE ADMINISTRATIVE AGENT OR ANY LENDER OR ANY AFFILIATE OF THE ADMINISTRATIVE AGENT OR ANY LENDER INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN PAPER SHALL BE BROUGHT ONLY IN A COURT IN DALLAS, TEXAS.

SECTION 24. WAIVER OF JURY TRIAL. THE BORROWER, THE ADMINISTRATIVE AGENT AND EACH LENDER HEREBY WAIVES TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN PAPER OR THE RELATIONSHIP ESTABLISHED THEREUNDER.

SECTION 25. Intercreditor Agreement. The undersigned Lenders hereby approve of the Intercreditor Agreement in the form attached hereto as Exhibit A and consent to the execution and delivery by the Administrative Agent on their behalf of the Intercreditor Agreement in substantially the same form and substance as the Intercreditor Agreement attached hereto as Exhibit A.

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Schedule 7.05

Description of WCIC Assets To Be Sold

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Exhibit A to Ninth Amendment

Form of Intercreditor Agreement

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IN WITNESS WHEREOF, this Ninth Amendment to Amended and Restated Credit Agreement is executed as of the date first set forth above.

GCI HOLDINGS, INC.

By: /s/ John M. Lowber
Its: Secretary/Treasurer

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BANK OF AMERICA, N.A., Individually as a
Lender and as Administrative Agent

By: /s/ Derrick C. Bell
Its: Principal

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CREDIT LYONNAIS NEW YORK BRANCH, as
Documentation Agent and Individually as a
Lender

By: /s/ Jeremy Horn
Its:

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TD SECURITIES (USA), INC., as Syndication
Agent

By: /s/ Michael J. Bandzierz
Its: Managing Director

22

TORONTO DOMINION (TEXAS), INC., Individually
as a Lender

By: /s/ Michael J. Bandzierz
Its: Managing Director

23

COBANK, ACB, Individually as a Lender

By:
Its:

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GENERAL ELECTRIC CAPITAL CORPORATION,
Individually as a Lender

By: /s/ Karl Keiffer
Its: Duly Authorized Signatory

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UNION BANK OF CALIFORNIA, N.A., Individually
as a Lender

By: /s/ Stender E. Sweeney II
Its: Vice President

26

BANK OF HAWAII, Individually as a Lender

By: /s/ J. Bryan Searce
Its: Vice President

27

THE BANK OF NEW YORK, Individually as a
Lender

By:
Its:

28

BNP PARIBAS, Individually as a Lender

By: /s/ Gregg Bonardi
Its: Director, Media & Telecom Finance

By: /s/ Ben Todres
Its: Director, Media & Telecom Finance

29

FLEET NATIONAL BANK, Individually as a Lender

By:
Its:

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THE FUJI BANK, LIMITED, Individually as a
Lender

By: /s/ Masahito Fukuda
Its: Senior Vice President

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SUMITOMO MITSUI BANKING CORPORATION,
Individually as a Lender

By:
Its:

WELLS FARGO BANK ALASKA, N.A. f/k/a NATIONAL
BANK OF ALASKA, Individually as a Lender

By: /s/ Brent Ulmer
Its: Vice President

ALLFIRST BANK, Individually as a Lender

By: /s/ Michael G. Toomey
Its: Vice President

Schedule 7.05

Description of WCIC Assets To Be Sold
Ninth Amendment
Schedule 7.05
WCI Cable, Inc. Real Estate

At the time that WCI Cable, Inc. filed for protection under the Bankruptcy Code, it owned two pieces of real estate. Descriptions of the real estate is as follows:

WCI Headquarters Complex

Purpose: WCI's Administrative Office Building/Collocation Facility

Physical Address: 19720 NW Tanasborne Drive, Hillsboro, Oregon

Size: 47,923 rentable sf

Notes:

- Facility built for purpose
- Constructed: 1997-1998
- Network requires continued use of collocation facility
- No pending requirement for administrative office space
- Property appears difficult to sub-divide into two separate facilities
- GCI option to rent administrative office space or to sell facility and lease back the collocation space on a long term basis
- Outstanding Keybank secured debt: \$6.2M
- Current market value of facility: \$6-7M

South Anchorage NOCC Facility

Purpose: Alaska Fiberstar NOCC and Collocation Space

Physical Address: Diamond D Circle, Anchorage, Alaska

Size: Estimated 12,000 usable sf (gj)

Notes:

- Facility built for purpose
- Constructed 1998
- Network requires temporary use of collocation facility
- Office space is poorly laid out for administrative use
- Facility may appeal for a contractor
- GCI option to rent administrative office space or to sell facility with a short term (less than one year) lease back of the collocation space.
- Outstanding Keybank secured debt: \$2.5M
- Current market value of facility: \$2.5-\$3.2M (gj)

Exhibit A to Ninth Amendment

Form of Intercreditor Agreement
FORM OF COLLATERAL AGENT AND INTERCREDITOR AGREEMENT

THIS COLLATERAL AGENT AND INTERCREDITOR AGREEMENT (as the same may from time to time be amended, restated, supplemented or otherwise modified, the "Collateral Agent Agreement") dated _____ is made by GCI HOLDINGS, INC., an Alaskan corporation ("Borrower"), GRANTORS signatory hereto, BANK OF AMERICA, N.A., as Collateral Agent (the "Collateral Agent"), BANK OF AMERICA, N.A. as Administrative Agent (in such capacity, the "Administrative Agent") for itself

and certain other lenders (collectively, the "Lenders") under both the \$200,000,000 Credit Agreement (as hereinafter defined) and the \$50,000,000 Credit Agreement (as hereinafter defined), LENDERS party hereto, BANK OF AMERICA, N.A, as Administrative Agent (the "Term Loan B Administrative Agent") for itself and certain other lenders (collectively, the "Term Loan B Lenders") under the Term Loan B Agreement (as hereinafter defined) and the TERM LOAN B LENDERS party hereto.

W I T N E S S E T H :

WHEREAS, the Borrower is a party to two Amended and Restated Credit Agreements dated as of December 14, 1997, with the Lenders and the Administrative Agent, one which provides for a revolving credit facility in the amount of \$200,000,000 (as the same may from time to time be amended, restated, supplemented or otherwise modified, the "\$200,000,000 Credit Agreement") and one that provides for a term loan facility in the amount of \$50,000,000 (as the same may from time to time be amended, restated, supplemented or otherwise modified, the "\$50,000,000 Credit Agreement"; the \$200,000,000 Credit Agreement and the \$50,000,000 Credit Agreement are herein collectively referred to as the "Credit Agreement");

WHEREAS, the Borrower is a party to the Term Loan Agreement dated as of the date hereof (as the same may from time to time be amended, restated, supplemented or otherwise modified, the "Term Loan B Agreement") with Borrower, Bank of America, N.A. (in such capacity, the "Term Loan B Administrative Agent") and the Term Loan B Lenders pursuant to which the Term Loan B Lenders have agreed to make the Borrower a term loan in an aggregate principal amount not to exceed \$65,000,000;

WHEREAS, it is the agreement of the parties that the rights of payment and liens and security interests of the Term Loan B Lenders in the Collateral (as hereinafter defined) are subject to and pari passu with the rights of the Lenders; and the rights of payment and liens and security interests of the Lenders in the Collateral are subject to and pari passu with the rights of the Term Loan B Lenders

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WHEREAS, it is a requirement of the Credit Agreement and the Term Loan B Agreement that upon the execution of the Term Loan B Agreement, the Grantors (hereinafter defined), the Administrative Agent, the Lenders, the Term Loan B Administrative Agent, the Term Loan B Lenders and Borrower execute and deliver to the Collateral Agent, for the benefit of the Lenders and Term Loan B Lenders this Collateral Agent Agreement in order to further define the rights and obligations of the parties hereto;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Grantors, Administrative Agent, the Lenders, the Term Loan B Administrative Agent, and the Term Loan B Lenders agree with the Collateral Agent as follows:

SECTION 1

DEFINED TERMS

As used in this Collateral Agent Agreement, capitalized terms shall have the meanings set forth in the Credit Agreement. In addition the following terms shall have the meanings set forth below:

"Collateral" shall mean, collectively, all of the property in which the Lenders or Term Loan B Lenders have a Lien pursuant to the Security Agreements.

"Determining Lenders" shall mean any combination of the Lenders and Term Loan B Lenders having at least 66-23% of the aggregate amount of the Obligations and Term Loan B Obligations outstanding.

"Distribution Date" shall mean each date established by the Collateral Agent as a date for the distribution of amounts on deposit in the Collateral Account, as defined in subsection 4.1.

"Event of Default" shall mean the occurrence of an Event of Default as that term is defined in both the Credit Agreement and the Term Loan B Agreement.

"Grantor" shall mean each GCI Entity and any Person party to any Loan Paper or Term Loan B Paper that grants a Lien on any Collateral.

"Loan Papers" means the Notes; Interest Rate Hedge Agreements executed among any GCI Entity and any Lender or Bank Affiliate; this Collateral Agent Agreement, all Pledge Agreements; all Guaranties executed by any Person guaranteeing payment of any portion of the Obligations; all Fee Letters; each Assignment and Acceptance; all promissory notes evidencing any portion of the Obligations; assignments, security agreements and pledge agreements granting any

interest in any of the Collateral; stock certificates and partnership agreements constituting part of the Collateral; mortgages, deeds of trust, financing statements, collateral assignments, and other documents and instruments granting an interest in any portion of the Collateral, or related to the perfection and/or the transfer thereof, all collateral assignments or other agreements granting a Lien on any intercompany note; and all other documents, instruments, agreements or

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certificates executed or delivered by the Grantors or any other GCI Entity, as security for Grantors' obligations under the Credit Agreement and the Loan Papers, in connection with the loans to the Borrower or otherwise; as each such document shall, with the consent of the Lenders pursuant to the terms of the Credit Agreement, be amended, revised, renewed, extended, substituted or replaced from time to time.

"Obligations" means all present and future obligations, indebtedness and liabilities, and all renewals and extensions of all or any part thereof, of the Borrower and each other GCI Entity to Lenders and Administrative Agent arising from, by virtue of, or pursuant to the Credit Agreement, any of the other Loan Papers and any and all renewals and extensions thereof or any part thereof, or future amendments thereto, all interest accruing on all or any part thereof and reasonable attorneys' fees incurred by Lenders and Administrative Agent for the administration, execution of waivers, amendments and consents, and in connection with any restructuring, workouts or in the enforcement or the collection of all or any part thereof, whether such obligations, indebtedness and liabilities are direct, indirect, fixed, contingent, joint, several or joint and several. Without limiting the generality of the foregoing, "Obligations" includes all amounts which would be owed by the Borrower, each other GCI Entity and any other Person (other than Administrative Agent or Lenders) to Administrative Agent or Lenders under any Loan Paper, but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving the Borrower, any other GCI Entity or any other Person (including all such amounts which would become due or would be secured but for the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding of the Borrower, any other GCI Entity or any other Person under any Debtor Relief Law).

"Proceeds" shall have the meaning assigned to it under the Uniform Commercial Code of Texas and, in any event, shall include, but not be limited to, (i) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to any Grantor from time to time with respect to any of the Collateral, (ii) any and all payments (in any form whatsoever) made or due and payable to any Grantor from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any governmental body, authority, bureau or agency (or any person acting under the color of governmental authority) and (iii) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

"Pro Rata" shall mean for any Person a fraction (a) the numerator of which is the sum of the amount of unpaid (i) Obligations owing to such Person and (ii) Term Loan B Obligations owing to such Person, and (b) the denominator of which is the sum of the amount of unpaid (i) Obligations and (ii) Term Loan B Obligations.

"Security Agreements" means, collectively, the Term Loan B Loan Papers and the Loan Papers.

"Term Loan B Obligations" means, with respect to the Term Loan B Agreement and all of the Term Loan B Papers, all present and future obligations, indebtedness and liabilities, and all renewals and extensions of all or any part thereof, of the Borrower and each other GCI Entity to lenders and administrative agent under the Term Loan B Agreement arising from, by virtue of,

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or pursuant to the Term Loan B Agreement, any of the other Term Loan B Papers and any and all renewals and extensions thereof or any part thereof, or future amendments thereto, all interest accruing on all or any part thereof and reasonable attorneys' fees incurred by lenders and administrative agent thereunder for the administration, execution of waivers, amendments and consents, and in connection with any restructuring, workouts or in the enforcement or the collection of all or any part thereof, whether such obligations, indebtedness and liabilities are direct, indirect, fixed, contingent, joint, several or joint and several. Without limiting the generality of the foregoing, "Term Loan B Obligations" includes all amounts which would be owed by the Borrower, each other GCI Entity and any other Person (other than administrative agent or lenders thereunder) to the administrative agent or lenders thereunder under any Term Loan B Paper, but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving the Borrower, any other GCI Entity or any other Person (including all such amounts which would become due or would be secured but for the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding of the

Borrower, any other GCI Entity or any other Person under any Debtor Relief Law).

"Term Loan B Papers" means "Loan Papers" as defined under the Term Loan B Agreement, including without limitation, the Term Loan B Agreement, this Collateral Agent Agreement, all promissory notes, fee letters, pledge agreements, security agreements, mortgages, deeds of trust, assignments and other documentation executed in connection with the Term Loan B Agreement from time to time, all guarantees executed by any Person guaranteeing payment of any portion of the Term Loan B Obligations, each assignment and acceptance; as each such document shall be amended, revised, renewed, extended, substituted or replaced from time to time.

SECTION 2

AGREEMENT TO HOLD COLLATERAL

In reliance upon, and subject to, the provisions of Section 7 of this Collateral Agent Agreement, the Collateral Agent will hold the security interest granted to it in the Collateral under each Security Agreement on behalf of and for the ratable benefit of the Lenders and the Term Loan B Lenders on a pari passu basis and on the terms and conditions set forth in this Collateral Agent Agreement, notwithstanding the date, time, manner or order of the creation, attachment or perfection of their respective Liens in any Collateral; or any terms, covenants or conditions of the Credit Agreement, the Term Loan B Agreement, or the Security Agreements, Debtor Relief Laws, the Uniform Commercial Code or any other applicable law.

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SECTION 3

ACCELERATION OF SECURED OBLIGATIONS

3.1 Exercise of Rights and Remedies. The Collateral Agent may exercise the rights and remedies provided in this Collateral Agent Agreement and in the Security Agreements. If Administrative Agent, the Term Loan B Administrative Agent, and Collateral Agent are not the same Person, Administrative Agent and/or the Term Loan B Administrative Agent (as the case may be) shall give the Collateral Agent notice of an Event of Default under their respective agreements.

3.2 General Authority of the Collateral Agent over the Collateral. Each Grantor hereby irrevocably constitutes and appoints the Collateral Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full power and authority in the name of such Grantor or in the Collateral Agent's own name, from time to time in the Collateral Agent's discretion, so long as an Event of Default has occurred and is continuing, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to carry out the terms of this Collateral Agent Agreement and the Security Agreements and accomplish the purposes hereof and thereof and, without limiting the generality of the foregoing, each Grantor hereby gives the Collateral Agent the power and rights on behalf of such Grantor given to the Administrative Agent, and the Term Loan B Administrative Agent under any Security Agreements.

3.3 Right to Initiate Judicial Proceedings. If an Event of Default has occurred and is continuing, the Collateral Agent (i) shall have the right and power to institute and maintain such suits and proceedings as it may deem appropriate and permitted under any Security Agreements to protect and enforce the rights vested in it by this Collateral Agent Agreement and each Security Agreement and (ii) may either after entry, or without entry, proceed by suit or suits at law or in equity to enforce such rights and to foreclose upon the Collateral and to sell all or, from time to time, any of the Collateral under the judgment or decree of a court of competent jurisdiction, all in accordance with the Security Agreements.

3.4 Right to Appoint a Receiver. If an Event of Default has occurred and is continuing, the Collateral Agent shall, to the extent permitted by law and in accordance with the Security Agreements, without notice to any Grantor or any party claiming through any Grantor, except as provided in the Security Agreements, without regard to the solvency or insolvency at the time of any Person then liable for the payment of any of the Obligations or the Term Loan B Obligations, without regard to the then value of the Collateral, and without requiring any bond from any complainant in such proceedings, be entitled as a matter of right to the appointment of a receiver or receivers (who may be the Collateral Agent) of the Collateral, or any part thereof, and of the rents, issues, tolls, profits, royalties, revenues and other income thereof, pending such proceedings, with such powers as the court making such appointment shall confer, and to the entry of an order directing that the rents, issues, tolls, profits, royalties, revenues and other income of the property constituting the whole or any part of the Collateral be segregated, sequestered and impounded for the benefit of the Collateral Agent, the Lenders and the Term Loan B Lenders, and each Grantor irrevocably consents to the appointments of such receiver or

receivers and to the entry of such order; provided that, notwithstanding the appointment of any

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receiver, the Collateral Agent shall be entitled to retain possession and control of all cash held by or deposited with it pursuant to this Collateral Agent Agreement or any Security Agreement.

3.5 Remedies Not Exclusive. (a) No remedy conferred upon or reserved to the Collateral Agent herein or to the Administrative Agent or the Term Loan B Administrative Agent in the Security Agreements is intended to be exclusive of any other remedy or remedies, but every such remedy shall be cumulative and shall be in addition to every other remedy conferred herein or in any Security Agreement or now or hereafter existing at law or in equity or by statute.

(b) No delay or omission by the Collateral Agent, any Lender or any Term Loan B Lender to exercise any right, remedy or power hereunder or under any Security Agreement shall impair any such right, remedy or power or shall be construed to be a waiver thereof, and every right, power and remedy given by this Collateral Agent Agreement or any Security Agreement to the Collateral Agent, the Lenders or the Term Loan B Lenders may be exercised from time to time and as often as may be deemed expedient by the Collateral Agent.

(c) If the Collateral Agent shall have proceeded to enforce any right, remedy or power under this Collateral Agent Agreement or any Security Agreement and the proceeding for the enforcement thereof shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Collateral Agent, then Grantors, the Collateral Agent, the Term Loan B Lenders and Lenders shall, subject to any determination in such proceeding, severally and respectively be restored to their former positions and rights hereunder or thereunder with respect to the Collateral and in all other respects, and thereafter all rights, remedies and powers of the Collateral Agent shall continue as though no such proceeding had been taken.

(d) All rights of action and of asserting claims upon or under this Collateral Agent Agreement and the Security Agreements may be enforced by the Collateral Agent without the possession of any Security Agreement or instrument evidencing any Obligations or Term Loan B Obligations or the production thereof at any trial or other proceeding relative thereto, and any suit or proceeding instituted by the Collateral Agent shall be brought in its name as Collateral Agent and any recovery of judgment shall be held as part of the Collateral on behalf of and for the ratable benefit of the Lenders and Term Loan B Lenders.

3.6 Waiver and Estoppel. (a) Each Grantor agrees, to the extent it may lawfully do so, that it will not at any time in any manner whatsoever claim or take the benefit or advantage of, any appraisal, valuation, stay, extension, moratorium, turnover or redemption law, or any law permitting it to direct the order in which the Collateral shall be sold, now or at any time hereafter in force, which may delay, prevent or otherwise affect the performance or enforcement of this Collateral Agent Agreement or any Security Agreement and hereby waives all benefit or advantage of all such laws and covenants that it will not hinder, delay or impede the execution of any power granted to the Collateral Agent in this Collateral Agent Agreement or any Security Agreement but will suffer and permit the execution of every such power as though no such law were in force.

(b) Each Grantor, to the extent it may lawfully do so, on behalf of itself and all who may claim through or under it, including without limitation any and all subsequent creditors, vendees, assignees and lienors, waives and releases all rights to demand or to have any

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marshalling of the Collateral upon any sale, whether made under any power of sale granted herein or in any Security Agreement or pursuant to judicial proceedings or upon any foreclosure or any enforcement of this Collateral Agent Agreement or any Security Agreement and consents and agrees that all the Collateral may at any such sale be offered and sold as an entirety.

(c) Each Grantor waives to the extent permitted by applicable law, presentment, demand, protest and any notice of any kind (except notices explicitly required hereunder or under any Security Agreement) in connection with this Collateral Agent Agreement and the Security Agreements and any action taken by the Collateral Agent with respect to the Collateral.

3.7 Limitation on Collateral Agent's Duty in Respect of Collateral. Beyond its duties as to the custody thereof expressly provided herein or in any Security Agreement and to account to the Lenders and Term Loan B Lenders for moneys and other property received by it hereunder or under any Security Agreement, the Collateral Agent shall not have any duty to any Grantor, the Term Loan B Lenders or to the Lenders as to any Collateral in its possession or control or in the possession or control of any of its agents or nominees, or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto.

3.8 Limitation by Law. All rights, remedies and powers provided herein may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions hereof are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this Collateral Agent Agreement or any Security Agreement invalid, unenforceable in whole or in part or not entitled to be recorded, registered or filed under the provisions of any applicable law.

SECTION 4

COLLATERAL ACCOUNT; DISTRIBUTIONS

4.1 The Collateral Account. Notwithstanding anything contained in the Credit Agreement or the Term Loan B Agreement, all mandatory prepayments (and any corresponding mandatory commitment reductions) required by Sections 2.04(b)(ii),(iii),(iv), (v), and(vi) and 2.05(b)(i), (ii), (iii), (iv), and (v) of each of the Credit Agreements and of the Term Loan B Agreement, shall be delivered to the Collateral Agent, for distribution in accordance with Section 4.4 hereof, and each of the Credit Agreements and the Term Loan B Agreement shall be amended to provide therefor. Furthermore, notwithstanding anything contained in any Security Agreement, each Security Agreement that requires moneys to be delivered to the Administrative Agent or the Term Loan B Administrative Agent shall be amended by this Collateral Agent Agreement to require that such moneys be delivered to the Collateral Agent. All moneys which are required by this Collateral Agent Agreement or any Security Agreement to be delivered to the Collateral Agent or which are received by the Collateral Agent or any agent or nominee of the Collateral Agent, the Administrative Agent, the Term Loan B Administrative Agent, or any Lender or Term Loan B Lender in respect of the Collateral shall be deposited in an account

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established at an office of the Collateral Agent (the "Collateral Account") and held by the Collateral Agent and applied in accordance with the terms of this Collateral Agent Agreement.

4.2 Control of Collateral Account. Subject to the terms of this Collateral Agent Agreement, all right, title and interest in and to the Collateral Account shall vest in the Collateral Agent and the Collateral Account shall be subject to the exclusive dominion and control of the Collateral Agent.

4.3 Investment of Funds Deposited in Collateral Account. The Collateral Agent shall use reasonable efforts to invest and reinvest moneys on deposit in the Collateral Account at any time in:

(i) marketable obligations of the United States having a maturity of not more than six months from the date of acquisition;

(ii) marketable obligations directly and fully guaranteed by the United States having a maturity of not more than one year from the date of acquisition;

(iii) bankers' acceptances and certificates of deposit and other interest-bearing obligations issued by the Collateral Agent or any bank organized under the Laws of the United States or any state thereof with capital, surplus and undivided profits aggregating at least \$100,000,000, in each case having a maturity of not more than six months from the date of acquisition;

(iv) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (i), (ii) and (iii) entered into with the Collateral Agent or any bank meeting the qualifications specified in clause (iii) above; and

(v) commercial paper rated at least A-1 or the equivalent thereof by Standard & Poor's Corporation or P-1 or the equivalent thereof by Moody's Investors Service, Inc. and maturing within three months after the date of acquisition.

All such investments and the interest and income received thereon and the net proceeds realized on the sale or redemption thereof shall be held in the Collateral Account as part of the Collateral. The Collateral Agent shall not be liable for any investment, for any failure to invest hereunder, or for any performance of any such investment or any loss or penalty resulting therefrom.

4.4 Application of Moneys. (a) The Collateral Agent shall have the right at any time to apply moneys held by it in the Collateral Account to the payment of due and unpaid fees and expenses owing to it hereunder. All remaining moneys held by the Collateral Agent in the Collateral Account or received by the Collateral Agent shall, to the extent available for distribution (it being understood that the Collateral Agent may liquidate investments prior to maturity

in order to make a distribution pursuant to this subsection 4.4), be distributed by the Collateral Agent on each Distribution Date in the following order of priority:

First: to the Collateral Agent for any unpaid expenses owing to it and then to the Administrative Agent, the Term Loan B Administrative Agent, any Term Loan B Lender

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and any Lender which has theretofore advanced or paid any such fees and expenses constituting administrative expenses allowable under Section 503(b) of the Bankruptcy Code of 1978, pro rata an amount equal to the amount thereof so advanced or paid by such Term Loan B Lender or Lender and for which such Term Loan B Lender or Lender has not been reimbursed prior to such Distribution Date;

Second: to any Term Loan B Lender and any Lender which has theretofore advanced or paid any expenses of the Collateral Agent other than such administrative expenses, pro rata an amount equal to the amount thereof so advanced or paid by such Term Loan B Lender or Lender and for which such Term Loan B Lender or Lender has not been reimbursed prior to such Distribution Date;

Third: to the Term Loan B Administrative Agent on behalf of the Term Loan B Lenders and to the Administrative Agent on behalf of Lenders, Pro Rata in an amount equal to the unpaid principal or face amount of the Obligations and Term Loan B Obligations, unpaid interest on and fees, charges, expenses or other amounts payable, if any, in respect of, the Obligations and Term Loan B Obligations, whether or not then due and owing, including without limitation the costs and expenses of the Term Loan B Lenders and Lenders and their representatives which are due and owing under the relative Security Agreements and which constitute the Obligations and Term Loan B Obligations as of the Distribution Date;

Fourth: to the Term Loan B Administrative Agent on behalf of the Term Loan B Lenders and to the Administrative Agent on behalf of Lenders, Pro Rata amounts equal to all other sums which constitute the Obligations and Term Loan B Obligations, and

Fifth: any surplus then remaining shall be paid to Grantors or their respective successors or assigns or to whomsoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

(b) The term "unpaid" as used in clause Third of subsection 4.4(a)

refers:

(i) in the absence of a bankruptcy proceeding with respect to any Grantor, to all amounts of the Obligations and the Term Loan B Obligations outstanding as of a Distribution Date, and

(ii) during the pendency of a bankruptcy proceeding with respect to any Grantor, to all amounts allowed by the bankruptcy court in respect of the Obligations and the Term Loan B Obligations as a basis for distribution (including estimated amounts, if any, allowed in respect of contingent claims), to the extent that prior distributions have not been made in respect thereof.

(c) The Collateral Agent shall make all payments and distributions under this subsection 4.4 on account of the Obligations to the Administrative Agent for redistribution in accordance with the provisions of the \$50,000,000 Credit Agreement and the \$200,000,00 Credit Agreement and on account of the Term Loan B Obligations to the Term Loan B Administrative Agent for redistribution in accordance with the provisions of the Term Loan B Agreement.

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4.5 Collateral Agent's Calculations. In making the determinations and allocations required by subsection 4.4, the Collateral Agent may rely upon information supplied by the Administrative Agent as to the amounts payable with respect to the Obligations and by Term Loan B Administrative Agent as to amounts payable with respect to the Term Loan B Obligations, and the Collateral Agent shall have no liability to any of the Lenders or Term Loan B Lenders for actions taken in reliance on such information. All distributions made by the Collateral Agent pursuant to subsection 4.4 shall be (subject to any decree of any court of competent jurisdiction) final, and the Collateral Agent shall have no duty to inquire as to the application by the Administrative Agent or the Term Loan B Administrative Agent of any amounts distributed to them.

AGREEMENTS WITH COLLATERAL AGENT

5.1 Delivery of Security Agreements. Each of the Administrative Agent and the Term Loan B Administrative Agent has delivered to the Collateral Agent true and complete copies of all Security Agreements as in effect on the date hereof. Each of the Administrative Agent and the Term Loan B Administrative Agent shall deliver to the Collateral Agent, promptly upon the execution thereof, a true and complete copy of all amendments, modifications or supplements to any Security Agreement entered into after the date hereof.

5.2 Certain Information. In the event Administrative Agent, the Term Loan B Administrative Agent, and the Collateral Agent are not the same Person, the Administrative Agent and/or the Term Loan B Administrative Agent, as the case may be, shall deliver to the Collateral Agent, between May 1 and May 15 and between November 1 and November 15 in each year, and from time to time upon request of the Collateral Agent, a list setting forth as of a date not more than 10 days prior to the date of such delivery, the aggregate unpaid principal and interest on the Obligations and the Term Loan B Obligations, as the case may be, outstanding and the name and address of the Administrative Agent and the name and address of each holder thereof. In addition, each of the Administrative Agent and the Term Loan B Administrative Agent will promptly notify the Collateral Agent of each of their respective changes in the identity.

5.3 Compensation and Expenses. The Borrower agrees to pay to the Collateral Agent, from time to time upon demand, all of the costs and expenses of the Collateral Agent (including, without limitation, the reasonable fees and disbursements of its counsel and such special counsel as the Collateral Agent elects to retain) which arise in addition to the fees, costs and expenses of Administrative Agent, the Term Loan B Administrative Agent, or any Lender under the Credit Agreement or any Term Loan B Lender under the Term Loan B Agreement, (A) arising in connection with the preparation, execution, delivery, modification, and termination of this Collateral Agent Agreement, the Credit Agreement, and Term Loan B Agreement and each Security Agreement or the enforcement of any of the provisions hereof or thereof, (B) incurred or required to be advanced in connection with the administration of the Collateral, the sale or other disposition of Collateral pursuant to any Security Agreement and the preservation,

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protection or defense of the Collateral Agent's rights under this Collateral Agent Agreement, the Credit Agreement, and Term Loan B Agreement and the Security Agreements and in and to the Collateral or (C) incurred by the Collateral Agent in connection with the resignation of the Collateral Agent pursuant to subsection 7.6. The obligations of Borrower under this subsection 5.3 shall survive the termination of the other provisions of this Collateral Agent Agreement.

5.4 Stamp and Other Similar Taxes. Borrower agrees to indemnify and hold harmless the Collateral Agent, the Administrative Agent, the Term Loan B Administrative Agent, each Lender and each Term Loan B Lender from any present or future claim for liability for any stamp or any other similar tax and any penalties or interest with respect thereto, which may be assessed, levied or collected by any jurisdiction in connection with this Collateral Agent Agreement, the Credit Agreement, any Security Agreement, or any Collateral, to the extent permitted by law. The obligations of each Borrower under this subsection 5.4 shall survive the termination of the other provisions of this Collateral Agent Agreement.

5.5 Filing Fees, Excise Taxes, Etc. Borrower agrees to pay or to reimburse the Collateral Agent for any and all payments made by the Collateral Agent in respect of all search, filing, recording and registration fees, taxes, excise taxes and other similar imposts which may be payable or determined to be payable in respect to the execution and delivery of this Collateral Agent Agreement and each Security Agreement. The obligations of Borrower under this subsection 5.5 shall survive the termination of the other provisions of this Collateral Agent Agreement.

5.6 Indemnification Borrower agrees to indemnify, and hold the Collateral Agent, Administrative Agent, the Term Loan B Administrative Agent, the Lenders and the Term Loan B Lenders harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including, without limitation, the reasonable fees and expenses of counsel) and disbursements of any kind or nature whatsoever which may at any time be imposed on, incurred by or asserted against them of any of their representatives, directors, officers, employees, or agents in any way relating to or arising out of any of this Collateral Agent Agreement, the Credit Agreement, Term Loan B Agreement, the Security Agreements or any documents contemplated by or referred to herein or therein (including in connection with or as a result of, in whole or in part, the negligence of any of the Collateral Agent, Administrative Agent, the Term Loan B Administrative Agent, the Lenders and the Term Loan B Lenders), any transaction related hereto or thereto, or any act, omission or transaction of any Grantor or any of their representatives, directors, officers, employees, or other agents, to the extent that any of the same results, directly or indirectly, from any claims made or actions, suits or

proceedings commenced by or on behalf of any person or entity, other than the Collateral Agent, Administrative Agent, the Term Loan B Administrative Agent, the Lenders or the Term Loan B Lenders. In any suit, proceeding or action brought by the Collateral Agent under or with respect to any contract, agreement, interest or obligation constituting part of the Collateral for any sum owing thereunder, or to enforce any provisions thereof, Borrower will save, indemnify and keep the Collateral Agent, Administrative Agent, the Term Loan B Administrative Agent, the Lenders and the Term Loan B Lenders or any of their representatives, directors, officers, employees or agents harmless from and against all expense, loss or damage suffered by reason of any defense, setoff, counterclaim, recoupment or reduction of liability whatsoever of the obligor thereunder (including in connection with or as a result of, in whole or in part, the negligence of

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any of the Collateral Agent, Administrative Agent, the Term Loan B Administrative Agent, the Lenders and the Term Loan B Lenders), arising out of a breach by any Grantor of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to or in favor of such obligor or its successors from such Grantor, and all such obligations of Grantors shall be and remain enforceable against and only against such Grantor and shall not be enforceable against the Collateral Agent, the Administrative Agent, the Term Loan B Administrative Agent, any Lender, any Term Loan B Lender, or any of their representatives, directors, officers, employees or agents. The agreements in this subsection 5.6 shall survive the payment of the Obligations, the Term Loan B Obligations and termination of the other provisions of this Collateral Agent Agreement. The Collateral Agent, Administrative Agent, the Term Loan B Administrative Agent, the Lenders or the Term Loan B Lenders shall not be so indemnified and held harmless for any losses or damages, which are finally determined by a court of competent jurisdiction, were caused by the indemnified party's willful misconduct or gross negligence.

5.7 Collateral Agent's Lien. Notwithstanding anything to the contrary in this Collateral Agent Agreement, as security for the payment of the expenses of the Collateral Agent hereunder (i) the Collateral Agent is hereby granted a first and prior Lien by each Grantor, the Lenders and the Term Loan B Lenders upon all Collateral and (ii) the Collateral Agent shall have the right to use and apply any of the funds held by the Collateral Agent in the Collateral Account to cover such expenses.

5.8 Further Assurances. At any time and from time to time, upon the request of the Collateral Agent, and at the expense of the Grantors, to the extent required under any Security Agreements, the Grantors will promptly execute and deliver any and all such further instruments and documents and take such further action as is necessary or reasonably requested further to perfect, or to protect the perfection of, the Liens and security interests granted under the Security Agreements, including, without limitation, the filing of any financing or continuation statements under the Uniform Commercial Code in effect in any such jurisdiction. Each Grantor also hereby authorizes the Collateral Agent to sign and to file any such financing or continuation statements without the signature of such Grantor to the extent permitted by applicable law.

5.9 Additional Collateral. To the extent required under any Security Agreements, each Grantor shall promptly notify the Collateral Agent of any new Collateral and shall forthwith pledge, mortgage and hypothecate its leasehold interest in and to such Collateral to the Collateral Agent pursuant to the terms and provisions of this Collateral Agent Agreement. It is expressly understood, however that in no event shall Term Loan B Administrative Agent or any Term Loan B Lender be entitled to a grant of a lien, security interest, pledge or other encumbrance in any Collateral in which the Collateral Agent is not granted a lien, security interest, pledge or other encumbrance that is pari passu with the Administrative Agent's or the Lenders' Lien.

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SECTION 6

POSSESSION AND USE OF COLLATERAL; PARTIAL RELEASES

6.1 Use of Collateral. The rights of the Grantors in and to the Collateral are set forth in the Credit Agreement, Term Loan B Agreement and the Security Agreements.

6.2 Releases. Releases and dispositions of Collateral (other than sales, releases and dispositions of Collateral which are permitted by the terms and provisions of the Credit Agreement, the Term Loan B Agreement and the Security Agreements) may be made by the Collateral Agent, only at the direction of the Determining Lenders. Sales, releases or other dispositions of Collateral which are permitted by the terms and provisions of the Credit Agreement, Term Loan B Agreement and the Security Agreements shall not require any written or oral authorization or consent of the Collateral Agent, Lenders or Term Loan B Lenders, and sales or other dispositions of Collateral which are pursuant to the exercise of remedies hereunder or under any Security Agreement shall not require any written or oral authorization or consent of the Lenders or Term Loan B

Lenders. It shall not be necessary for any Lender or Term Loan B Lender to sign such release. Such request shall be in writing, shall describe the property to be released in reasonable detail, and, shall state that such release is or will be in accordance with the Credit Agreement, the Term Loan B Agreement and the Security Agreements. The Collateral Agent shall send a copy of all releases to the Term Loan B Administrative Agent and the Administrative Agent.

SECTION 7

THE COLLATERAL AGENT

7.1 Appointment. Each Term Loan B Lender and each Lender irrevocably designates and appoints Bank of America, N.A. as the Collateral Agent of such Lender and such Term Loan B Lender under this Collateral Agent Agreement and the Security Agreements and each such Term Loan B Lender and each such Lender irrevocably authorizes Bank of America, N.A. as the Collateral Agent for such Lender and Term Loan B Lender, to take such action on such Lender's and such Term Loan B Lender's behalf under the provisions of this Collateral Agent Agreement and the Security Agreements and to exercise such powers and perform such duties as are expressly delegated to the Collateral Agent and/or the Administrative Agent, the Term Loan B Administrative Agent, the Lenders and the Term Loan B Lenders by the terms hereof and thereof, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary in this Collateral Agent Agreement and the Security Agreements, the Collateral Agent shall not have any duties or responsibilities, except those expressly set forth in this Collateral Agent Agreement and the Security Agreements, or any fiduciary relationship with any Lender or Term Loan B Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Collateral Agent Agreement and the Security Agreements or otherwise exist against the Collateral Agent. Furthermore, notwithstanding any provision to the contrary in this Collateral Agent Agreement or any Security Agreement, the Collateral Agent is not an agent of Borrower, the Grantors, any Lender, the

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Administrative Agent or any Term Loan B Lender, the Term Loan B Administrative Agent and shall have no liability to such parties for any of its acts or omissions under this Collateral Agent Agreement, or any of the Security Agreements or for creating, perfecting, preserving or continuing any lien, security interest or pledge on any of the Collateral.

7.2 Exculpatory Provisions. (a) The Collateral Agent shall not be responsible in any manner whatsoever for the correctness of any recitals, statements, representations or warranties herein, all of which are made solely by the Grantors or Borrower, as the case may be. The Collateral Agent makes no representations as to the value or condition of the Collateral or any part thereof, or as to the title of any Grantor thereto or as to the security afforded by this Collateral Agent Agreement or any Security Agreement, or as to the validity, execution, enforceability, legality or sufficiency of this Collateral Agent Agreement, the Security Agreements, the Obligations or the Term Loan B Obligations, and the Collateral Agent shall incur no liability or responsibility in respect of any such matters. The Collateral Agent shall not be responsible for insuring the Collateral or for the payment of taxes, charges or assessments or discharging of Liens upon the Collateral or otherwise as to the maintenance of the Collateral.

(b) The Collateral Agent shall not be required to ascertain or inquire as to the performance by any Grantor of any of the covenants or agreements contained herein or in any Security Agreement. Whenever it is necessary, or in the opinion of the Collateral Agent advisable, for the Collateral Agent to ascertain the amount of the Obligations or the Term Loan B Obligations, then held by the Lenders or Term Loan B Lenders, as the case may be, the Collateral Agent may rely on a certificate of Administrative Agent, in the case of the Obligations, or of the Term Loan B Administrative Agent, in the case of the Term Loan B Obligations and, if the Administrative Agent or the Term Loan B Administrative Agent shall not give such information to the Collateral Agent, they shall not be entitled to receive distributions hereunder (in which case distributions to those Persons who have supplied such information to the Collateral Agent shall be calculated by the Collateral Agent using, for those Persons who have not supplied such information, the list then most recently delivered by the Company pursuant to subsection 5.2).

(c) The Collateral Agent shall be under no obligation or duty to take any action under this Collateral Agent Agreement or any Security Agreement if taking such action (i) would subject the Collateral Agent to a tax in any jurisdiction where it is not then subject to a tax or (ii) would require the Collateral Agent to qualify to do business in any jurisdiction where it is not then so qualified, unless the Collateral Agent receives security or indemnity satisfactory to it against such tax (or equivalent liability), or any liability resulting from such qualification, in each case as results from the taking of such action under this Collateral Agent Agreement or any Security Agreement.

(d) Notwithstanding any other provision of this Collateral Agent Agreement, the Collateral Agent shall not be liable for any action taken or omitted to be taken by it in accordance with this Collateral Agent Agreement or the Security Agreements.

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(e) The Collateral Agent shall have the same rights with respect to any Obligation or Term Loan B Obligation held by it as any other Secured Party and may exercise such rights as though it were not the Collateral Agent hereunder, and may accept deposits from, lend money to, and generally engage in any kind of business with Grantors as if it were not the Collateral Agent.

7.3 Delegation of Duties. The Collateral Agent may execute any of the powers hereof and perform any duty hereunder either directly or by or through agents or attorneys-in-fact. The Collateral Agent shall be entitled to advice of counsel concerning all matters pertaining to such powers and duties. The Collateral Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it.

7.4 Reliance by Collateral Agent. (a) The Collateral Agent may consult with counsel, and any advice or statements of legal counsel (including, without limitation, counsel to the Grantors) shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder or under any Security Agreement in accordance therewith.

(b) The Collateral Agent may conclusively rely, and shall be fully protected in acting, upon any resolution, statement, certificate, instrument, opinion, report, notice, request, consent, order, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties or, in the case of cables, telecopies and telexes, to have been sent by the proper party or parties. The Collateral Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Collateral Agent and conforming to the requirements of this Collateral Agent Agreement.

(c) The Collateral Agent shall not be under any obligation to exercise any of the rights or powers vested in the Collateral Agent by this Collateral Agent Agreement and the Security Agreements, at the request or direction of the Administrative Agent, the Term Loan B Administrative Agent, the Lenders or Term Loan B Lenders pursuant to this Collateral Agent Agreement, or otherwise, unless the Collateral Agent shall have been provided security and indemnity to its satisfaction against the fees, costs, expenses and liabilities which may be incurred by it, including such reasonable advances as may be requested by the Collateral Agent.

7.5 Limitations on Duties of Collateral Agent. (a) The Collateral Agent shall be obligated to perform such duties and only such duties as are specifically set forth in this Collateral Agent Agreement and the Security Agreements, and no implied covenants or obligations shall be read into this Collateral Agent Agreement or any Security Agreement against the Collateral Agent. The Collateral Agent may exercise the rights and powers vested in it by this Collateral Agent Agreement and the Security Agreements, and shall not be liable with respect to any action taken by it, or omitted to be taken by it.

(b) The Collateral Agent shall not be under any obligation to take any action, which is discretionary with the Collateral Agent under the provisions hereto, or of any Security Agreement except upon the written request of the Determining Lenders.

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7.6 Resignation of the Collateral Agent. Should the Collateral Agent ever cease to be a Lender or a Term Loan B Lender, or should the Collateral Agent ever resign as the Collateral Agent, or should the Collateral Agent ever be removed with cause by unanimous action of all Lenders and Term Loan B Lenders (other than the Lender then acting as the Collateral Agent), then the Lender appointed by the other Lenders and Term Loan B Lenders shall forthwith become the Collateral Agent, and each Grantor and the Lenders and Term Loan B Lenders shall execute such documents as any Lender or Term Loan B Lender may reasonably request to reflect such change. Any resignation or removal of the Collateral Agent shall become effective upon the appointment by the Lenders and Term Loan B Lenders of a successor Collateral Agent; provided, however, that if the Lenders and Term Loan B Lenders fail for any reason to appoint a successor within 60 days after such removal or resignation, Collateral Agent shall thereafter have no obligation to act as Collateral Agent hereunder.

7.7 Status of Successor. Every successor Collateral Agent appointed pursuant to subsection 7.6 shall be a bank or trust company in good standing and having power to act as Collateral Agent hereunder, incorporated under the laws of the United States of America or any State thereof or the District of Columbia.

7.8 Merger of the Collateral Agent. Any corporation into which the

Collateral Agent may be merged, or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Collateral Agent shall be a party, shall be Collateral Agent under this Collateral Agent Agreement and the Security Agreements without the execution or filing of any paper or any further act on the part of the parties hereto.

7.9 Treatment of Payee or Endorsee by Collateral Agent; Representatives of Lenders and Term Loan B Lenders. The Collateral Agent may treat the registered holder or, if none, the payee or endorsee of any promissory note or debenture evidencing the Obligations or the Term Loan B Obligations as the absolute owner thereof for all purposes and shall not be affected by any notice to the contrary, whether such promissory note or debenture shall be past due or not.

7.10 Non-Reliance on Collateral Agent. Each of the Administrative Agent, the Term Loan B Administrative Agent, and each Lender and Term Loan B Lender expressly acknowledge that neither the Collateral Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates has made any representations or warranties to them and that no act by the Collateral Agent hereinafter taken, including any review of the affairs of the Borrower, shall be deemed to constitute any representation or warranty by the Collateral Agent to any Lender or Term Loan B Lender. Each Lender and Term Loan B Lender represents to the Collateral Agent that such Lender or Term Loan B Lender independently and without reliance upon the Collateral Agent, and based on such documents and information as they have deemed or will deem appropriate, has made and will make its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Borrower and has made and will make their own decision to extend credit to the Borrower. Each Lender and Term Loan B Lender also represent that they will, independently and without reliance upon the Collateral Agent, and based on such documents and information as they shall deem appropriate at the time continue to make their own creditor analysis, appraisals and decisions in taking or not taking action under the Collateral Agent Agreement, and to make such investigation as they deem necessary to inform themselves as to the business, operations,

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property, financial and other condition and creditworthiness of the Borrower. Except for notices, reports and other documents expressly required to be furnished to the Lenders and Term Loan B Lenders by the Collateral Agent hereunder, the Collateral Agent shall not have any duty or responsibility to provide any Lender or Term Loan B Lender with any credit or other information concerning the business, operations, property, financial and other condition or creditworthiness of the Borrower which may come into its possession or the possession of any of its officers, directors, employees, agents, attorneys-in-fact or affiliates. Each Lender and Term Loan B Lender acknowledge that the Collateral Agent and its affiliates may exercise all contractual and legal rights and remedies which may exist from time to time with respect to other existing and future relationships with Grantors without any duty to account therefor to such Lender or Term Loan B Lender.

7.11 Indemnification. Each of the Administrative Agent, the Term Loan B Administrative Agent, the Lenders and the Term Loan B Lenders agree to indemnify the Collateral Agent (in its capacity as such), without limiting the obligation of each Grantor to do so, ratably according to the respective principal amounts of the Obligations and Term Loan B Obligations held by the Lenders and Term Loan B Lenders at the date of any claim by the Collateral Agent for indemnity under this subsection, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including, without limitation, the reasonable fees and expenses of counsel) or disbursements of any kind whatsoever which may at any time be imposed on, incurred by or asserted against the Collateral Agent in any way relating to or arising out of this Collateral Agent Agreement, the Credit Agreement, Term Loan B Agreement, the Security Agreements, or any documents contemplated hereby or thereby or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by the Collateral Agent hereunder or thereunder or in connection therewith, including any negligence of the Collateral Agent, but excluding any acts or omissions of the Collateral Agent finally determined by a court of competent jurisdiction to as a result of the Collateral Agent's gross negligence or willful misconduct. The Lenders and Term Loan B Lenders agree to reimburse the Collateral Agent (to the extent not reimbursed by the Grantors), Pro Rata, promptly upon demand for any out-of-pocket expenses (including attorneys' fees) incurred by the Collateral Agent in connection with the preparation, execution, delivery, administration, modification, amendment, or enforcement (whether through legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Collateral Agent Agreement, the Credit Agreement, the Term Loan B Agreement, the Security Agreements, or any other documents contemplated hereby or thereby. The agreements in this subsection 7.11 shall survive the payment of the Obligations, the Term Loan B Obligations and the termination of the other provisions of this Collateral Agent Agreement.

PARI PASSU PROVISIONS

8.1 Agreement. Notwithstanding anything contained in the Term Loan B Agreement, the Credit Agreement or any Security Agreement to the contrary, the terms and provisions of this Section 8 shall control. The Term Loan B Lenders, the Term Loan B Administrative Agent, Grantors, the Lenders and Administrative Agent agree that any security interests, Liens, pledges

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of stock, or other encumbrances on behalf of and for the ratable benefit of the Term Loan B Lenders securing the Term Loan B Obligations, are and shall be subject to and pari passu with the security interests, Liens, pledges of stock or other encumbrances of the Administrative Agent on behalf of and for the ratable benefit of the Lenders securing payment of the Obligations. The Term Loan B Lenders, the Term Loan B Administrative Agent, Grantors, the Lenders and Administrative Agent agree that any and all of the Term Loan B Administrative Agent's rights and remedies with respect to the Collateral shall remain subject to and pari passu with the rights and remedies of the Administrative Agent with respect thereto. In the event that Grantors, the Administrative Agent, the Term Loan B Administrative Agent, any Lender, or any Term Loan B Lender at any time obtains possession of any of the Collateral, it shall promptly deliver such Collateral to the Collateral Agent, unless precluded by law or judicial order.

8.2 Authority of Collateral Agent. Grantors, each Lender, the Administrative Agent, the Term Loan B Administrative Agent, and each Term Loan B Lender agree as follows:

(a) Each of the Lenders, Term Loan B Lenders, the Administrative Agent, the Term Loan B Administrative Agent, and Borrower hereby irrevocably constitutes and appoints the Collateral Agent and any officer or agent thereof until such time as this Collateral Agent Agreement terminates pursuant to subsection 9.9, with full power of substitution, as its true and lawful attorney-in-fact with full power and authority in the name of each Grantor, such Lender, the Administrative Agent, the Term Loan B Administrative Agent, or such Term Loan B Lender or in the Collateral Agent's own name, from time to time in the Collateral Agent's discretion, to take any and all appropriate action permitted hereunder and under the Security Agreements and to execute any and all documents and instruments which may be necessary or desirable to carry out the terms of this Collateral Agent Agreement and the Security Agreements and accomplish the purposes hereof and thereof and, without limiting the generality of the foregoing, each of the Lenders, the Term Loan B Lenders, the Borrower, the Administrative Agent, and the Term Loan B Administrative Agent hereby gives the Collateral Agent the power and rights on behalf of each of the Lenders, the Administrative Agent, the Term Loan B Lenders and the Term Loan B Administrative Agent, without notice to or further assent of any of such parties to do the following:

(i) to ask for, demand, sue for, collect, receive and give acquittance for any and all moneys due or to become due upon, or in connection with, the Collateral;

(ii) to receive, take, endorse, assign and deliver any and all checks, notes, drafts, acceptances, documents and other negotiable and non-negotiable instruments taken or received by the Collateral Agent as, or in connection with, the Collateral;

(iii) to commence, prosecute, defend, settle, compromise or adjust any claim, suit, action or proceeding with respect to, or in connection with, the Collateral;

(iv) to sell, transfer, release, assign or otherwise deal in or with the Collateral or any part thereof as fully and effectively as if the Collateral Agent were the absolute owner thereof; and

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(v) to do, at its option, at any time or from time to time, all acts and things which the Collateral Agent deems necessary to protect or preserve the Collateral and to realize upon the Collateral.

Said attorney, the Collateral Agent, is hereby granted and given full power and authority to do and perform every act necessary and proper to be done in the exercise of any of the foregoing powers. Understanding that powers of attorney are strictly construed, each of the Term Loan B Lenders, Lenders, the Administrative Agent, the Term Loan B Administrative Agent, and Grantors declares that it is its expressed intention that this power of attorney shall be liberally construed to give the fullest effect to the powers granted herein.

(b) All distributions upon or with respect to the Term Loan B Obligations or the Obligations which are received by Grantors, any Lender, any Term Loan B Lender, the Administrative Agent, or the Term Loan B Administrative Agent on account of any security interests, liens, pledges of stock or other encumbrances contrary to the provisions of this Collateral Agent Agreement shall

be received in trust for the benefit of the Lenders and Term Loan B Lenders, shall be segregated from other funds and property held by the party receiving same, and shall be forthwith paid over to the Collateral Agent in the same form as so received (with any necessary endorsement) to be applied (in the case of cash) to or held as collateral (in the case of non-cash property or securities) for the payment or prepayment of the Obligations and Term Loan B Obligations in accordance with the terms of the Credit Agreement and Term Loan B Agreement.

8.3 No Commencement of Any Proceeding. Each of the Term Loan B Lenders, the Lenders, the Administrative Agent, and the Term Loan B Administrative Agent agrees that, so long as any of the Obligations and the Term Loan B Obligations shall remain unpaid, it will not exercise any right, power or remedy referred to in subsection 8.2(a) hereof with respect to the Collateral, without the consent of the Collateral Agent.

8.4 Obligations Hereunder Not Affected. All rights and interests of the Lenders, Term Loan B Lenders, the Administrative Agent, and the Term Loan B Administrative Agent hereunder, and all agreements and obligations of Grantors under this Collateral Agent Agreement, shall remain in full force and effect irrespective of:

(a) any lack of validity or enforceability of the Credit Agreement, this Collateral Agent Agreement, the Term Loan B Agreement, or the Security Agreements.

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations or Term Loan B Obligations, or any other amendment or waiver of or any consent to departure from the Credit Agreement, this Collateral Agent Agreement, the Term Loan B Agreement, or the Security Agreements.

(c) any exchange, release or non-perfection of any Collateral, or any release or amendment or waiver of or consent to departure from any guaranty, for all or any of the Obligations or Term Loan B Obligations.

(d) any other circumstance which might otherwise constitute a defense available to, or a discharge of, any Grantor in respect of the Obligations or Term Loan B Obligations or

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Grantors in respect of this Collateral Agent Agreement. This Collateral Agent Agreement shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Obligations or Term Loan B Obligations is rescinded or must otherwise be returned by the Collateral Agent upon the insolvency, bankruptcy or reorganization of any of the Grantors or otherwise, all as though such payment had not been made.

8.5 Waiver. The Lenders, Term Loan B Lenders, the Term Loan B Administrative Agent, Administrative Agent and Grantors each hereby waive promptness, diligence, notice of acceptance and any other notice with respect to any of the Obligations or the Term Loan B Obligations and this Collateral Agent Agreement and any requirement that the Collateral Agent protect, secure, perfect or insure any security interest or Lien or any property subject thereto or exhaust any right or take any action against Grantors or any other Person or entity or any Collateral.

SECTION 9

MISCELLANEOUS

9.1 Notices. Unless otherwise provided herein, all notices, requests, consents and demands shall be in writing and shall be personally delivered or mailed by certified mail, postage prepaid, to the respective addresses specified herein, or, as to any party, to such other address as may be designated by it in written notice to all other parties. All notices, requests, consents and demands hereunder will be effective when personally delivered or mailed by certified mail, postage prepaid, addressed as aforesaid.

9.2 No Waivers. No failure on the part of the Collateral Agent, the Administrative Agent, the Term Loan B Administrative Agent, any Term Loan B Lender or any Lender to exercise, no course of dealing with respect to, and no delay in exercising, any right, power or privilege under this Collateral Agent Agreement or any Security Agreement shall operate as a waiver thereof nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

9.3 Amendments, Supplements and Waivers. The provisions of this Collateral Agent Agreement may not be amended, modified or waived except by the written agreement of the Term Loan B Administrative Agent, Administrative Agent, and the Collateral Agent. The provisions of each Security Agreement may not be amended, modified or waived, except in accordance with the terms thereof and

with the written consent of the Collateral Agent. Any such supplemental agreements shall be binding upon each Grantor, the Administrative Agent, the Term Loan B Administrative Agent, the Lenders, the Collateral Agent, the Term Loan B Lenders, and their respective successors and assigns.

9.4 Headings. The headings of Sections and subsections have been included herein and in the Security Agreements for convenience only and should not be considered in interpreting this Collateral Agent Agreement or the Security Agreements.

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9.5 Severability. Any provision of this Collateral Agent Agreement, which is prohibited or unenforceable in any jurisdiction, shall not invalidate the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

9.6 Successors and Assigns. This Collateral Agent Agreement shall be binding upon and inure to the benefit of each of the parties hereto and shall inure to the benefit of each of the Lenders, the Term Loan B Lenders, the Administrative Agent, the Term Loan B Administrative Agent, and their respective successors and assigns, and nothing herein is intended or shall be construed to give any other Person any right, remedy or claim under, to or in respect of this Collateral Agent Agreement or any Collateral.

9.7 GOVERNING LAW. THIS COLLATERAL AGENT AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS. WITHOUT EXCLUDING ANY OTHER JURISDICTION, THE GRANTORS, LENDERS, ADMINISTRATIVE AGENT, COLLATERAL AGENT, THE TERM LOAN B ADMINISTRATIVE AGENT, TERM LOAN B LENDERS AND GRANTORS AGREE THAT THE COURTS OF TEXAS SHALL HAVE JURISDICTION OVER THE PROCEEDINGS IN CONNECTION WITH THIS COLLATERAL AGENT AGREEMENT.

9.8 Counterparts. This Collateral Agent Agreement may be signed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

9.9 Termination. Upon receipt by the Collateral Agent from the Administrative Agent and the Term Loan B Administrative Agent of a written direction to cause the Collateral Agent's interest in all of the Liens by the Security Agreements of the Lenders and Term Loan B Lenders to be released and discharged, this Collateral Agent Agreement shall terminate with respect to the Collateral Agent, Administrative Agent, the Term Loan B Administrative Agent, the Term Loan B Lenders, and Lenders; and the security interests of the Collateral Agent as secured party created by subsection 5.7 and by the Security Agreements shall be released; provided, that the provisions of subsections 5.3, 5.4, 5.5, 5.6 and 7.11 shall not be affected by any such termination.

9.10 Grantors Jointly and Severally Liable. All of the obligations of the Grantors under this Collateral Agent Agreement shall be deemed to be joint and several obligations of all of the Grantors.

9.11 Control. Notwithstanding anything contained herein which may be to the contrary, this agreement and the transactions contemplated hereby do not and will not constitute, create, or have the effect of constituting or creating, directly or indirectly, actual or practical ownership of the Grantors by the Lenders or the Term Loan B Lenders, or control, affirmative or negative, direct or indirect, by the Lenders or the Term Loan B Lenders, over the management, or any other aspect of the day-to-day operation of Grantors, which control remains in Grantors, its shareholders and boards of directors.

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9.12 ENTIRE AGREEMENT. THIS WRITTEN AGREEMENT AND THE OTHER DOCUMENTS REFERENCED HEREIN OR CONTEMPLATED HEREBY REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES HERETO. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.

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IN WITNESS WHEREOF, the parties hereto have caused this Collateral Agent Agreement to be duly executed by their respective authorized officers as of the day and year first written above.

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GRANTORS:

COLLATERAL AGENT:

BANK OF AMERICA, N.A.

By:
Title:

BORROWER:

GCI HOLDINGS, INC.

By:
Title:

GRANTORS:

GCI, INC.

By:
Its:

GCI COMMUNICATION CORP.

By:
Title:

GCI CABLE, INC.

By:
Title:

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GCI AMERICAN CABLESYSTEMS, INC.

By:
Title:

GCI CABLESYSTEMS OF ALASKA, INC.

By:
Title:

GCI FIBER COMMUNICATION CO., INC.

By:
Title:

ADMINISTRATIVE AGENT
AND LENDER:

BANK OF AMERICA, N.A.

By:
Title:

TERM LOAN B ADMINISTRATIVE AGENT:

BANK OF AMERICA, N.A.

By:
Title:

NINTH AMENDMENT

TO

\$200,000,000 AMENDED AND RESTATED CREDIT AGREEMENT

NINTH AMENDMENT TO \$200,000,000 AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment") is dated as of the 17th day of December, 2001 and entered into among GCI HOLDINGS, INC., an Alaskan corporation (herein, together with its successors and assigns, called the "Borrower"), the Lenders (as defined in the Credit Agreement as defined below), BANK OF AMERICA, N.A., as Administrative Agent for itself and the Lenders (the "Administrative Agent"), CREDIT LYONNAIS NEW YORK BRANCH, as Documentation Agent and TD SECURITIES (USA), INC. as Syndication Agent.

WITNESSETH:

WHEREAS, the Borrower, the Lenders and the Administrative Agent entered into a \$200,000,000 Amended and Restated Credit Agreement, dated November 14, 1997, as amended by that certain Consent and First Amendment, dated January 27, 1998, by that certain Second Amendment to Amended and Restated Credit Agreement dated as of July 3, 1998, by that certain Third Amendment to Amended and Restated Credit Agreement dated as of April 13, 1999, by that certain Fourth Amendment to Amended and Restated Credit Agreement dated as of January 18, 2000, by that certain Fifth Amendment to Amended and Restated Credit Agreement dated as of October 25, 2000, by that certain Sixth Amendment to Amended and Restated Credit Agreement dated as of March 23, 2001, by that certain Seventh Amendment to Amended and Restated Credit Agreement dated as of April 27, 2001, and by that certain Eighth Amendment to Amended and Restated Credit Agreement dated as of October 31, 2001 (as amended and as further amended, restated or otherwise modified from time to time, the "Credit Agreement") and a \$50,000,000 Amended and Restated Credit Agreement, dated as of November 14, 1997 (as amended by that certain Consent and First Amendment, dated January 27, 1998, by that certain Second Amendment to Amended and Restated Credit Agreement dated as of July 3, 1998, by that certain Third Amendment to Amended and Restated Credit Agreement dated as of April 13, 1999, by that certain Fourth Amendment to Amended and Restated Credit Agreement dated as of January 18, 2000, by that certain Fifth Amendment to Amended and Restated Credit Agreement dated as of October 25, 2000, by that certain Sixth Amendment to Amended and Restated Credit Agreement dated as of March 23, 2001, by that certain Seventh Amendment to Amended and Restated Credit Agreement dated as of April 27, 2001, and by that certain Eighth Amendment to Amended and Restated Credit Agreement dated as of October 31, 2001, and as further amended, restated or otherwise modified from time to time, the "\$50MM Credit Facility");

WHEREAS, the Borrower has requested certain provisions of the Credit Agreement be amended;

WHEREAS, the Lenders, the Administrative Agent and the Borrower have agreed to modify the Credit Agreement upon the terms and conditions set forth below;

NOW, THEREFORE, for valuable consideration hereby acknowledged, the Borrower, the Lenders and the Administrative Agent agree as follows:

SECTION 1. Definitions, Generally.

(a) Unless specifically defined or redefined below, capitalized terms used herein shall have the meanings ascribed thereto in the Credit Agreement.

(b) The definition of "Applicable Margin" in Article I is hereby deleted and the following definition of "Applicable Margin" is substituted in its stead:

"Applicable Margin" means (i) with respect to the Base Rate Advances under the Facility, 1.375% per annum and (ii) with respect to LIBOR Advances under the Facility, 2.500% per annum. Notwithstanding the foregoing, effective three Business Days after receipt by the Administrative Agent from the Borrower of a Compliance Certificate delivered to the Lenders for any reason and demonstrating a change in the Total Leverage Ratio to an amount so that another Applicable Margin should be applied pursuant to the table set forth below, the Applicable Margin for each type of Advance shall mean the respective amount set forth below opposite such relevant Total Leverage Ratio in Columns A and B below, in each case until the first succeeding Quarterly Date which is at least three Business Days after receipt by the Administrative Agent from the Borrower of a Compliance Certificate, demonstrating a change in the Total Leverage Ratio to an amount so that another Applicable Margin shall be applied; provided that, if there exists a Default or if the Total Leverage Ratio shall at any time be greater than or equal to 6.50 to 1.00, the Applicable Margin shall again be the respective amounts first set forth in this definition; provided further, that the Applicable Margin in effect on the Closing Date shall be determined pursuant to a Compliance Certificate delivered on the Closing Date, provided, further, that if the Borrower fails to

deliver any financial statements to the Administrative Agent within the required time periods set forth in Sections 6.05(a) and Section 6.05(b) hereof, the Applicable Margin shall again be the respective amounts first set forth in this definition until the date which is three Business Days after the Administrative Agent receives financial statements from the Borrower which demonstrate that another Applicable Margin should be applied pursuant to the table set forth below; and provided further, that the Applicable Margin shall never be a negative number.

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<TABLE>
<CAPTION>

Total Leverage Ratio	Column A Base Rate	Column B LIBOR
Greater than or equal to 6.50 to 1.00	1.375%	2.500%
Greater than or equal to 6.00 to 1.00 but less than 6.50 to 1.00	1.000%	2.125%
Greater than or equal to 5.50 to 1.00 but less than 6.00 to 1.00	0.750%	1.875%
Greater than or equal to 5.00 to 1.00 but less than 5.50 to 1.00	0.500%	1.625%
Greater than or equal to 4.50 to 1.00 but less than 5.00 to 1.00	0.250%	1.375%
Greater than or equal to 4.00 to 1.00 but less than 4.50 to 1.00	0.000%	1.250%
Less than 4.00 to 1.00	0.000%	1.000%

</TABLE>

Notwithstanding the foregoing, if (a) the Borrower acquires the assets of WCIC as contemplated by the terms of this Agreement and (b) the Borrower enters into the Term Loan B Agreement, then, on such date that both of the preceding (a) and (b) are satisfied, the Applicable Margin set forth above shall no longer be applicable, and the following definition of Applicable Margin shall apply, immediately, automatically and without notice to any Person:

"Applicable Margin" means (i) with respect to the Base Rate Advances under the Facility, 1.125% per annum and (ii) with respect to LIBOR Advances under the Facility, 2.250% per annum; provided that, notwithstanding the foregoing, if the interest rate margin for libor advances or base rate advances under the Term Loan B Agreement is more than 0.50% higher or lower than the corresponding interest rate margin set forth in clause (i) or clause (ii) preceding in this definition of "Applicable Margin", then the Applicable Margin hereunder shall mean a per annum percentage rate equal to (a) with respect to the Base Rate Advances under the Facility, that percentage rate which is 0.50% below the per annum applicable interest rate margin for base rate advances under the Term Loan B Agreement (however defined in such Term Loan B Agreement), and (b) with respect to the LIBOR Advances under the Facility, that percentage rate which is 0.50% below the per annum applicable interest rate margin for libor rate advances under the Term Loan B Agreement (however defined in such Term Loan B Agreement). If neither base rate advances or libor rate advances (or their equivalents) are offered under the Term Loan B Agreement, the parties hereto agree that the Applicable Margin hereunder shall be in each case 0.50% below the economic equivalent of the applicable interest rate margin provided for in the Term Loan B Agreement.

(c) The definition of "Intercreditor Agreement" is hereby added in alphabetical order to Article I of the Credit Agreement and shall read in its entirety as follows:

"Intercreditor Agreement" means that certain Intercreditor Agreement, in the form attached as Exhibit A, between the Borrower, Bank of America, N.A. as collateral agent thereunder and the Administrative Agent, evidencing the agreement between the Lenders hereunder and the lenders under the Term Loan B Agreement for the Collateral to secure the Obligations and the Term Loan B Obligations on a pari passu basis, as such agreement is amended, restated or otherwise modified from time to time.

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(d) The definition of "Lenders" in Article I is hereby deleted and the following definition of "Lenders" is substituted in its stead:

"Lenders" means the lenders listed on the signature pages of this Agreement, and each Eligible Assignee which hereafter becomes a party to this Agreement pursuant to Section 10.04 hereof or pursuant to an amendment to this Agreement, for so long as any such Person is owed any portion of the Obligation or is obligated to make Advances under the Revolving Loan, and, any Bank Affiliate who is owed any portion of

the Obligations.

(e) The definition of "Loan Papers" in Article I is hereby deleted and the following definition of "Loan Papers" is substituted in its stead:

"Loan Papers" means this Agreement; the Notes; Interest Rate Hedge Agreements executed among any GCI Entity and any Lender or Bank Affiliate; the Intercreditor Agreement, all Pledge Agreements; all Guaranties executed by any Person guaranteeing payment of any portion of the Obligations; all Fee Letters; each Assignment and Acceptance; all promissory notes evidencing any portion of the Obligations; assignments, security agreements and pledge agreements granting any interest in any of the Collateral; stock certificates and partnership agreements constituting part of the Collateral; mortgages, deeds of trust, financing statements, collateral assignments, and other documents and instruments granting an interest in any portion of the Collateral, or related to the perfection and/or the transfer thereof, all collateral assignments or other agreements granting a Lien on any intercompany note, including without limitation, the Intercompany Notes; and all other documents, instruments, agreements or certificates executed or delivered by the Borrower or any other GCI Entity, as security for the Borrower's obligations hereunder, in connection with the loans to the Borrower or otherwise; as each such document shall, with the consent of the Lenders pursuant to the terms hereof, be amended, revised, renewed, extended, substituted or replaced from time to time.

(f) The definition of "Ninth Amendment " is hereby added in alphabetical order to Article I and shall read in its entirety as follows:

"Ninth Amendment" means that certain Ninth Amendment to this \$200,000,000 Amended and Restated Credit Agreement, dated as of December 17, 2001, among the Borrower, the Administrative Agent and certain Lenders.

(g) The definition of "Term Loan B Agreement" is hereby added in alphabetical order to Article I and shall read in its entirety as follows:

"Term Loan B Agreement" means that certain senior secured term loan agreement entered into after the date hereof as a replacement and refinancing of a

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portion of indebtedness previously available under this Agreement, to be executed among the Borrower, Bank of America, N.A., as Administrative Agent and the lenders as defined therein, as such agreement may be amended, restated or otherwise modified from time to time.

(h) The definition of "Term Loan B Obligations" is hereby added in alphabetical order to Article I and shall read in its entirety as follows:

"Term Loan B Obligations" means, with respect to the Term Loan B Agreement and all of the Term Loan B Papers, all present and future obligations, indebtedness and liabilities, and all renewals and extensions of all or any part thereof, of the Borrower and each other GCI Entity to lenders and administrative agent under the Term Loan B Agreement arising from, by virtue of, or pursuant to the Term Loan B Agreement, any of the other Term Loan B Papers and any and all renewals and extensions thereof or any part thereof, or future amendments thereto, all interest accruing on all or any part thereof and reasonable attorneys' fees incurred by lenders and administrative agent thereunder for the administration, execution of waivers, amendments and consents, and in connection with any restructuring, workouts or in the enforcement or the collection of all or any part thereof, whether such obligations, indebtedness and liabilities are direct, indirect, fixed, contingent, joint, several or joint and several. Without limiting the generality of the foregoing, "Term Loan B Obligations" includes all amounts which would be owed by the Borrower, each other GCI Entity and any other Person (other than administrative agent or lenders thereunder) to the administrative agent or lenders thereunder under any Term Loan B Paper, but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving the Borrower, any other GCI Entity or any other Person (including all such amounts which would become due or would be secured but for the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding of the Borrower, any other GCI Entity or any other Person under any Debtor Relief Law).

(i) The definition of "Term Loan B Papers" is hereby added in alphabetical order to Article I and shall read in its entirety as follows:

"Term Loan B Papers" means "Loan Papers" as it will be defined

under the Term Loan B Agreement, including without limitation, the Term Loan B Agreement, the Intercreditor Agreement, all promissory notes, fee letters, pledge agreements, security agreements, mortgages, deeds of trust, assignments and other documentation executed in connection with the Term Loan B Agreement from time to time, all guarantees executed by any Person guaranteeing payment of any portion of the Term Loan B Obligations, each assignment and acceptance; as each

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such document shall be amended, revised, renewed, extended, substituted or replaced from time to time.

(j) The definition of "WCIC" is hereby added in alphabetical order to Article I and shall read in its entirety as follows:

"WCIC" means WCI Cable, Inc. and its Subsidiaries.

SECTION 2. Amendment to Opening Phrase of Section 2.04(b)(ii). The opening phrase of Section 2.04(b)(ii) in Article II of the Credit Agreement shall be amended and restated in its entirety as follows:

(ii) Asset Sales. On the date of any Asset Sale by any of the GCI Entities (this provision not permitting such Asset Sales) excluding Asset Sales permitted under Section 7.05(b) hereof,

SECTION 3. Amendment to Section 2.04(c). Section 2.04(c) in Article II of the Credit Agreement shall be amended and restated in its entirety as follows:

(c) Commitment Reductions, Generally. To the extent the sum of (i) the aggregate outstanding Advances under the Revolving Loan plus (ii) the sum of the aggregate face amount of all outstanding Letters of Credit plus, (iii) without duplication, all reimbursement obligations related to any draw on any Letter of Credit, exceed the Revolving Commitment after any reduction thereof, the Borrower shall immediately repay on the date of such reduction, any such excess amount and all accrued interest thereon, together with any amounts constituting any Consequential Loss. Once reduced or terminated pursuant to this Section 2.04, the Revolving Commitment may not be increased or reinstated. At such time as the Intercreditor Agreement becomes effective, each of the terms and provisions of Sections 2.04(b)(ii), (iii), (iv), (v), and (vi) shall be governed by the terms and provisions of the Intercreditor Agreement, and in the event of a conflict between this Section 2.04 and the Intercreditor Agreement, the terms and provisions of the Intercreditor Agreement shall control.

SECTION 4. Amendment to Section 2.05(b)(i). Section 2.05(b)(i) in Article II of the Credit Agreement shall be amended and restated in its entirety as follows:

(b) Mandatory Prepayments.

(i) Asset Sales. (A) Prior to the Conversion Date, on the date of any Asset Sale of any GCI Entity (except Asset Sales in accordance with the terms of Section 7.05(b) hereof), the Borrower shall repay the Obligations and the obligations under the Revolver/Term Credit

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Agreement by an amount equal to 100% of the Net Proceeds applied either pro rata to Advances outstanding under the Revolving Loan and the obligations as specified in the Revolver/Term Credit Agreement, and (B) after the Conversion Date, (I) if there exists no Default or Event of Default, on the date of any Asset Sale of any GCI Entity (except Asset Sales in accordance with the terms of Section 7.05(b) hereof), the Borrower shall repay the Obligations by an amount equal to 100% of the Net Proceeds, applied to Advances outstanding under the Revolving Loan, and (II) if there exists a Default or Event of Default, on the date of any Asset Sale of any GCI Entity, the Borrower shall repay the Obligations and the obligations under the Revolver/Term Credit Agreement by an amount equal to 100% of the Net Proceeds, applied either pro rata to Advances outstanding under the Revolving Loan and the obligations as specified under the Revolver/Term Credit Agreement. On such date, the Borrower shall deliver to the Administrative Agent a certificate of an Authorized Officer certifying as to the amount of (including the calculation of) such repayment and, with respect to the Asset Sale giving rise thereto, the gross proceeds thereof and the costs and expenses payable as a result thereof which were deducted in determining the amount of Net Proceeds.

SECTION 5. Amendment to Section 2.05(c). Section 2.05(c) in Article II of the Credit Agreement shall be amended and restated in its entirety as follows:

(c) Prepayments, Generally. No prepayments of Advances under the Revolving Loan made solely pursuant to this Section 2.05 shall cause the Commitment to be reduced. Any prepayment of Advances pursuant to this Section 2.05 shall be applied first to Base Rate Advances, if any, then outstanding under the Facility, second to LIBOR Advances for which the date of prepayment is the last day of the applicable Interest Period, if any, outstanding under the Facility and third to LIBOR Advances with the shortest remaining Interest Periods outstanding under the Facility. Any amounts repaying the Revolver/Term Loan on and after the Conversion Date will be applied in the inverse order of maturity and may not be reborrowed. At such time as the Intercreditor Agreement becomes effective, each of the terms and provisions of Sections 2.05(b)(i), (ii), (iii), (iv), and (v) shall be governed by the terms and provisions of the Intercreditor Agreement, and in the event of a conflict between this Section 2.05 and the Intercreditor Agreement, the terms and provisions of the Intercreditor Agreement shall control.

SECTION 6. Amendment to Section 2.12(d). Section 2.12(d) in Article II of the Credit Agreement shall be amended and restated in its entirety as follows:

(d) Except as specifically set forth in Sections 2.04 and 2.05 hereof, so long as there exists no Default or Event of Default all payments made by the Borrower shall be applied as designated by the Borrower, and, if there exists a Default or Event of Default, or if the Borrower fails to designate application of payments, all payments made by the Borrower shall be applied pro rata among the Revolving Loan and the obligations as specified in the Revolver/Term Credit

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Agreement. Any payment made by the Borrower in excess of the Revolving Commitment or outstanding Advances under the Revolving Loan, shall be applied to outstanding amounts (or to reduce the commitment) of any other outstanding Obligations. Notwithstanding the foregoing, if the Intercreditor Agreement is effective, all mandatory prepayments made by the Borrower and proceeds and dispositions of Collateral shall be applied in accordance with the terms of the Intercreditor Agreement, to the extent that the terms and provisions of the Intercreditor Agreement govern such application.

SECTION 7. Amendment to Section 7.01(e). Section 7.01(e) in Article II of the Credit Agreement shall be amended and restated in its entirety as follows:

(e) Fixed Charges Coverage Ratio. (i) Prior to the acquisition of the assets of WCIC in accordance with the terms of this Agreement,

Commencing January 1, 2003, and at all times thereafter during the term hereof, the Fixed Charges Coverage Ratio shall not be less during the following time periods than the ratio set forth opposite such time periods:

Time Period -----	Minimum Ratio -----
From January 1, 2003 through March 31, 2004	1.00 to 1.00
April 1, 2004 and thereafter	1.05 to 1.00, or

(ii) On and after the acquisition of the assets of WCIC in accordance with the terms of this Agreement,

Commencing April 1, 2004, and at all times thereafter during the term hereof, the Fixed Charges Coverage Ratio shall not be less during the following time periods than the ratio set forth opposite such time periods:

Time Period -----	Minimum Ratio -----
From April 1, 2004 through December 31, 2004	1.00 to 1.00
January 1, 2005 and thereafter	1.05 to 1.00

SECTION 8. Amendment to Section 7.01(f). Section 7.01(f) in Article II of the Credit Agreement shall be amended and restated in its entirety as follows:

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(f) Capital Expenditures. (i) Prior to the acquisition of the assets of WCIC in accordance with the terms of this Agreement,

Capital Expenditures (not including any Galaxy X Transponder

(as defined in the definition of Operating Cash Flow purchases) paid or incurred by the Borrower and the Restricted Subsidiaries shall not exceed, in the aggregate, the following amounts during the following fiscal years, provided that, any unused portion of any such year may be used during the following fiscal year only (but not thereafter):

Fiscal Year -----	Maximum Amount -----
1998	\$90,000,000
1999	\$35,000,000
2000	\$35,000,000
2001	\$70,000,000
2002	\$60,000,000
January 1, 2003 and thereafter	Not Applicable, or

(ii) On and after the acquisition of the assets of WCIC in accordance with the terms of this Agreement,

Capital Expenditures (not including any Galaxy X Transponder (as defined in the definition of Operating Cash Flow) purchases) paid or incurred by the Borrower and the Restricted Subsidiaries shall not exceed, in the aggregate, the following amounts during the following fiscal years, provided that, any unused portion of any such year may be used during the following fiscal year only (but not thereafter), provided that, in the fiscal year 2002 only, the Borrower may exclude the purchase price for the acquisition of WCIC's assets from the calculation of its Capital Expenditures, in an amount not to exceed \$65,000,000:

Fiscal Year -----	Maximum Amount -----
1998	\$90,000,000
1999	\$35,000,000
2000	\$35,000,000
2001	\$70,000,000
2002	\$65,000,000
2003	\$50,000,000
January 1, 2004 through March 31, 2004	\$15,000,000
April 1, 2004 and thereafter	Not Applicable

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SECTION 9. Amendment to Section 7.02. Section 7.02 in Article VII of the Credit Agreement shall be amended and restated in its entirety as follows:

7.02. Debt. The Borrower shall not, and shall not permit any of the other GCI Entities to, create, incur, assume, become or be liable in any manner in respect of, or suffer to exist, any Debt, except (a) Debt under the Loan Papers and the Revolver/Term Credit Agreement, (b) Debt under the Senior Notes and other Debt in existence on the date hereof as shown on Schedule 5.08a hereto, and renewals, extensions (but not increases), and refinancings thereof on terms substantially similar thereto and on terms no more restrictive, (c) trade payables incurred and paid in the ordinary course of business, (d) Debt permitted to be incurred as Contingent Liabilities pursuant to Section 7.03 hereof, (e) Debt between the Borrower and its Restricted Subsidiaries, (f) so long as there exists no Default or Event of Default in existence at the time incurred and none is caused thereby, (i) \$5,000,000 in Debt constituting Capital Leases outstanding in the aggregate at any one time, (ii) unsecured subordinated Debt of the Borrower on terms and conditions acceptable to the Administrative Agent and each Lender, subordinated to the Facility pursuant to the subordination language set forth on Schedule 7.02 hereto, (g) Debt under the Project Agreements, and (h) so long as (i) there exists no Default or Event of Default both before and after giving effect to its incurrence, (ii) the maturity of such Debt is later than the Maturity Date, (iii) the weighted average life of such Debt is longer than the weighted average life of the Revolving Loan, (iv) the Term Loan B Agreement contains representations and warranties, conditions precedent, affirmative covenants, negative covenants and events of default substantially similar to the representations and warranties, conditions precedent, affirmative covenants, negative covenants and Events of Default in this Agreement (and in no case may such terms be more restrictive than the terms of this Agreement) and (v) the Borrower has paid in immediately available funds an amendment fee to the Administrative Lender for the benefit of those Lenders that executed and delivered the Ninth Amendment to the Administrative Agent prior to noon (eastern time) on December 17, 2001, such amendment fee to be in an amount equal to 40 basis points on each such executing Lender's pro rata portion of the Revolving Commitment, the Borrower and the other GCI Entities may incur senior secured Debt under the Term Loan B Agreement, and the Term Loan B Obligations, in a maximum principal amount not to exceed the lesser of (A) \$65,000,000, or (B) the gross

cash purchase price paid by the Borrower for the acquisition of the assets of WCIC.

SECTION 10. Amendment to Section 7.04. Section 7.04 in Article VII of the Credit Agreement shall be amended and restated in its entirety as follows:

7.04. Liens. Borrower shall not, and shall not permit any of the other GCI Entities to, create or suffer to exist any Lien upon any of its Properties,

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except Permitted Liens and Liens securing Debt permitted under Section 7.02(f) (i) and, on a pari passu basis pursuant to the Intercreditor Agreement, Liens securing Term Loan B Obligations permitted to be incurred under Section 7.02(h) hereof. It is specifically acknowledged and agreed that the Borrower shall not, and shall not permit any of the other GCI Entities to, hereafter agree with any Person (other than Administrative Agent) not to grant a Lien on any of its assets, except as specifically provided in the Indenture on the Closing Date and except as provided in the Term Loan B Agreement and the Term Loan B Papers.

SECTION 11. Amendment to Section 7.05. Section 7.05 in Article VII of the Credit Agreement shall be amended and restated in its entirety as follows:

7.05. Dispositions of Assets. The Borrower shall not, and shall not permit any of the other GCI Entities to, sell, lease, assign, or otherwise dispose of any assets of the Borrower or any Restricted Subsidiary, or otherwise consummate any Asset Sale, except (a) Permitted Dispositions and sales or dispositions of assets in the ordinary course of business, including dispositions of obsolete or useless assets, (b) so long as there exists no Default or Event of Default both before and after giving effect to such disposition, any sale of any portion of the assets acquired by the Borrower from WCIC described on Schedule 7.05 hereto, so long as such sales do not generate, in the aggregate, gross proceeds in excess of \$10,000,000 and (c) so long as there exists no Default or Event of Default both before and after giving effect to such disposition, Asset Sales in an aggregate amount over the term of this Agreement not to exceed \$10,000,000 (or \$20,000,000 if before and immediately after giving effect to any Asset Sale, the Total Leverage Ratio is equal to or less than 4.50 to 1.00), so long as any amounts received from Asset Sales (except those Asset Sales permitted by Sections 7.05(a) and (b) above) in the aggregate over \$10,000,000 in any fiscal year of the Borrower and its Restricted Subsidiaries (or \$20,000,000 if before and immediately after giving effect to any Asset Sale, the Total Leverage Ratio is equal to or less than 4.50 to 1.00) are immediately used to reduce the Revolving Commitment, and the Revolver/Term Commitment, in accordance with Section 2.04 hereof, and repay the outstanding Obligations in accordance with the terms of Section 2.05 hereof, as applicable.

SECTION 12. Amendment to Section 7.06. Section 7.06 in Article VII of the Credit Agreement shall be amended by deleting the "and" after subsection (e), adding "and" after subsection (f), and adding subsection (g) which shall read as follows:

(g) Restricted Payments to pay scheduled interest and principal on Term Loan B Obligations under the Term Loan B Agreement, and costs, fees and expenses and other Term Loan B Obligations payable under the Term Loan B Agreement and the other Term Loan B Papers.

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SECTION 13. Amendment to Section 7.10(j) and Addition of New Section 7.10(k). Section 7.10(j) in Article VII of the Credit Agreement shall be amended and restated in its entirety as follows, and a new Section 7.10(k) shall be added to the end of Section 7.10 of the Credit Agreement as follows:

(j) INTENTIONALLY DELETED.

(k) so long as

(A) there is no Default or Event of Default both before and after giving effect to such Investment or acquisition,

(B) all assets owned by WCIC and each of its Subsidiaries are immediately upon acquisition thereof pledged and collaterally assigned to secure the Obligations (on a pari passu basis with the Debt evidenced by the Term Loan B Agreement pursuant to the Intercreditor Agreement) pursuant to a security agreement and/or collateral assignment in form substantially similar to those security agreements executed

previously by the GCI Entities and Administrative Agent receives all other items reasonably requested by the Administrative Agent to secure the Obligations,

(C) the aggregate purchase price for such assets is paid in cash and/or equity, or any combination thereof, and does not exceed \$65,000,000, on terms and conditions acceptable to the Administrative Agent and which such terms do not violate the terms of Section 7.19 hereof or any other provision of this Agreement and the other Loan Papers,

(D) the Administrative Agent has received all other documentation, information and agreements relating to WCIC and its Subsidiaries, as is reasonably requested by the Administrative Agent, including without limitation, an Intercreditor Agreement,

(E) the Administrative Agent has received projections after giving effect to the purchase of the assets of WCIC demonstrating pro forma compliance with the financial covenants contained in this Agreement throughout the term of this Agreement,

(F) the assets of WCIC are acquired free and clear of all Liens (except Permitted Liens, Liens of the Lenders securing the Obligations and Liens securing the Term Loan B Obligations under the Term Loan B Agreement on a pari passu basis), and

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(G) the Borrower shall have delivered to the Administrative Agent and Lenders legal opinions from counsel to the Borrower and its Restricted Subsidiaries regarding the acquisition (in the form delivered in connection with the acquisition), and such other matters as reasonably requested by Special Counsel, including, without limitation, opinions regarding the Indenture and AUSB Credit Agreement, and the related agreements, the Borrower may purchase the assets of WCIC and its Subsidiaries.

SECTION 14. Amendment to Section 7.18. Section 7.18 in Article VII of the Credit Agreement shall be amended and restated in its entirety as follows:

7.18. Amendments to Material Agreements. The Borrower shall not, nor shall the Borrower permit any other GCI Entity to, amend or change any Project Agreement or any AUSB Financing Agreement in any manner that is material and adverse to the interests of the Lenders except with the prior written consent of Majority Lenders, or amend or change any Loan Paper other than with the prior written consent of the Lenders pursuant to Section 10.01 hereof, nor shall the Borrower or any other GCI Entity change or amend (or take any action or fail to take any action the result of which is an effective amendment or change) or accept any waiver or consent with respect to (a) any Non-Compete Agreement, (b) that certain Transponder Purchase Agreement for Galaxy X, dated August 24, 1995, among the Borrower and Hughes Communications Galaxy, Inc., now held by PanAmSat Corp., as assignee, (c) that certain Transponder Service Agreement, dated August 24, 1995, among General Communication Corp. and Hughes Communications Satellite Services, Inc., now held by PanAmSat Corp., as assignee, (d) the Senior Notes and all documentation and agreements relating to the Senior Notes, other than changes that result in a decrease in interest rate, extension of maturity, or deletion of covenants or obligations to repay, and changes anticipated by Section 9.01(1) of the Indenture, (e) the Prime Management Agreement, (f) all documentation related to any Funded Debt of any GCI Entity, and (g) the Term Loan B Agreement or any of the Term Loan B Papers, except, in the case of this subsection (g), amendments, modifications, consents, waivers and changes to immaterial provisions, or amendments, modifications, consents, waivers and changes which are in form and substance similar to any amendments, modifications, consents, waivers and changes to this Agreement or the other Loan Papers.

SECTION 15. Amendment to Section 7.19. Section 7.19 in Article VII of the Credit Agreement shall be amended and restated in its entirety as follows:

7.19 Limitation on Restrictive Agreements. The Borrower shall not, and shall not permit the Parents or any Restricted Subsidiary to, other than in connection with the Term Loan B Agreement, the Term Loan B Papers, the

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Senior Notes, the Revolver/Term Credit Agreement, the AUSB Financing Agreements or the Project Agreements, enter into any indenture,

agreement, instrument, financing document or other arrangement which, directly or indirectly, prohibits or restrains, or has the effect of prohibiting or restraining, or imposes materially adverse conditions upon: (a) the incurrence of Debt, (b) the granting of Liens (except for provisions contained in Capital Leases of property that are permitted hereunder that limit Liens only on the specific property subject to the Capital Lease, except for Liens in favor of the Administrative Agent and the Lenders), (c) the making or granting of Guarantees, (d) the payment of dividends or Distributions, (e) the purchase, redemption or retirement of any Capital Stock, (f) the making of loans or advances, (g) transfers or sales of property or assets (including Capital Stock) by the Parents, the Borrower or any of the Restricted Subsidiaries, (h) the making of Investments or acquisitions, or (i) any change of control or management

SECTION 16. Amendment to Section 8.01. Section 8.01 in Article VIII of the Credit Agreement shall be amended by deleting the "or" after subsection (w), adding "or" after subsection (y) and adding subsection (z) which shall read as follows:

(z) an Event of Default shall have occurred under the Term Loan B Agreement.

SECTION 17. Addition of Schedule 7.05. Schedule 7.05 attached to this Ninth Amendment shall be added to Schedules to the Credit Agreement in numerical order as Schedule 7.05.

SECTION 18. Conditions Precedent. This Amendment shall not be effective until the Administrative Agent shall have determined in its sole discretion that all proceedings of the Borrower taken in connection with this Amendment and the transactions contemplated hereby shall be satisfactory in form and substance to the Administrative Agent and the Borrower has satisfied the following conditions:

(a) the Borrower shall have delivered to the Administrative Agent a loan certificate of the Borrower certifying (i) as to the accuracy of its representations and warranties set forth in Article V of the Credit Agreement, as amended by this Amendment and the other Loan Papers, (ii) that there exists no Default or Event of Default, and the execution, delivery and performance of this Amendment will not cause a Default or Event of Default, except those Defaults and Events of Default specifically waived hereby, (iii) as to resolutions authorizing the Borrower to execute, deliver and perform this Amendment and all Loan Papers and to execute and perform all transactions contemplated by this Amendment, and all other documents and instruments delivered or executed in connection with this Amendment, (iv) that it has complied with all agreements and conditions to be complied with by it under the Credit Agreement, the other Loan Papers and this Amendment by the date hereof and (v) that it has received

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all consents, amendments and waivers from all Persons necessary or required, if any, to (A) enter into this Amendment or (B) effectuate the amendments set forth above, including, without limitation, under the Indenture and related documentation and under the AUSP Credit Agreement and related documentation;

(b) the Administrative Agent shall have received an opinion of counsel to the Parents, the Borrower and its Subsidiaries, in form and substance acceptable to the Administrative Agent and Special Counsel, including without limitation, an opinion as to no conflict with the transactions contemplated herein under the Indenture and the AUSP Credit Agreement;

(c) the Borrower and the Lenders shall have entered into a Ninth Amendment to the \$50MM Credit Facility on terms substantially identical to the terms of this Amendment;

(d) the Borrower shall have paid the Administrative Agent a ten basis points amendment fee, such amendment fee to be allocated among the Lenders executing this Amendment prior to noon (eastern time), December 17, 2001, as evidenced by a facsimile receipt by counsel to the Administrative Agent of such Lender's signature to this Amendment prior to such time;

(e) the Administrative Agent shall have received each of the Loan Papers, financial statements, projections, legal opinions, consents, and other documentation, as reasonably requested by the Administrative Agent, and the Administrative Agent shall have received "No Default Certificates" executed by the Borrower and its Restricted Subsidiaries; and

(f) the Borrower shall have delivered such other documents, instruments, and certificates, in form and substance satisfactory to

the Administrative Agent, as the Administrative Agent shall deem necessary or appropriate in connection with this Amendment and the transactions contemplated hereby.

SECTION 19. Representations and Warranties. The Borrower represents and warrants to the Lenders and the Administrative Agent that (a) this Amendment constitutes its legal, valid, and binding obligation, enforceable in accordance with the terms hereof (subject as to enforcement of remedies to any applicable bankruptcy, reorganization, moratorium, or other laws or principles of equity affecting the enforcement of creditors' rights generally), (b) there exists no Default or Event of Default under the Credit Agreement, (c) its representations and warranties set forth in the Credit Agreement and other Loan Papers are true and correct on the date hereof, (d) it has complied with all agreements and conditions to be complied with by it under the Credit Agreement and the other Loan Papers by the date hereof, and (e) the Credit Agreement, as amended hereby, and the other Loan Papers remain in full force and effect.

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SECTION 20. Entire Agreement; Ratification. THE CREDIT AGREEMENT AND THE LOAN PAPERS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENT OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES. EXCEPT AS MODIFIED OR SUPPLEMENTED HEREBY, THE CREDIT AGREEMENT, THE OTHER LOAN PAPERS AND ALL OTHER DOCUMENTS AND AGREEMENTS EXECUTED IN CONNECTION THEREWITH SHALL CONTINUE IN FULL FORCE AND EFFECT.

SECTION 21. Counterparts. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument. In making proof hereof, it shall not be necessary to produce or account for any counterpart other than one signed by the party against which enforcement is sought.

SECTION 22. GOVERNING LAW. THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF TEXAS, BUT GIVING EFFECT TO FEDERAL LAWS.

SECTION 23. CONSENT TO JURISDICTION. THE BORROWER HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR TEXAS STATE COURT SITTING IN DALLAS IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN PAPERS AND THE BORROWER IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE ADMINISTRATIVE AGENT OR ANY LENDER TO BRING PROCEEDINGS AGAINST THE BORROWER IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY THE BORROWER AGAINST THE ADMINISTRATIVE AGENT OR ANY LENDER OR ANY AFFILIATE OF THE ADMINISTRATIVE AGENT OR ANY LENDER INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN PAPER SHALL BE BROUGHT ONLY IN A COURT IN DALLAS, TEXAS.

SECTION 24. WAIVER OF JURY TRIAL. THE BORROWER, THE ADMINISTRATIVE AGENT AND EACH LENDER HEREBY WAIVES TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR

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OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN PAPER OR THE RELATIONSHIP ESTABLISHED THEREUNDER.

SECTION 25. Intercreditor Agreement. The undersigned Lenders hereby approve of the Intercreditor Agreement in the form attached hereto as Exhibit A and consent to the execution and delivery by the Administrative Agent on their behalf of the Intercreditor Agreement in substantially the same form and substance as the Intercreditor Agreement attached hereto as Exhibit A.

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Schedule 7.05

Description of WCIC Assets To Be Sold

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Exhibit A to Ninth Amendment
Form of Intercreditor Agreement

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IN WITNESS WHEREOF, this Ninth Amendment to Amended and Restated Credit Agreement is executed as of the date first set forth above.

GCI HOLDINGS, INC.

By: /s/ John M. Lowber
Its: Secretary/Treasurer

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BANK OF AMERICA, N.A., Individually as a
Lender and as Administrative Agent

By: /s/ Derrick C. Bell
Its: Principal

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CREDIT LYONNAIS NEW YORK BRANCH, as
Documentation Agent and Individually as a
Lender

By: /s/ Jeremy Horn
Its:

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TD SECURITIES (USA), INC., as Syndication
Agent

By: /s/ Michael J. Bandzierz
Its: Managing Director

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TORONTO DOMINION (TEXAS), INC., Individually
as a Lender

By: /s/ Michael J. Bandzierz
Its: Managing Director

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COBANK, ACB, Individually as a Lender

By:
Its:

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GENERAL ELECTRIC CAPITAL CORPORATION,
Individually as a Lender

By: /s/ Karl Keiffer
Its: Duly Authorized Signatory

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UNION BANK OF CALIFORNIA, N.A., Individually
as a Lender

By: /s/ Stender E. Sweeney II
Its: Vice President

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BANK OF HAWAII, Individually as a Lender

By: /s/ J. Bryan Searce
Its: Vice President

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THE BANK OF NEW YORK, Individually as a
Lender

By:
Its:

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BNP PARIBAS, Individually as a Lender

By: /s/ Gregg Bonardi
Its: Director, Media & Telecom Finance

By: /s/ Ben Todres
Its: Director, Media & Telecom Finance

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FLEET NATIONAL BANK, Individually as a Lender

By:
Its:

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THE FUJI BANK, LIMITED, Individually as a
Lender

By: /s/ Masahito Fukuda
Its: Senior Vice President

SUMITOMO MITSUI BANKING CORPORATION,
Individually as a Lender

By:
Its:

WELLS FARGO BANK ALASKA, N.A. f/k/a NATIONAL
BANK OF ALASKA, Individually as a Lender

By: /s/ Brent Ulmer
Its: Vice President

ALLFIRST BANK, Individually as a Lender

By: /s/ Michael G. Toomey
Its: Vice President

Schedule 7.05

Description of WCIC Assets To Be Sold
Ninth Amendment
Schedule 7.05
WCI Cable, Inc. Real Estate

At the time that WCI Cable, Inc. filed for protection under the Bankruptcy Code, it owned two pieces of real estate. Descriptions of the real estate is as follows:

WCI Headquarters Complex

Purpose: WCI's Administrative Office Building/Collocation Facility
Physical Address: 19720 NW Tanasborne Drive, Hillsboro, Oregon
Size: 47,923 rentable sf

Notes:

- Facility built for purpose
- Constructed: 1997-1998
- Network requires continued use of collocation facility
- No pending requirement for administrative office space
- Property appears difficult to sub-divide into two separate facilities
- GCI option to rent administrative office space or to sell facility and lease back the collocation space on a long term basis
- Outstanding Keybank secured debt: \$6.2M
- Current market value of facility: \$6-7M

South Anchorage NOCC Facility

Purpose: Alaska Fiberstar NOCC and Collocation Space
Physical Address: Diamond D Circle, Anchorage, Alaska
Size: Estimated 12,000 usable sf (gj)

Notes:

- Facility built for purpose
- Constructed 1998
- Network requires temporary use of collocation facility
- Office space is poorly laid out for administrative use
- Facility may appeal for a contractor
- GCI option to rent administrative office space or to sell facility with a short term (less than one year) lease back of the collocation space.
- Outstanding Keybank secured debt: \$2.5M
- Current market value of facility: \$2.5-\$3.2M (gj)

Exhibit A to Ninth Amendment

Form of Intercreditor Agreement
FORM OF COLLATERAL AGENT AND INTERCREDITOR AGREEMENT

THIS COLLATERAL AGENT AND INTERCREDITOR AGREEMENT (as the same may from time to time be amended, restated, supplemented or otherwise modified, the "Collateral Agent Agreement") dated _____ is made by GCI HOLDINGS, INC., an Alaskan corporation ("Borrower"), GRANTORS signatory hereto, BANK OF AMERICA, N.A., as Collateral Agent (the "Collateral Agent"), BANK OF AMERICA, N.A, as Administrative Agent (in such capacity, the "Administrative Agent") for itself and certain other lenders (collectively, the "Lenders") under both the \$200,000,000 Credit Agreement (as hereinafter defined) and the \$50,000,000 Credit Agreement (as hereinafter defined), LENDERS party hereto, BANK OF AMERICA, N.A, as Administrative Agent (the "Term Loan B Administrative Agent") for itself and certain other lenders (collectively, the "Term Loan B Lenders") under the Term Loan B Agreement (as hereinafter defined) and the TERM LOAN B LENDERS party hereto.

W I T N E S S E T H :

WHEREAS, the Borrower is a party to two Amended and Restated Credit Agreements dated as of December 14, 1997, with the Lenders and the Administrative Agent, one which provides for a revolving credit facility in the amount of \$200,000,000 (as the same may from time to time be amended, restated, supplemented or otherwise modified, the "\$200,000,000 Credit Agreement") and one that provides for a term loan facility in the amount of \$50,000,000 (as the same may from time to time be amended, restated, supplemented or otherwise modified, the "\$50,000,000 Credit Agreement"; the \$200,000,000 Credit Agreement and the \$50,000,000 Credit Agreement are herein collectively referred to as the "Credit Agreement");

WHEREAS, the Borrower is a party to the Term Loan Agreement dated as of the date hereof (as the same may from time to time be amended, restated, supplemented or otherwise modified, the "Term Loan B Agreement") with Borrower, Bank of America, N.A. (in such capacity, the "Term Loan B Administrative Agent") and the Term Loan B Lenders pursuant to which the Term Loan B Lenders have agreed to make the Borrower a term loan in an aggregate principal amount not to exceed \$65,000,000;

WHEREAS, it is the agreement of the parties that the rights of payment and liens and security interests of the Term Loan B Lenders in the Collateral (as hereinafter defined) are subject to and pari passu with the rights of the Lenders; and the rights of payment and liens and security interests of the Lenders in the Collateral are subject to and pari passu with the rights of the Term Loan B Lenders

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WHEREAS, it is a requirement of the Credit Agreement and the Term Loan B Agreement that upon the execution of the Term Loan B Agreement, the Grantors (hereinafter defined), the Administrative Agent, the Lenders, the Term Loan B Administrative Agent, the Term Loan B Lenders and Borrower execute and deliver to the Collateral Agent, for the benefit of the Lenders and Term Loan B Lenders this Collateral Agent Agreement in order to further define the rights and obligations of the parties hereto;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Grantors, Administrative Agent, the Lenders, the Term Loan B Administrative Agent, and the Term Loan B Lenders agree with the Collateral Agent as follows:

SECTION 1

DEFINED TERMS

As used in this Collateral Agent Agreement, capitalized terms shall have the meanings set forth in the Credit Agreement. In addition the following terms shall have the meanings set forth below:

"Collateral" shall mean, collectively, all of the property in which the Lenders or Term Loan B Lenders have a Lien pursuant to the Security Agreements.

"Determining Lenders" shall mean any combination of the Lenders and Term Loan B Lenders having at least 66-23% of the aggregate amount of the Obligations and Term Loan B Obligations outstanding.

"Distribution Date" shall mean each date established by the Collateral Agent as a date for the distribution of amounts on deposit in the Collateral Account, as defined in subsection 4.1.

"Event of Default" shall mean the occurrence of an Event of Default as that term is defined in both the Credit Agreement and the Term Loan B Agreement.

"Grantor" shall mean each GCI Entity and any Person party to any Loan Paper or Term Loan B Paper that grants a Lien on any Collateral.

"Loan Papers" means the Notes; Interest Rate Hedge Agreements executed among any GCI Entity and any Lender or Bank Affiliate; this Collateral Agent Agreement, all Pledge Agreements; all Guaranties executed by any Person guaranteeing payment of any portion of the Obligations; all Fee Letters; each Assignment and Acceptance; all promissory notes evidencing any portion of the Obligations; assignments, security agreements and pledge agreements granting any interest in any of the Collateral; stock certificates and partnership agreements constituting part of the Collateral; mortgages, deeds of trust, financing statements, collateral assignments, and other documents and instruments granting an interest in any portion of the Collateral, or related to the perfection and/or the transfer thereof, all collateral assignments or other agreements granting a Lien on any intercompany note; and all other documents, instruments, agreements or

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certificates executed or delivered by the Grantors or any other GCI Entity, as security for Grantors' obligations under the Credit Agreement and the Loan Papers, in connection with the loans to the Borrower or otherwise; as each such document shall, with the consent of the Lenders pursuant to the terms of the Credit Agreement, be amended, revised, renewed, extended, substituted or replaced from time to time.

"Obligations" means all present and future obligations, indebtedness and liabilities, and all renewals and extensions of all or any part thereof, of the Borrower and each other GCI Entity to Lenders and Administrative Agent arising from, by virtue of, or pursuant to the Credit Agreement, any of the other Loan Papers and any and all renewals and extensions thereof or any part thereof, or future amendments thereto, all interest accruing on all or any part thereof and reasonable attorneys' fees incurred by Lenders and Administrative Agent for the administration, execution of waivers, amendments and consents, and in connection with any restructuring, workouts or in the enforcement or the collection of all or any part thereof, whether such obligations, indebtedness and liabilities are direct, indirect, fixed, contingent, joint, several or joint and several. Without limiting the generality of the foregoing, "Obligations" includes all amounts which would be owed by the Borrower, each other GCI Entity and any other Person (other than Administrative Agent or Lenders) to Administrative Agent or Lenders under any Loan Paper, but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving the Borrower, any other GCI Entity or any other Person (including all such amounts which would become due or would be secured but for the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding of the Borrower, any other GCI Entity or any other Person under any Debtor Relief Law).

"Proceeds" shall have the meaning assigned to it under the Uniform Commercial Code of Texas and, in any event, shall include, but not be limited to, (i) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to any Grantor from time to time with respect to any of the Collateral, (ii) any and all payments (in any form whatsoever) made or due and payable to any Grantor from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any governmental body, authority, bureau or agency (or any person acting under the color of governmental authority) and (iii) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

"Pro Rata" shall mean for any Person a fraction (a) the numerator of which is the sum of the amount of unpaid (i) Obligations owing to such Person and (ii) Term Loan B Obligations owing to such Person, and (b) the denominator of which is the sum of the amount of unpaid (i) Obligations and (ii) Term Loan B Obligations.

"Security Agreements" means, collectively, the Term Loan B Loan Papers and the Loan Papers.

"Term Loan B Obligations" means, with respect to the Term Loan B Agreement and all of the Term Loan B Papers, all present and future obligations, indebtedness and liabilities, and all renewals and extensions of all or any part thereof, of the Borrower and each other GCI Entity to lenders and administrative agent under the Term Loan B Agreement arising from, by virtue of,

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or pursuant to the Term Loan B Agreement, any of the other Term Loan B Papers and any and all renewals and extensions thereof or any part thereof, or future

amendments thereto, all interest accruing on all or any part thereof and reasonable attorneys' fees incurred by lenders and administrative agent thereunder for the administration, execution of waivers, amendments and consents, and in connection with any restructuring, workouts or in the enforcement or the collection of all or any part thereof, whether such obligations, indebtedness and liabilities are direct, indirect, fixed, contingent, joint, several or joint and several. Without limiting the generality of the foregoing, "Term Loan B Obligations" includes all amounts which would be owed by the Borrower, each other GCI Entity and any other Person (other than administrative agent or lenders thereunder) to the administrative agent or lenders thereunder under any Term Loan B Paper, but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving the Borrower, any other GCI Entity or any other Person (including all such amounts which would become due or would be secured but for the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding of the Borrower, any other GCI Entity or any other Person under any Debtor Relief Law).

"Term Loan B Papers" means "Loan Papers" as defined under the Term Loan B Agreement, including without limitation, the Term Loan B Agreement, this Collateral Agent Agreement, all promissory notes, fee letters, pledge agreements, security agreements, mortgages, deeds of trust, assignments and other documentation executed in connection with the Term Loan B Agreement from time to time, all guarantees executed by any Person guaranteeing payment of any portion of the Term Loan B Obligations, each assignment and acceptance; as each such document shall be amended, revised, renewed, extended, substituted or replaced from time to time.

SECTION 2

AGREEMENT TO HOLD COLLATERAL

In reliance upon, and subject to, the provisions of Section 7 of this Collateral Agent Agreement, the Collateral Agent will hold the security interest granted to it in the Collateral under each Security Agreement on behalf of and for the ratable benefit of the Lenders and the Term Loan B Lenders on a pari passu basis and on the terms and conditions set forth in this Collateral Agent Agreement, notwithstanding the date, time, manner or order of the creation, attachment or perfection of their respective Liens in any Collateral; or any terms, covenants or conditions of the Credit Agreement, the Term Loan B Agreement, or the Security Agreements, Debtor Relief Laws, the Uniform Commercial Code or any other applicable law.

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SECTION 3

ACCELERATION OF SECURED OBLIGATIONS

3.1 Exercise of Rights and Remedies. The Collateral Agent may exercise the rights and remedies provided in this Collateral Agent Agreement and in the Security Agreements. If Administrative Agent, the Term Loan B Administrative Agent, and Collateral Agent are not the same Person, Administrative Agent and/or the Term Loan B Administrative Agent (as the case may be) shall give the Collateral Agent notice of an Event of Default under their respective agreements.

3.2 General Authority of the Collateral Agent over the Collateral. Each Grantor hereby irrevocably constitutes and appoints the Collateral Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full power and authority in the name of such Grantor or in the Collateral Agent's own name, from time to time in the Collateral Agent's discretion, so long as an Event of Default has occurred and is continuing, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to carry out the terms of this Collateral Agent Agreement and the Security Agreements and accomplish the purposes hereof and thereof and, without limiting the generality of the foregoing, each Grantor hereby gives the Collateral Agent the power and rights on behalf of such Grantor given to the Administrative Agent, and the Term Loan B Administrative Agent under any Security Agreements.

3.3 Right to Initiate Judicial Proceedings. If an Event of Default has occurred and is continuing, the Collateral Agent (i) shall have the right and power to institute and maintain such suits and proceedings as it may deem appropriate and permitted under any Security Agreements to protect and enforce the rights vested in it by this Collateral Agent Agreement and each Security Agreement and (ii) may either after entry, or without entry, proceed by suit or suits at law or in equity to enforce such rights and to foreclose upon the Collateral and to sell all or, from time to time, any of the Collateral under the judgment or decree of a court of competent jurisdiction, all in accordance with the Security Agreements.

3.4 Right to Appoint a Receiver. If an Event of Default has occurred

and is continuing, the Collateral Agent shall, to the extent permitted by law and in accordance with the Security Agreements, without notice to any Grantor or any party claiming through any Grantor, except as provided in the Security Agreements, without regard to the solvency or insolvency at the time of any Person then liable for the payment of any of the Obligations or the Term Loan B Obligations, without regard to the then value of the Collateral, and without requiring any bond from any complainant in such proceedings, be entitled as a matter of right to the appointment of a receiver or receivers (who may be the Collateral Agent) of the Collateral, or any part thereof, and of the rents, issues, tolls, profits, royalties, revenues and other income thereof, pending such proceedings, with such powers as the court making such appointment shall confer, and to the entry of an order directing that the rents, issues, tolls, profits, royalties, revenues and other income of the property constituting the whole or any part of the Collateral be segregated, sequestered and impounded for the benefit of the Collateral Agent, the Lenders and the Term Loan B Lenders, and each Grantor irrevocably consents to the appointments of such receiver or receivers and to the entry of such order; provided that, notwithstanding the appointment of any

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receiver, the Collateral Agent shall be entitled to retain possession and control of all cash held by or deposited with it pursuant to this Collateral Agent Agreement or any Security Agreement.

3.5 Remedies Not Exclusive. (a) No remedy conferred upon or reserved to the Collateral Agent herein or to the Administrative Agent or the Term Loan B Administrative Agent in the Security Agreements is intended to be exclusive of any other remedy or remedies, but every such remedy shall be cumulative and shall be in addition to every other remedy conferred herein or in any Security Agreement or now or hereafter existing at law or in equity or by statute.

(b) No delay or omission by the Collateral Agent, any Lender or any Term Loan B Lender to exercise any right, remedy or power hereunder or under any Security Agreement shall impair any such right, remedy or power or shall be construed to be a waiver thereof, and every right, power and remedy given by this Collateral Agent Agreement or any Security Agreement to the Collateral Agent, the Lenders or the Term Loan B Lenders may be exercised from time to time and as often as may be deemed expedient by the Collateral Agent.

(c) If the Collateral Agent shall have proceeded to enforce any right, remedy or power under this Collateral Agent Agreement or any Security Agreement and the proceeding for the enforcement thereof shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Collateral Agent, then Grantors, the Collateral Agent, the Term Loan B Lenders and Lenders shall, subject to any determination in such proceeding, severally and respectively be restored to their former positions and rights hereunder or thereunder with respect to the Collateral and in all other respects, and thereafter all rights, remedies and powers of the Collateral Agent shall continue as though no such proceeding had been taken.

(d) All rights of action and of asserting claims upon or under this Collateral Agent Agreement and the Security Agreements may be enforced by the Collateral Agent without the possession of any Security Agreement or instrument evidencing any Obligations or Term Loan B Obligations or the production thereof at any trial or other proceeding relative thereto, and any suit or proceeding instituted by the Collateral Agent shall be brought in its name as Collateral Agent and any recovery of judgment shall be held as part of the Collateral on behalf of and for the ratable benefit of the Lenders and Term Loan B Lenders.

3.6 Waiver and Estoppel. (a) Each Grantor agrees, to the extent it may lawfully do so, that it will not at any time in any manner whatsoever claim or take the benefit or advantage of, any appraisal, valuation, stay, extension, moratorium, turnover or redemption law, or any law permitting it to direct the order in which the Collateral shall be sold, now or at any time hereafter in force, which may delay, prevent or otherwise affect the performance or enforcement of this Collateral Agent Agreement or any Security Agreement and hereby waives all benefit or advantage of all such laws and covenants that it will not hinder, delay or impede the execution of any power granted to the Collateral Agent in this Collateral Agent Agreement or any Security Agreement but will suffer and permit the execution of every such power as though no such law were in force.

(b) Each Grantor, to the extent it may lawfully do so, on behalf of itself and all who may claim through or under it, including without limitation any and all subsequent creditors, vendees, assignees and lienors, waives and releases all rights to demand or to have any

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marshalling of the Collateral upon any sale, whether made under any power of sale granted herein or in any Security Agreement or pursuant to judicial proceedings or upon any foreclosure or any enforcement of this Collateral Agent Agreement or any Security Agreement and consents and agrees that all the Collateral may at any such sale be offered and sold as an entirety.

(c) Each Grantor waives to the extent permitted by applicable law, presentment, demand, protest and any notice of any kind (except notices explicitly required hereunder or under any Security Agreement) in connection with this Collateral Agent Agreement and the Security Agreements and any action taken by the Collateral Agent with respect to the Collateral.

3.7 Limitation on Collateral Agent's Duty in Respect of Collateral. Beyond its duties as to the custody thereof expressly provided herein or in any Security Agreement and to account to the Lenders and Term Loan B Lenders for moneys and other property received by it hereunder or under any Security Agreement, the Collateral Agent shall not have any duty to any Grantor, the Term Loan B Lenders or to the Lenders as to any Collateral in its possession or control or in the possession or control of any of its agents or nominees, or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto.

3.8 Limitation by Law. All rights, remedies and powers provided herein may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions hereof are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this Collateral Agent Agreement or any Security Agreement invalid, unenforceable in whole or in part or not entitled to be recorded, registered or filed under the provisions of any applicable law.

SECTION 4

COLLATERAL ACCOUNT; DISTRIBUTIONS

4.1 The Collateral Account. Notwithstanding anything contained in the Credit Agreement or the Term Loan B Agreement, all mandatory prepayments (and any corresponding mandatory commitment reductions) required by Sections 2.04(b)(ii), (iii), (iv), (v), and (vi) and 2.05(b)(i), (ii), (iii), (iv), and (v) of each of the Credit Agreements and of the Term Loan B Agreement, shall be delivered to the Collateral Agent, for distribution in accordance with Section 4.4 hereof, and each of the Credit Agreements and the Term Loan B Agreement shall be amended to provide therefor. Furthermore, notwithstanding anything contained in any Security Agreement, each Security Agreement that requires moneys to be delivered to the Administrative Agent or the Term Loan B Administrative Agent shall be amended by this Collateral Agent Agreement to require that such moneys be delivered to the Collateral Agent. All moneys which are required by this Collateral Agent Agreement or any Security Agreement to be delivered to the Collateral Agent or which are received by the Collateral Agent or any agent or nominee of the Collateral Agent, the Administrative Agent, the Term Loan B Administrative Agent, or any Lender or Term Loan B Lender in respect of the Collateral shall be deposited in an account

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established at an office of the Collateral Agent (the "Collateral Account") and held by the Collateral Agent and applied in accordance with the terms of this Collateral Agent Agreement.

4.2 Control of Collateral Account. Subject to the terms of this Collateral Agent Agreement, all right, title and interest in and to the Collateral Account shall vest in the Collateral Agent and the Collateral Account shall be subject to the exclusive dominion and control of the Collateral Agent.

4.3 Investment of Funds Deposited in Collateral Account. The Collateral Agent shall use reasonable efforts to invest and reinvest moneys on deposit in the Collateral Account at any time in:

(i) marketable obligations of the United States having a maturity of not more than six months from the date of acquisition;

(ii) marketable obligations directly and fully guaranteed by the United States having a maturity of not more than one year from the date of acquisition;

(iii) bankers' acceptances and certificates of deposit and other interest-bearing obligations issued by the Collateral Agent or any bank organized under the Laws of the United States or any state thereof with capital, surplus and undivided profits aggregating at least \$100,000,000, in each case having a maturity of not more than six months from the date of acquisition;

(iv) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (i), (ii) and (iii) entered into with the Collateral Agent or any bank meeting the qualifications specified in clause (iii) above; and

(v) commercial paper rated at least A-1 or the equivalent

thereof by Standard & Poor's Corporation or P-1 or the equivalent thereof by Moody's Investors Service, Inc. and maturing within three months after the date of acquisition.

All such investments and the interest and income received thereon and the net proceeds realized on the sale or redemption thereof shall be held in the Collateral Account as part of the Collateral. The Collateral Agent shall not be liable for any investment, for any failure to invest hereunder, or for any performance of any such investment or any loss or penalty resulting therefrom.

4.4 Application of Moneys. (a) The Collateral Agent shall have the right at any time to apply moneys held by it in the Collateral Account to the payment of due and unpaid fees and expenses owing to it hereunder. All remaining moneys held by the Collateral Agent in the Collateral Account or received by the Collateral Agent shall, to the extent available for distribution (it being understood that the Collateral Agent may liquidate investments prior to maturity in order to make a distribution pursuant to this subsection 4.4), be distributed by the Collateral Agent on each Distribution Date in the following order of priority:

First: to the Collateral Agent for any unpaid expenses owing to it and then to the Administrative Agent, the Term Loan B Administrative Agent, any Term Loan B Lender

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and any Lender which has theretofore advanced or paid any such fees and expenses constituting administrative expenses allowable under Section 503(b) of the Bankruptcy Code of 1978, pro rata an amount equal to the amount thereof so advanced or paid by such Term Loan B Lender or Lender and for which such Term Loan B Lender or Lender has not been reimbursed prior to such Distribution Date;

Second: to any Term Loan B Lender and any Lender which has theretofore advanced or paid any expenses of the Collateral Agent other than such administrative expenses, pro rata an amount equal to the amount thereof so advanced or paid by such Term Loan B Lender or Lender and for which such Term Loan B Lender or Lender has not been reimbursed prior to such Distribution Date;

Third: to the Term Loan B Administrative Agent on behalf of the Term Loan B Lenders and to the Administrative Agent on behalf of Lenders, Pro Rata in an amount equal to the unpaid principal or face amount of the Obligations and Term Loan B Obligations, unpaid interest on and fees, charges, expenses or other amounts payable, if any, in respect of, the Obligations and Term Loan B Obligations, whether or not then due and owing, including without limitation the costs and expenses of the Term Loan B Lenders and Lenders and their representatives which are due and owing under the relative Security Agreements and which constitute the Obligations and Term Loan B Obligations as of the Distribution Date;

Fourth: to the Term Loan B Administrative Agent on behalf of the Term Loan B Lenders and to the Administrative Agent on behalf of Lenders, Pro Rata amounts equal to all other sums which constitute the Obligations and Term Loan B Obligations, and

Fifth: any surplus then remaining shall be paid to Grantors or their respective successors or assigns or to whomsoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

(b) The term "unpaid" as used in clause Third of subsection 4.4(a)

refers:

(i) in the absence of a bankruptcy proceeding with respect to any Grantor, to all amounts of the Obligations and the Term Loan B Obligations outstanding as of a Distribution Date, and

(ii) during the pendency of a bankruptcy proceeding with respect to any Grantor, to all amounts allowed by the bankruptcy court in respect of the Obligations and the Term Loan B Obligations as a basis for distribution (including estimated amounts, if any, allowed in respect of contingent claims), to the extent that prior distributions have not been made in respect thereof.

(c) The Collateral Agent shall make all payments and distributions under this subsection 4.4 on account of the Obligations to the Administrative Agent for redistribution in accordance with the provisions of the \$50,000,000 Credit Agreement and the \$200,000,00 Credit Agreement and on account of the Term Loan B Obligations to the Term Loan B Administrative Agent for redistribution in accordance with the provisions of the Term Loan B Agreement.

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4.5 Collateral Agent's Calculations. In making the determinations and allocations required by subsection 4.4, the Collateral Agent may rely upon information supplied by the Administrative Agent as to the amounts payable with respect to the Obligations and by Term Loan B Administrative Agent as to amounts payable with respect to the Term Loan B Obligations, and the Collateral Agent shall have no liability to any of the Lenders or Term Loan B Lenders for actions taken in reliance on such information. All distributions made by the Collateral Agent pursuant to subsection 4.4 shall be (subject to any decree of any court of competent jurisdiction) final, and the Collateral Agent shall have no duty to inquire as to the application by the Administrative Agent or the Term Loan B Administrative Agent of any amounts distributed to them.

SECTION 5

AGREEMENTS WITH COLLATERAL AGENT

5.1 Delivery of Security Agreements. Each of the Administrative Agent and the Term Loan B Administrative Agent has delivered to the Collateral Agent true and complete copies of all Security Agreements as in effect on the date hereof. Each of the Administrative Agent and the Term Loan B Administrative Agent shall deliver to the Collateral Agent, promptly upon the execution thereof, a true and complete copy of all amendments, modifications or supplements to any Security Agreement entered into after the date hereof.

5.2 Certain Information. In the event Administrative Agent, the Term Loan B Administrative Agent, and the Collateral Agent are not the same Person, the Administrative Agent and/or the Term Loan B Administrative Agent, as the case may be, shall deliver to the Collateral Agent, between May 1 and May 15 and between November 1 and November 15 in each year, and from time to time upon request of the Collateral Agent, a list setting forth as of a date not more than 10 days prior to the date of such delivery, the aggregate unpaid principal and interest on the Obligations and the Term Loan B Obligations, as the case may be, outstanding and the name and address of the Administrative Agent and the name and address of each holder thereof. In addition, each of the Administrative Agent and the Term Loan B Administrative Agent will promptly notify the Collateral Agent of each of their respective changes in the identity.

5.3 Compensation and Expenses. The Borrower agrees to pay to the Collateral Agent, from time to time upon demand, all of the costs and expenses of the Collateral Agent (including, without limitation, the reasonable fees and disbursements of its counsel and such special counsel as the Collateral Agent elects to retain) which arise in addition to the fees, costs and expenses of Administrative Agent, the Term Loan B Administrative Agent, or any Lender under the Credit Agreement or any Term Loan B Lender under the Term Loan B Agreement, (A) arising in connection with the preparation, execution, delivery, modification, and termination of this Collateral Agent Agreement, the Credit Agreement, and Term Loan B Agreement and each Security Agreement or the enforcement of any of the provisions hereof or thereof, (B) incurred or required to be advanced in connection with the administration of the Collateral, the sale or other disposition of Collateral pursuant to any Security Agreement and the preservation,

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protection or defense of the Collateral Agent's rights under this Collateral Agent Agreement, the Credit Agreement, and Term Loan B Agreement and the Security Agreements and in and to the Collateral or (C) incurred by the Collateral Agent in connection with the resignation of the Collateral Agent pursuant to subsection 7.6. The obligations of Borrower under this subsection 5.3 shall survive the termination of the other provisions of this Collateral Agent Agreement.

5.4 Stamp and Other Similar Taxes. Borrower agrees to indemnify and hold harmless the Collateral Agent, the Administrative Agent, the Term Loan B Administrative Agent, each Lender and each Term Loan B Lender from any present or future claim for liability for any stamp or any other similar tax and any penalties or interest with respect thereto, which may be assessed, levied or collected by any jurisdiction in connection with this Collateral Agent Agreement, the Credit Agreement, any Security Agreement, or any Collateral, to the extent permitted by law. The obligations of each Borrower under this subsection 5.4 shall survive the termination of the other provisions of this Collateral Agent Agreement.

5.5 Filing Fees, Excise Taxes, Etc. Borrower agrees to pay or to reimburse the Collateral Agent for any and all payments made by the Collateral Agent in respect of all search, filing, recording and registration fees, taxes, excise taxes and other similar imposts which may be payable or determined to be payable in respect to the execution and delivery of this Collateral Agent Agreement and each Security Agreement. The obligations of Borrower under this subsection 5.5 shall survive the termination of the other provisions of this Collateral Agent Agreement.

5.6 Indemnification Borrower agrees to indemnify, and hold the

Collateral Agent, Administrative Agent, the Term Loan B Administrative Agent, the Lenders and the Term Loan B Lenders harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including, without limitation, the reasonable fees and expenses of counsel) and disbursements of any kind or nature whatsoever which may at any time be imposed on, incurred by or asserted against them of any of their representatives, directors, officers, employees, or agents in any way relating to or arising out of any of this Collateral Agent Agreement, the Credit Agreement, Term Loan B Agreement, the Security Agreements or any documents contemplated by or referred to herein or therein (including in connection with or as a result of, in whole or in part, the negligence of any of the Collateral Agent, Administrative Agent, the Term Loan B Administrative Agent, the Lenders and the Term Loan B Lenders), any transaction related hereto or thereto, or any act, omission or transaction of any Grantor or any of their representatives, directors, officers, employees, or other agents, to the extent that any of the same results, directly or indirectly, from any claims made or actions, suits or proceedings commenced by or on behalf of any person or entity, other than the Collateral Agent, Administrative Agent, the Term Loan B Administrative Agent, the Lenders or the Term Loan B Lenders. In any suit, proceeding or action brought by the Collateral Agent under or with respect to any contract, agreement, interest or obligation constituting part of the Collateral for any sum owing thereunder, or to enforce any provisions thereof, Borrower will save, indemnify and keep the Collateral Agent, Administrative Agent, the Term Loan B Administrative Agent, the Lenders and the Term Loan B Lenders or any of their representatives, directors, officers, employees or agents harmless from and against all expense, loss or damage suffered by reason of any defense, setoff, counterclaim, recoupment or reduction of liability whatsoever of the obligor thereunder (including in connection with or as a result of, in whole or in part, the negligence of

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any of the Collateral Agent, Administrative Agent, the Term Loan B Administrative Agent, the Lenders and the Term Loan B Lenders), arising out of a breach by any Grantor of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to or in favor of such obligor or its successors from such Grantor, and all such obligations of Grantors shall be and remain enforceable against and only against such Grantor and shall not be enforceable against the Collateral Agent, the Administrative Agent, the Term Loan B Administrative Agent, any Lender, any Term Loan B Lender, or any of their representatives, directors, officers, employees or agents. The agreements in this subsection 5.6 shall survive the payment of the Obligations, the Term Loan B Obligations and termination of the other provisions of this Collateral Agent Agreement. The Collateral Agent, Administrative Agent, the Term Loan B Administrative Agent, the Lenders or the Term Loan B Lenders shall not be so indemnified and held harmless for any losses or damages, which are finally determined by a court of competent jurisdiction, were caused by the indemnified party's willful misconduct or gross negligence.

5.7 Collateral Agent's Lien. Notwithstanding anything to the contrary in this Collateral Agent Agreement, as security for the payment of the expenses of the Collateral Agent hereunder (i) the Collateral Agent is hereby granted a first and prior Lien by each Grantor, the Lenders and the Term Loan B Lenders upon all Collateral and (ii) the Collateral Agent shall have the right to use and apply any of the funds held by the Collateral Agent in the Collateral Account to cover such expenses.

5.8 Further Assurances. At any time and from time to time, upon the request of the Collateral Agent, and at the expense of the Grantors, to the extent required under any Security Agreements, the Grantors will promptly execute and deliver any and all such further instruments and documents and take such further action as is necessary or reasonably requested further to perfect, or to protect the perfection of, the Liens and security interests granted under the Security Agreements, including, without limitation, the filing of any financing or continuation statements under the Uniform Commercial Code in effect in any such jurisdiction. Each Grantor also hereby authorizes the Collateral Agent to sign and to file any such financing or continuation statements without the signature of such Grantor to the extent permitted by applicable law.

5.9 Additional Collateral. To the extent required under any Security Agreements, each Grantor shall promptly notify the Collateral Agent of any new Collateral and shall forthwith pledge, mortgage and hypothecate its leasehold interest in and to such Collateral to the Collateral Agent pursuant to the terms and provisions of this Collateral Agent Agreement. It is expressly understood, however that in no event shall Term Loan B Administrative Agent or any Term Loan B Lender be entitled to a grant of a lien, security interest, pledge or other encumbrance in any Collateral in which the Collateral Agent is not granted a lien, security interest, pledge or other encumbrance that is pari passu with the Administrative Agent's or the Lenders' Lien.

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SECTION 6

6.1 Use of Collateral. The rights of the Grantors in and to the Collateral are set forth in the Credit Agreement, Term Loan B Agreement and the Security Agreements.

6.2 Releases. Releases and dispositions of Collateral (other than sales, releases and dispositions of Collateral which are permitted by the terms and provisions of the Credit Agreement, the Term Loan B Agreement and the Security Agreements) may be made by the Collateral Agent, only at the direction of the Determining Lenders. Sales, releases or other dispositions of Collateral which are permitted by the terms and provisions of the Credit Agreement, Term Loan B Agreement and the Security Agreements shall not require any written or oral authorization or consent of the Collateral Agent, Lenders or Term Loan B Lenders, and sales or other dispositions of Collateral which are pursuant to the exercise of remedies hereunder or under any Security Agreement shall not require any written or oral authorization or consent of the Lenders or Term Loan B Lenders. It shall not be necessary for any Lender or Term Loan B Lender to sign such release. Such request shall be in writing, shall describe the property to be released in reasonable detail, and, shall state that such release is or will be in accordance with the Credit Agreement, the Term Loan B Agreement and the Security Agreements. The Collateral Agent shall send a copy of all releases to the Term Loan B Administrative Agent and the Administrative Agent.

SECTION 7

THE COLLATERAL AGENT

7.1 Appointment. Each Term Loan B Lender and each Lender irrevocably designates and appoints Bank of America, N.A. as the Collateral Agent of such Lender and such Term Loan B Lender under this Collateral Agent Agreement and the Security Agreements and each such Term Loan B Lender and each such Lender irrevocably authorizes Bank of America, N.A. as the Collateral Agent for such Lender and Term Loan B Lender, to take such action on such Lender's and such Term Loan B Lender's behalf under the provisions of this Collateral Agent Agreement and the Security Agreements and to exercise such powers and perform such duties as are expressly delegated to the Collateral Agent and/or the Administrative Agent, the Term Loan B Administrative Agent, the Lenders and the Term Loan B Lenders by the terms hereof and thereof, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary in this Collateral Agent Agreement and the Security Agreements, the Collateral Agent shall not have any duties or responsibilities, except those expressly set forth in this Collateral Agent Agreement and the Security Agreements, or any fiduciary relationship with any Lender or Term Loan B Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Collateral Agent Agreement and the Security Agreements or otherwise exist against the Collateral Agent. Furthermore, notwithstanding any provision to the contrary in this Collateral Agent Agreement or any Security Agreement, the Collateral Agent is not an agent of Borrower, the Grantors, any Lender, the

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Administrative Agent or any Term Loan B Lender, the Term Loan B Administrative Agent and shall have no liability to such parties for any of its acts or omissions under this Collateral Agent Agreement, or any of the Security Agreements or for creating, perfecting, preserving or continuing any lien, security interest or pledge on any of the Collateral.

7.2 Exculpatory Provisions. (a) The Collateral Agent shall not be responsible in any manner whatsoever for the correctness of any recitals, statements, representations or warranties herein, all of which are made solely by the Grantors or Borrower, as the case may be. The Collateral Agent makes no representations as to the value or condition of the Collateral or any part thereof, or as to the title of any Grantor thereto or as to the security afforded by this Collateral Agent Agreement or any Security Agreement, or as to the validity, execution, enforceability, legality or sufficiency of this Collateral Agent Agreement, the Security Agreements, the Obligations or the Term Loan B Obligations, and the Collateral Agent shall incur no liability or responsibility in respect of any such matters. The Collateral Agent shall not be responsible for insuring the Collateral or for the payment of taxes, charges or assessments or discharging of Liens upon the Collateral or otherwise as to the maintenance of the Collateral.

(b) The Collateral Agent shall not be required to ascertain or inquire as to the performance by any Grantor of any of the covenants or agreements contained herein or in any Security Agreement. Whenever it is necessary, or in the opinion of the Collateral Agent advisable, for the Collateral Agent to ascertain the amount of the Obligations or the Term Loan B Obligations, then held by the Lenders or Term Loan B Lenders, as the case may be, the Collateral Agent may rely on a certificate of Administrative Agent, in the case of the Obligations, or of the Term Loan B Administrative Agent, in the case of the Term Loan B Obligations and, if the Administrative Agent or the Term Loan B Administrative Agent shall not give such information to the Collateral Agent,

they shall not be entitled to receive distributions hereunder (in which case distributions to those Persons who have supplied such information to the Collateral Agent shall be calculated by the Collateral Agent using, for those Persons who have not supplied such information, the list then most recently delivered by the Company pursuant to subsection 5.2).

(c) The Collateral Agent shall be under no obligation or duty to take any action under this Collateral Agent Agreement or any Security Agreement if taking such action (i) would subject the Collateral Agent to a tax in any jurisdiction where it is not then subject to a tax or (ii) would require the Collateral Agent to qualify to do business in any jurisdiction where it is not then so qualified, unless the Collateral Agent receives security or indemnity satisfactory to it against such tax (or equivalent liability), or any liability resulting from such qualification, in each case as results from the taking of such action under this Collateral Agent Agreement or any Security Agreement.

(d) Notwithstanding any other provision of this Collateral Agent Agreement, the Collateral Agent shall not be liable for any action taken or omitted to be taken by it in accordance with this Collateral Agent Agreement or the Security Agreements.

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(e) The Collateral Agent shall have the same rights with respect to any Obligation or Term Loan B Obligation held by it as any other Secured Party and may exercise such rights as though it were not the Collateral Agent hereunder, and may accept deposits from, lend money to, and generally engage in any kind of business with Grantors as if it were not the Collateral Agent.

7.3 Delegation of Duties. The Collateral Agent may execute any of the powers hereof and perform any duty hereunder either directly or by or through agents or attorneys-in-fact. The Collateral Agent shall be entitled to advice of counsel concerning all matters pertaining to such powers and duties. The Collateral Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it.

7.4 Reliance by Collateral Agent. (a) The Collateral Agent may consult with counsel, and any advice or statements of legal counsel (including, without limitation, counsel to the Grantors) shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder or under any Security Agreement in accordance therewith.

(b) The Collateral Agent may conclusively rely, and shall be fully protected in acting, upon any resolution, statement, certificate, instrument, opinion, report, notice, request, consent, order, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties or, in the case of cables, telecopies and telexes, to have been sent by the proper party or parties. The Collateral Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Collateral Agent and conforming to the requirements of this Collateral Agent Agreement.

(c) The Collateral Agent shall not be under any obligation to exercise any of the rights or powers vested in the Collateral Agent by this Collateral Agent Agreement and the Security Agreements, at the request or direction of the Administrative Agent, the Term Loan B Administrative Agent, the Lenders or Term Loan B Lenders pursuant to this Collateral Agent Agreement, or otherwise, unless the Collateral Agent shall have been provided security and indemnity to its satisfaction against the fees, costs, expenses and liabilities which may be incurred by it, including such reasonable advances as may be requested by the Collateral Agent.

7.5 Limitations on Duties of Collateral Agent. (a) The Collateral Agent shall be obligated to perform such duties and only such duties as are specifically set forth in this Collateral Agent Agreement and the Security Agreements, and no implied covenants or obligations shall be read into this Collateral Agent Agreement or any Security Agreement against the Collateral Agent. The Collateral Agent may exercise the rights and powers vested in it by this Collateral Agent Agreement and the Security Agreements, and shall not be liable with respect to any action taken by it, or omitted to be taken by it.

(b) The Collateral Agent shall not be under any obligation to take any action, which is discretionary with the Collateral Agent under the provisions hereto, or of any Security Agreement except upon the written request of the Determining Lenders.

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7.6 Resignation of the Collateral Agent. Should the Collateral Agent ever cease to be a Lender or a Term Loan B Lender, or should the Collateral Agent ever resign as the Collateral Agent, or should the Collateral Agent ever be removed with cause by unanimous action of all Lenders and Term Loan B Lenders (other than the Lender then acting as the Collateral Agent), then the Lender appointed by the other Lenders and Term Loan B Lenders shall forthwith become

the Collateral Agent, and each Grantor and the Lenders and Term Loan B Lenders shall execute such documents as any Lender or Term Loan B Lender may reasonably request to reflect such change. Any resignation or removal of the Collateral Agent shall become effective upon the appointment by the Lenders and Term Loan B Lenders of a successor Collateral Agent; provided, however, that if the Lenders and Term Loan B Lenders fail for any reason to appoint a successor within 60 days after such removal or resignation, Collateral Agent shall thereafter have no obligation to act as Collateral Agent hereunder.

7.7 Status of Successor. Every successor Collateral Agent appointed pursuant to subsection 7.6 shall be a bank or trust company in good standing and having power to act as Collateral Agent hereunder, incorporated under the laws of the United States of America or any State thereof or the District of Columbia.

7.8 Merger of the Collateral Agent. Any corporation into which the Collateral Agent may be merged, or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Collateral Agent shall be a party, shall be Collateral Agent under this Collateral Agent Agreement and the Security Agreements without the execution or filing of any paper or any further act on the part of the parties hereto.

7.9 Treatment of Payee or Endorsee by Collateral Agent; Representatives of Lenders and Term Loan B Lenders. The Collateral Agent may treat the registered holder or, if none, the payee or endorsee of any promissory note or debenture evidencing the Obligations or the Term Loan B Obligations as the absolute owner thereof for all purposes and shall not be affected by any notice to the contrary, whether such promissory note or debenture shall be past due or not.

7.10 Non-Reliance on Collateral Agent. Each of the Administrative Agent, the Term Loan B Administrative Agent, and each Lender and Term Loan B Lender expressly acknowledge that neither the Collateral Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates has made any representations or warranties to them and that no act by the Collateral Agent hereinafter taken, including any review of the affairs of the Borrower, shall be deemed to constitute any representation or warranty by the Collateral Agent to any Lender or Term Loan B Lender. Each Lender and Term Loan B Lender represents to the Collateral Agent that such Lender or Term Loan B Lender independently and without reliance upon the Collateral Agent, and based on such documents and information as they have deemed or will deem appropriate, has made and will make its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Borrower and has made and will make their own decision to extend credit to the Borrower. Each Lender and Term Loan B Lender also represent that they will, independently and without reliance upon the Collateral Agent, and based on such documents and information as they shall deem appropriate at the time continue to make their own creditor analysis, appraisals and decisions in taking or not taking action under the Collateral Agent Agreement, and to make such investigation as they deem necessary to inform themselves as to the business, operations,

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property, financial and other condition and creditworthiness of the Borrower. Except for notices, reports and other documents expressly required to be furnished to the Lenders and Term Loan B Lenders by the Collateral Agent hereunder, the Collateral Agent shall not have any duty or responsibility to provide any Lender or Term Loan B Lender with any credit or other information concerning the business, operations, property, financial and other condition or creditworthiness of the Borrower which may come into its possession or the possession of any of its officers, directors, employees, agents, attorneys-in-fact or affiliates. Each Lender and Term Loan B Lender acknowledge that the Collateral Agent and its affiliates may exercise all contractual and legal rights and remedies which may exist from time to time with respect to other existing and future relationships with Grantors without any duty to account therefor to such Lender or Term Loan B Lender.

7.11 Indemnification. Each of the Administrative Agent, the Term Loan B Administrative Agent, the Lenders and the Term Loan B Lenders agree to indemnify the Collateral Agent (in its capacity as such), without limiting the obligation of each Grantor to do so, ratably according to the respective principal amounts of the Obligations and Term Loan B Obligations held by the Lenders and Term Loan B Lenders at the date of any claim by the Collateral Agent for indemnity under this subsection, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including, without limitation, the reasonable fees and expenses of counsel) or disbursements of any kind whatsoever which may at any time be imposed on, incurred by or asserted against the Collateral Agent in any way relating to or arising out of this Collateral Agent Agreement, the Credit Agreement, Term Loan B Agreement, the Security Agreements, or any documents contemplated hereby or thereby or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by the Collateral Agent hereunder or thereunder or in connection therewith, including any negligence of the Collateral Agent, but excluding any acts or omissions of the Collateral Agent

finally determined by a court of competent jurisdiction to as a result of the Collateral Agent's gross negligence or willful misconduct. The Lenders and Term Loan B Lenders agree to reimburse the Collateral Agent (to the extent not reimbursed by the Grantors), Pro Rata, promptly upon demand for any out-of-pocket expenses (including attorneys' fees) incurred by the Collateral Agent in connection with the preparation, execution, delivery, administration, modification, amendment, or enforcement (whether through legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Collateral Agent Agreement, the Credit Agreement, the Term Loan B Agreement, the Security Agreements, or any other documents contemplated hereby or thereby. The agreements in this subsection 7.11 shall survive the payment of the Obligations, the Term Loan B Obligations and the termination of the other provisions of this Collateral Agent Agreement.

SECTION 8

PARI PASSU PROVISIONS

8.1 Agreement. Notwithstanding anything contained in the Term Loan B Agreement, the Credit Agreement or any Security Agreement to the contrary, the terms and provisions of this Section 8 shall control. The Term Loan B Lenders, the Term Loan B Administrative Agent, Grantors, the Lenders and Administrative Agent agree that any security interests, Liens, pledges

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of stock, or other encumbrances on behalf of and for the ratable benefit of the Term Loan B Lenders securing the Term Loan B Obligations, are and shall be subject to and pari passu with the security interests, Liens, pledges of stock or other encumbrances of the Administrative Agent on behalf of and for the ratable benefit of the Lenders securing payment of the Obligations. The Term Loan B Lenders, the Term Loan B Administrative Agent, Grantors, the Lenders and Administrative Agent agree that any and all of the Term Loan B Administrative Agent's rights and remedies with respect to the Collateral shall remain subject to and pari passu with the rights and remedies of the Administrative Agent with respect thereto. In the event that Grantors, the Administrative Agent, the Term Loan B Administrative Agent, any Lender, or any Term Loan B Lender at any time obtains possession of any of the Collateral, it shall promptly deliver such Collateral to the Collateral Agent, unless precluded by law or judicial order.

8.2 Authority of Collateral Agent. Grantors, each Lender, the Administrative Agent, the Term Loan B Administrative Agent, and each Term Loan B Lender agree as follows:

(a) Each of the Lenders, Term Loan B Lenders, the Administrative Agent, the Term Loan B Administrative Agent, and Borrower hereby irrevocably constitutes and appoints the Collateral Agent and any officer or agent thereof until such time as this Collateral Agent Agreement terminates pursuant to subsection 9.9, with full power of substitution, as its true and lawful attorney-in-fact with full power and authority in the name of each Grantor, such Lender, the Administrative Agent, the Term Loan B Administrative Agent, or such Term Loan B Lender or in the Collateral Agent's own name, from time to time in the Collateral Agent's discretion, to take any and all appropriate action permitted hereunder and under the Security Agreements and to execute any and all documents and instruments which may be necessary or desirable to carry out the terms of this Collateral Agent Agreement and the Security Agreements and accomplish the purposes hereof and thereof and, without limiting the generality of the foregoing, each of the Lenders, the Term Loan B Lenders, the Borrower, the Administrative Agent, and the Term Loan B Administrative Agent hereby gives the Collateral Agent the power and rights on behalf of each of the Lenders, the Administrative Agent, the Term Loan B Lenders and the Term Loan B Administrative Agent, without notice to or further assent of any of such parties to do the following:

(i) to ask for, demand, sue for, collect, receive and give acquittance for any and all moneys due or to become due upon, or in connection with, the Collateral;

(ii) to receive, take, endorse, assign and deliver any and all checks, notes, drafts, acceptances, documents and other negotiable and non-negotiable instruments taken or received by the Collateral Agent as, or in connection with, the Collateral;

(iii) to commence, prosecute, defend, settle, compromise or adjust any claim, suit, action or proceeding with respect to, or in connection with, the Collateral;

(iv) to sell, transfer, release, assign or otherwise deal in or with the Collateral or any part thereof as fully and effectively as if the Collateral Agent were the absolute owner thereof; and

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(v) to do, at its option, at any time or from time to time,

all acts and things which the Collateral Agent deems necessary to protect or preserve the Collateral and to realize upon the Collateral.

Said attorney, the Collateral Agent, is hereby granted and given full power and authority to do and perform every act necessary and proper to be done in the exercise of any of the foregoing powers. Understanding that powers of attorney are strictly construed, each of the Term Loan B Lenders, Lenders, the Administrative Agent, the Term Loan B Administrative Agent, and Grantors declares that it is its expressed intention that this power of attorney shall be liberally construed to give the fullest effect to the powers granted herein.

(b) All distributions upon or with respect to the Term Loan B Obligations or the Obligations which are received by Grantors, any Lender, any Term Loan B Lender, the Administrative Agent, or the Term Loan B Administrative Agent on account of any security interests, liens, pledges of stock or other encumbrances contrary to the provisions of this Collateral Agent Agreement shall be received in trust for the benefit of the Lenders and Term Loan B Lenders, shall be segregated from other funds and property held by the party receiving same, and shall be forthwith paid over to the Collateral Agent in the same form as so received (with any necessary endorsement) to be applied (in the case of cash) to or held as collateral (in the case of non-cash property or securities) for the payment or prepayment of the Obligations and Term Loan B Obligations in accordance with the terms of the Credit Agreement and Term Loan B Agreement.

8.3 No Commencement of Any Proceeding. Each of the Term Loan B Lenders, the Lenders, the Administrative Agent, and the Term Loan B Administrative Agent agrees that, so long as any of the Obligations and the Term Loan B Obligations shall remain unpaid, it will not exercise any right, power or remedy referred to in subsection 8.2(a) hereof with respect to the Collateral, without the consent of the Collateral Agent.

8.4 Obligations Hereunder Not Affected. All rights and interests of the Lenders, Term Loan B Lenders, the Administrative Agent, and the Term Loan B Administrative Agent hereunder, and all agreements and obligations of Grantors under this Collateral Agent Agreement, shall remain in full force and effect irrespective of:

(a) any lack of validity or enforceability of the Credit Agreement, this Collateral Agent Agreement, the Term Loan B Agreement, or the Security Agreements.

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations or Term Loan B Obligations, or any other amendment or waiver of or any consent to departure from the Credit Agreement, this Collateral Agent Agreement, the Term Loan B Agreement, or the Security Agreements.

(c) any exchange, release or non-perfection of any Collateral, or any release or amendment or waiver of or consent to departure from any guaranty, for all or any of the Obligations or Term Loan B Obligations.

(d) any other circumstance which might otherwise constitute a defense available to, or a discharge of, any Grantor in respect of the Obligations or Term Loan B Obligations or

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Grantors in respect of this Collateral Agent Agreement. This Collateral Agent Agreement shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Obligations or Term Loan B Obligations is rescinded or must otherwise be returned by the Collateral Agent upon the insolvency, bankruptcy or reorganization of any of the Grantors or otherwise, all as though such payment had not been made.

8.5 Waiver. The Lenders, Term Loan B Lenders, the Term Loan B Administrative Agent, Administrative Agent and Grantors each hereby waive promptness, diligence, notice of acceptance and any other notice with respect to any of the Obligations or the Term Loan B Obligations and this Collateral Agent Agreement and any requirement that the Collateral Agent protect, secure, perfect or insure any security interest or Lien or any property subject thereto or exhaust any right or take any action against Grantors or any other Person or entity or any Collateral.

SECTION 9

MISCELLANEOUS

9.1 Notices. Unless otherwise provided herein, all notices, requests, consents and demands shall be in writing and shall be personally delivered or mailed by certified mail, postage prepaid, to the respective addresses specified herein, or, as to any party, to such other address as may be designated by it in written notice to all other parties. All notices, requests, consents and demands hereunder will be effective when personally delivered or mailed by certified

mail, postage prepaid, addressed as aforesaid.

9.2 No Waivers. No failure on the part of the Collateral Agent, the Administrative Agent, the Term Loan B Administrative Agent, any Term Loan B Lender or any Lender to exercise, no course of dealing with respect to, and no delay in exercising, any right, power or privilege under this Collateral Agent Agreement or any Security Agreement shall operate as a waiver thereof nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

9.3 Amendments, Supplements and Waivers. The provisions of this Collateral Agent Agreement may not be amended, modified or waived except by the written agreement of the Term Loan B Administrative Agent, Administrative Agent, and the Collateral Agent. The provisions of each Security Agreement may not be amended, modified or waived, except in accordance with the terms thereof and with the written consent of the Collateral Agent. Any such supplemental agreements shall be binding upon each Grantor, the Administrative Agent, the Term Loan B Administrative Agent, the Lenders, the Collateral Agent, the Term Loan B Lenders, and their respective successors and assigns.

9.4 Headings. The headings of Sections and subsections have been included herein and in the Security Agreements for convenience only and should not be considered in interpreting this Collateral Agent Agreement or the Security Agreements.

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9.5 Severability. Any provision of this Collateral Agent Agreement, which is prohibited or unenforceable in any jurisdiction, shall not invalidate the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

9.6 Successors and Assigns. This Collateral Agent Agreement shall be binding upon and inure to the benefit of each of the parties hereto and shall inure to the benefit of each of the Lenders, the Term Loan B Lenders, the Administrative Agent, the Term Loan B Administrative Agent, and their respective successors and assigns, and nothing herein is intended or shall be construed to give any other Person any right, remedy or claim under, to or in respect of this Collateral Agent Agreement or any Collateral.

9.7 GOVERNING LAW. THIS COLLATERAL AGENT AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS. WITHOUT EXCLUDING ANY OTHER JURISDICTION, THE GRANTORS, LENDERS, ADMINISTRATIVE AGENT, COLLATERAL AGENT, THE TERM LOAN B ADMINISTRATIVE AGENT, TERM LOAN B LENDERS AND GRANTORS AGREE THAT THE COURTS OF TEXAS SHALL HAVE JURISDICTION OVER THE PROCEEDINGS IN CONNECTION WITH THIS COLLATERAL AGENT AGREEMENT.

9.8 Counterparts. This Collateral Agent Agreement may be signed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

9.9 Termination. Upon receipt by the Collateral Agent from the Administrative Agent and the Term Loan B Administrative Agent of a written direction to cause the Collateral Agent's interest in all of the Liens by the Security Agreements of the Lenders and Term Loan B Lenders to be released and discharged, this Collateral Agent Agreement shall terminate with respect to the Collateral Agent, Administrative Agent, the Term Loan B Administrative Agent, the Term Loan B Lenders, and Lenders; and the security interests of the Collateral Agent as secured party created by subsection 5.7 and by the Security Agreements shall be released; provided, that the provisions of subsections 5.3, 5.4, 5.5, 5.6 and 7.11 shall not be affected by any such termination.

9.10 Grantors Jointly and Severally Liable. All of the obligations of the Grantors under this Collateral Agent Agreement shall be deemed to be joint and several obligations of all of the Grantors.

9.11 Control. Notwithstanding anything contained herein which may be to the contrary, this agreement and the transactions contemplated hereby do not and will not constitute, create, or have the effect of constituting or creating, directly or indirectly, actual or practical ownership of the Grantors by the Lenders or the Term Loan B Lenders, or control, affirmative or negative, direct or indirect, by the Lenders or the Term Loan B Lenders, over the management, or any other aspect of the day-to-day operation of Grantors, which control remains in Grantors, its shareholders and boards of directors.

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9.12 ENTIRE AGREEMENT. THIS WRITTEN AGREEMENT AND THE OTHER DOCUMENTS REFERENCED HEREIN OR CONTEMPLATED HEREBY REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES HERETO. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.

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IN WITNESS WHEREOF, the parties hereto have caused this Collateral Agent Agreement to be duly executed by their respective authorized officers as of the day and year first written above.

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GRANTORS:

COLLATERAL AGENT:

BANK OF AMERICA, N.A.

By:
Title:

BORROWER:

GCI HOLDINGS, INC.

By:
Title:

GRANTORS:

GCI, INC.

By:
Its:

GCI COMMUNICATION CORP.

By:
Title:

GCI CABLE, INC.

By:
Title:

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GCI AMERICAN CABLESYSTEMS, INC.

By:
Title:

GCI CABLESYSTEMS OF ALASKA, INC.

By:
Title:

GCI FIBER COMMUNICATION CO., INC.

By:
Title:

ADMINISTRATIVE AGENT
AND LENDER:

BANK OF AMERICA, N.A.

By:
Title:

TERM LOAN B ADMINISTRATIVE AGENT:

BANK OF AMERICA, N.A.

By:
Title:

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STATEMENT OF STOCK DESIGNATION

Setting forth a copy of a resolution creating and authorizing the issuance of a series of preferred stock designated as "Series C Convertible Redeemable Accreting Preferred Stock" adopted by the board of directors of General Communication, Inc.

Pursuant to AS 10.06.315 and 10.06.320 of the Alaska Statutes

We, the undersigned officers of General Communication, Inc., an Alaska corporation ("Company"), hereby state and otherwise certify that, on November 16, 2000 the board of directors of the Company, pursuant to authority vested in it by Article IV of the Company's Restated Articles of Incorporation and in accordance with AS 10.06.315 and 10.06.318 of the Alaska Statutes, duly adopted the following resolution creating a series of preferred stock designated as "Series C Convertible Redeemable Accreting Preferred Stock":

RESOLUTION

"WHEREAS, General Communication, Inc. is authorized through its Restated Articles of Incorporation to issue up to 100 million shares of Class A Common Stock, 10 million shares of Class B Common Stock, and up to 1 million shares of Preferred Stock, issuable from time to time in one or more series;

WHEREAS, the Board of Directors of the Company is authorized, within the limitations and restrictions contained in the Restated Articles of Incorporation, to fix or alter the dividend rate, conversion rate, voting rights, redemption prices, and liquidation preferences of any wholly unissued series of Preferred Stock, the number of shares constituting any such series, the designation of such series, and other terms and conditions of the issuance of such stock;

WHEREAS, the Company, through its Board of Directors, approved a statement of stock designation pursuant to Article IV of the Restated Articles of Incorporation and that statement was filed of record with the Alaska Department of Community and Economic Development on or about April 28, 1999 pursuant to authority set forth in AS 10.06.315, 10.06.318, and 10.06.320 of the Alaska Statutes, and the board subsequently authorized the issuance of up to 35,000 shares of Series B Preferred Stock under that designation, and the Company does not presently have outstanding any other shares of its Preferred Stock;

RESOLVED, that, pursuant to authority granted to and vested in the Board of Directors by Article IV of the Restated Articles of Incorporation of the Company and in accordance with AS 10.06.315 and 10.06.318 of the Alaska Statutes, the board hereby approves and otherwise directs the designation, from the shares of Preferred Stock authorized under those Articles, of a new series of Preferred Stock of the Company to consist of 15,000 shares to be known as Series C Convertible Redeemable Accreting Preferred Stock ("Series C Preferred Stock") and hereby fixes the designation, rights, preferences, privileges, and restrictions of the shares of that series, in addition to the designation, rights, preferences, privileges and restrictions set forth in those articles which are directly applicable to the Preferred Stock as follows:

Preface. Series C Convertible Redeemable Accreting Preferred Stock. Of the 1,000,000 shares of Preferred Stock, authorized pursuant to Article IV of the Restated Articles of Incorporation of the Company, 15,000 shall be designated Series C Convertible Redeemable Accreting Preferred Stock, with the rights, preferences, privileges and restrictions set forth in this paragraph.

Section 1. Definitions. For purposes of the following Sections, the following definitions shall apply:

"Bankruptcy Event" shall mean the occurrence of any of the following: (i) a court or governmental agency having appropriate jurisdiction shall enter a decree or order for relief in respect of the Company in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property or ordering the winding up or liquidation of its affairs; (ii) there shall be commenced against the Company an involuntary

case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or any case, proceeding or other action for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property or for the winding up or liquidation of its affairs, and such involuntary case or other case, proceeding or other action shall remain undismissed, undischarged or unbonded for a period of sixty (60) consecutive days; (iii) the Company shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property or make any general assignment for the benefit of creditors; or (iv) the Company shall be unable to, or shall admit in writing to its inability to, pay its debts generally as they become due.

"Board" shall mean the Board of Directors of the Company.

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"Business Day" shall mean a day on which banks and foreign exchange markets are open for the transaction of business in New York, New York as relevant to the determination to be made or action to be taken.

"Change of Control" shall mean the occurrence of one or more of the following events: (a) the acquisition by any person (other than Ronald A. Duncan or WorldCom, Inc.), or two or more persons acting in concert, of shares representing greater than 33% of the total combined voting power of the Company, (b) prior to the second anniversary of the Issue Date Ronald A. Duncan resigns or is removed from his position as Chief Executive Officer of the Company, other than as a result of death or disability, and is not replaced within sixty (60) days of such resignation or removal with a person acceptable to the holders of a majority of the outstanding Series C Preferred Stock; or (c) prior to the second anniversary of the Issue Date, Ronald A. Duncan or his heirs transfers, sells or in any way disposes of a material amount of the capital stock of the Company owned by him as of the date hereof such that his beneficial ownership (as determined under Rule 13d-3 of the United States Securities and Exchange Commission, or any successor rule) falls below 1.93% of the Common Stock of the Company or 4.7% of the voting power of the Company. A Change of Control shall be deemed to occur as of the effective date of the first event, action or transaction leading to one of the results described above.

"Class A Common Stock" shall mean the Class A Common Stock of the Company.

"Class B Common Stock" shall mean the Class B Common Stock of the Company.

"Common Stock" shall mean, collectively, the Class A Common Stock and Class B Common Stock of the Company.

"Company" shall mean General Communication, Inc.

"Conversion Price" shall have the meaning ascribed to such term in Section 7(b) hereof.

"Distribution" shall mean the declaration or payment of any dividend (whether in cash, shares of Series B Preferred Stock, or otherwise) on or in respect of any shares of any class of capital stock of any person, other than dividends payable solely in shares of common stock of such person; the purchase, redemption, or other retirement of any shares of any class of capital stock of any person, directly or indirectly through a subsidiary or otherwise; the return of capital by any person to its shareholders as such; or any other distribution on or in respect of any shares of any class of capital stock of any person.

"Issue Date" shall mean the first date upon which shares of Series C Preferred Stock are issued.

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"Junior Securities" shall mean the Common Stock and other shares of capital stock of the Company, whether presently outstanding or hereafter issued, which by its terms is junior to the Series C Preferred Stock. A class or series of Junior Securities shall rank junior to the Series C Preferred Stock as to dividend rights or rights on liquidation if the holders of shares of Series C Preferred Stock shall be entitled to dividend payments or payments of amounts distributable upon liquidation, dissolution or winding up of the affairs of this Company, as the case may be, in preference or priority to the holders of shares of such class or series.

"Lien" shall mean any mortgage, lien, pledge, charge, security interest, or other encumbrance of any kind, whether or not filed, recorded or otherwise perfected under applicable law (including, any conditional sale or

other title retention agreement and any lease deemed to constitute a security interest and any option or other agreement to give any security interest).

"Liquidation Preference" shall have the meaning set forth in Section 3(a) hereof.

"Mandatory Redemption Date" shall have the meaning ascribed thereto in Section 4(b) hereof.

"Parity Securities" shall mean any class or series of stock of this Company, whether now existing or hereafter created, ranking on a parity basis with the Series C Preferred Stock as to dividend rights or rights on liquidation. Stock of any class or series shall rank on a parity basis as to dividend rights or rights on liquidation with the Series C Preferred Stock, whether or not the dividend rates, dividend payment dates or liquidation prices per share are different from those of the Series C Preferred Stock, if the holders of shares of such class or series shall be entitled to dividend payments or payments of amounts distributable upon liquidation, dissolution or winding up of the affairs of this Company, as the case may be, in proportion to their respective accumulated and accrued and unpaid dividends or liquidation prices, respectively, without preference or priority, one over the other, as between the holders of shares of such class or series and the holders of Series C Preferred Stock. No class or series of capital stock that ranks junior to the Series C Preferred Stock as to rights on liquidation shall rank or be deemed to rank on a parity basis with the Series C Preferred Stock as to dividend rights unless the instrument creating or evidencing such class or series of capital stock otherwise expressly provides.

"Payment Date" shall have the meaning ascribed thereto in Section 4(c) and Section 4(d) hereof.

"Redemption Price" shall have the meaning ascribed thereto in Section 4(e) hereof.

"Senior Securities" shall mean the Series B Preferred Stock and other shares of capital stock of the Company which by its terms is senior to the Series C Preferred Stock. Stock of any class or series shall rank senior to the Series C Preferred Stock as to dividend rights or rights on liquidation if the holders of shares of such class or series shall be entitled to dividend payments or payments of amounts distributable upon dissolution, liquidation or winding up of the affairs of this Company, as the case may be, in preference or priority to the holders of shares

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of Series C Preferred Stock. No class or series of capital stock that ranks on a parity basis with or junior to the Series C Preferred Stock as to rights on liquidation shall rank or be deemed to rank prior to the Series C Preferred Stock as to dividend rights, notwithstanding that the dividend rate or dividend payment dates thereof are different from those of the Series C Preferred Stock, unless the instrument creating or evidencing such class or series of capital stock otherwise expressly provides.

"Series B Preferred Stock" shall mean the Series B Convertible Redeemable Accreting Preferred Stock of the Company.

"Series C Preferred Stock" shall mean the Series C Convertible Redeemable Accreting Preferred Stock of the Company.

"Subsidiary" of a person shall mean (i) any corporation of which 51% percent or more of the Voting Stock, or any partnership of which 51% or more of outstanding partnership interests, is at any time owned by the person, or by one or more Subsidiaries of such person, or by such person and one or more Subsidiaries of such person, and (ii) any other entity which is controlled or capable of being controlled by such person or by one or more Subsidiaries of such person or by such person and one or more Subsidiaries of such person.

"Triggering Event" shall mean (i) a Change of Control, (ii) a Bankruptcy Event, (iii) the liquidation or dissolution of the Company, or (iv) the merger of the Company with or into, or the consolidation of the Company with any other entity or the sale by the Company of all or substantially all of the assets of the Company, where the terms of such merger, consolidation or sale would significantly and adversely affect the rights and preferences of the Series C Preferred Stock.

"Voting Stock" shall mean any shares having general voting power in electing the board of directors of any person (irrespective of whether or not at the time stock of any other class or classes has or might have voting power by reason or the happening of any contingency).

Section 2. Dividends.

(a) Right to Dividends. Dividends on each share of Series C

Preferred Stock shall accumulate and accrue from the Issue Date and shall accrue from day to day thereafter, compounding quarterly (to the extent unpaid), whether or not earned or declared, at a rate of 6.0% per annum on the stated amount of \$1,000 per share until paid, subject to Section 4(i) hereof. Subject to the prior preferences and other rights of any Senior Securities, Dividends accruing pursuant to this Section 2(a) shall be payable quarterly in arrears upon declaration by the Board in cash, on the last day of each of March, June, September and December. Dividends shall be cumulative so that, if all accrued dividends shall not have been paid, such accrued and unpaid dividends shall first be fully paid before any dividend or other distribution shall be paid or declared and set apart for any Junior Securities.

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(b) Priority. Until such time as all current and accrued dividends on the Series C Preferred Stock and any Parity Securities for all periods from and after the Issue Date shall have been paid (i) no dividend whatsoever (other than a dividend payable solely in Common Stock) shall be paid or declared, and no Distribution shall be made, on any Junior Securities, and (ii) no shares of Junior Securities shall be purchased, redeemed or acquired by the Company, and no monies shall be paid into or set aside or made available for a sinking fund for the purchase, redemption or acquisition thereof other than shares of Junior Securities purchased, redeemed or acquired by the Company to fund the Company's deferred compensation arrangements.

Section 3. Liquidation Rights of Series C Preferred Stock.

(a) Preference. In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of the then-outstanding shares of Series C Preferred Stock shall be entitled to be paid out of the assets of the Company available for distribution to its shareholders, whether such assets are capital, surplus or earnings, in an amount (the "Liquidation Preference") equal to \$1,000 per share plus an amount equal to all accrued and unpaid dividends thereon, whether or not earned or declared, to and including the date full payment shall be tendered to the holders of the then-outstanding shares of Series C Preferred Stock with respect to such liquidation, dissolution or winding up, and no more. The Liquidation Preference at the date of payment of all shares of Series C Preferred Stock outstanding shall be paid (i) before any distribution or payment upon any such liquidation, dissolution or winding up of this Company is made upon any Junior Securities, (ii) on a pari passu basis with any such payment made to the holders of any Parity Securities, and (iii) after any such payment is made upon any Senior Securities. The holders of Series C Preferred Stock shall be entitled to no other or further distribution of or participation in any remaining assets of this Company after receiving the full preferential amounts provided for in the preceding sentence. If upon any liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, the assets to be distributed to the holders of the then-outstanding shares of Series C Preferred Stock and any Parity Securities shall be insufficient to permit the payment to such shareholders of the full preferential amounts to which they are entitled, then, after payment to holders of Senior Securities, all of the remaining assets of the Company shall be distributed ratably to the holders of the then-outstanding shares of Series C Preferred Stock and any Parity Securities on the basis of the full preferential amounts to which the shares of Series C Preferred Stock and such Parity Securities would otherwise respectively be entitled. The (i) merger or consolidation of the Company with or into any other entity or entities where the Company is not the surviving entity (other than a merger solely for the purpose of changing the Company's state of incorporation) or in which in excess of 50% of the Company's voting power is transferred, or (ii) the sale or transfer by the Company of all or substantially all of its assets, shall be deemed to be a liquidation, dissolution and winding up of the Company within the meaning of this Section 3.

(b) Remaining Assets. After the payment or distribution to the holders of the then-outstanding shares of Series C Preferred Stock and any Parity Securities of the full preferential amounts to which they are entitled, the holders of the then-outstanding shares of Junior Securities shall be entitled to receive ratably all remaining assets of the Company.

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Section 4. Redemption.

(a) Optional Redemption. At any time after the Issue Date, the Company may, at its option, upon provision of written notice at least sixty (60) days prior to the date set for redemption, redeem the Series C Preferred Stock, in whole but not in part, at the Redemption Price hereinafter specified.

(b) Mandatory Redemption. The Company shall redeem all outstanding shares of Series C Preferred Stock at the Redemption Price hereinafter specified (i) at any time after the fourth anniversary of the Issue Date, at the option of holders of 80% of the outstanding shares of the Series C Preferred Stock, exercised by giving written notice to the Company or (ii) upon the occurrence of a Triggering Event (the date of receipt of written notice, or the date of a Triggering Event being the, "Mandatory Redemption Date").

(c) Optional Redemption Notice. The Company shall, not less than sixty (60) days prior to the Payment Date for an optional redemption pursuant to Section 4(a), give written notice to each holder of record of shares of Series C Preferred Stock that the Company has determined to exercise its optional redemption rights hereunder. This notice shall state the number of then-outstanding shares of Series C Preferred Stock to be redeemed, the Redemption Price, including the amount of dividends included in such price and the calculation thereof, the Payment Date and the time, place and manner in which the holder is to surrender to the Company the certificate or certificates representing the shares of Series C Preferred Stock to be redeemed. "Payment Date," for purposes of this Section 4(c), shall mean the date set by the Company with respect to an optional redemption designated by the Company for payment of the Redemption Price.

(d) Mandatory Redemption Notice. The Company shall provide prompt, but in no event later than two (2) Business Days after the Mandatory Redemption Date, notice to the holders of the Series C Preferred Stock of the Mandatory Redemption Date. Such notice shall state the Redemption Price, including the amount of dividends included in such price and the calculation thereof, and the Payment Date, place and manner in which the holders are to surrender to the Company the certificates representing shares of Series C Preferred Stock to be redeemed. "Payment Date," for purposes of this Section 4(d), shall mean the date no later than the tenth (10th) Business Day after the Mandatory Redemption Date designated by the Company for payment of the Redemption Price.

(e) Redemption Price. In all events, the Redemption Price of the Series C Preferred Stock (the "Redemption Price") shall be an amount per share equal to \$1,000 plus the amount of all accrued and unpaid dividends thereon, whether or not earned or declared, to and including the Payment Date.

(f) Payment of Redemption Price and Surrender of Stock. On the Payment Date, the Redemption Price of the Series C Preferred Stock shall be paid to the holders of the Series C Preferred Stock. On or before the Payment Date, each holder of shares of Series C Preferred Stock to be redeemed shall surrender the certificate or certificates representing such

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shares to the Company, duly endorsed, together with such other instruments as the Company may reasonably require to insure that such shares of Series C Preferred Stock are duly and validly transferred to the Company, free of all Liens, and on the Payment Date the Redemption Price for such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof, and each surrendered certificate shall be canceled and retired.

(g) Insufficient Funds. If the funds of the Company legally available for redemption of Series C Preferred Stock on the Payment Date with respect to a Mandatory Redemption Date are insufficient to redeem all of the Series C Preferred Stock that are subject to redemption pursuant to Section 4(b) and any Parity Securities being redeemed on such date, those funds that are so available will be used to redeem the maximum possible number of such shares of the Series C Preferred Stock and any Parity Securities ratably among the holders thereof on the basis of the liquidation preference of such securities. At the earliest time thereafter as additional funds of the Company are legally available for redemption of Series C Preferred Stock in the manner provided above, such funds will be immediately used to redeem the balance of such Series C Preferred Stock and any Parity Securities subject to redemption.

(h) Deposit of Funds. At least three (3) Business Days prior to a Payment Date, the Company shall deposit with any bank or trust company in the United States, having a capital and surplus of at least \$700,000,000 as a trust fund, a sum equal to the aggregate Redemption Price, with irrevocable instructions and authority to the bank or trust company to pay, on or after the Payment Date, the Redemption Price to the respective holders of then-outstanding shares of Series C Preferred Stock upon the surrender of their share certificates. The deposit shall constitute full payment of the shares to their holders; provided, that, until all shares of Series C Preferred Stock are redeemed and full payment made therefor, the holders thereof shall continue to be considered shareholders with respect to such shares and shall have all rights with respect thereto, including the right to receive from the bank or trust company payment of the Redemption Price of the shares, without interest, upon surrender of their certificates therefor. Any monies so deposited and unclaimed at the end of one year from the Payment Date shall be released or repaid to the Company, after which the holders of shares of Series C Preferred Stock called for redemption shall be entitled to receive payment of the Redemption Price only from the Company.

(i) Accrual of Dividends. Unless the Company defaults in making the payment of the Redemption Price in accordance with Section 4(h) hereof, dividends on Series C Preferred Stock subject to redemption will cease to accrue on and after the Payment Date.

(j) Waiver. At any time after receiving notice of Mandatory Redemption and prior to two Business Days before the Payment Date, the holders of Series C Preferred Stock may, by written consent of holders of at least 80% of the then outstanding Series C Preferred Stock, waive the redemption of the Series C Preferred Stock as to such mandatory redemption event in which case the Company shall not be obligated to redeem the shares of Series C Preferred Stock as to such redemption event. Upon receipt of any such waiver, the Company shall promptly provide written notice to all holders of Series C Preferred Stock.

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Section 5. Voting Rights.

The holders of shares of Series C Preferred Stock shall not have any voting rights.

Section 6. Restrictions and Limitations.

So long as any shares of Series C Preferred Stock remain outstanding, the Company shall not, directly or indirectly, without the written consent of the holders of 80% of the then-outstanding shares of Series C Preferred Stock:

(a) Purchase, redeem or otherwise acquire for value (or pay into or set aside as a sinking fund for such purpose) any Junior Securities or any warrant, option or right to purchase any Junior Securities, other than purchases of shares of Junior Securities for the purpose of funding deferred compensation arrangements;

(b) Declare or pay any dividends on or declare or make any other Distribution, direct or indirect (other than a dividend payable solely in shares of Class A Common Stock), on account of Junior Securities or set apart any sum for any such purpose;

(c) Amend its Articles of Incorporation in any manner that would significantly and adversely affect the rights or preferences of the Series C Preferred Stock, provided, however, the foregoing shall not restrict the company from issuing additional series of preferred stock, senior to the Series C Preferred Stock, without the consent of holders of the Series C Preferred Stock; or

(d) Issue any additional shares of Series C Preferred Stock after the Issue Date.

Section 7. Conversion.

The holders of Series C Preferred Stock shall have the following conversion rights:

(a) Right to Convert. Each share of Series C Preferred Stock shall be convertible, at any time at the option of the holder thereof, into fully paid and nonassessable shares of Class A Common Stock. Such conversion right shall continue to apply to any share of Series C Preferred Stock called for redemption pursuant to Section 4 hereof until the close of business on the Business Day immediately preceding the applicable Payment Date.

(b) Conversion Price. Each share of Series C Preferred Stock shall initially be convertible into that number of shares of Class A Common Stock determined by dividing the then Liquidation Preference of such share of Series C Preferred Stock by the then conversion price, as adjusted pursuant to this Section 7, which conversion price shall initially be equal to \$12.00 per share (the "Conversion Price").

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(c) Mechanics of Conversion. Each holder of Series C Preferred Stock who desires to convert the same into shares of Class A Common Stock shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Company or of any transfer agent for the Series C Preferred Stock or Class A Common Stock, and shall give written notice to the Company at such office that such holder elects to convert the same and shall state therein the number of shares of Series C Preferred Stock being converted. Thereupon the Company shall promptly issue and deliver to such holder a certificate or certificates for the number of shares of Class A Common Stock to which such holder is entitled. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the certificate representing the shares of Series C Preferred Stock to be converted, and the person entitled to receive the shares of Class A Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such shares of Class A Common Stock on such date.

(d) Adjustment for Stock Splits and Combinations. If the Company at any time or from time to time after the Issue Date effects a subdivision of the outstanding Class A Common Stock, the Conversion Price then

in effect immediately before that subdivision shall be proportionately decreased, and, conversely, if the Company at any time or from time to time after the Issue Date combines the outstanding shares of Class A Common Stock into a smaller number of shares, the Conversion Price then in effect immediately before that combination shall be proportionately increased. Any adjustment under this subsection (d) shall become effective at the open of business on the date the subdivision or combination becomes effective.

(e) Adjustment for Certain Dividends and Distributions. If the Company at any time or from time to time after the Issue Date makes, or fixes a record date for the determination of holders of Class A Common Stock entitled to receive, a dividend or other Distribution payable in additional shares of Class A Common Stock, then and in each such event the Conversion Price then in effect shall be reset as of the time of such issuance or, in the event such record date is fixed, as of the open of business on such record date, by multiplying the Conversion Price then in effect by a fraction (1) the numerator of which is the total number of shares of Class A Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and (2) the denominator of which shall be the total number of shares of Class A Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Class A Common Stock issuable in payment of such dividend or Distribution; provided, however, that if such record date is fixed and such dividend is not fully paid or if such Distribution is not fully made on the date fixed therefor, the Conversion Price shall be recomputed accordingly as of the close of business on such record date and thereafter the Conversion Price shall be adjusted pursuant to this subsection (e) as of the time of actual payment of such dividends or Distributions.

(f) Adjustments for Other Dividends and Distributions. In the event the Company at any time or from time to time after the Issue Date makes, or fixes, a record date for the determination of holders of Class A Common Stock entitled to receive, a dividend or other Distribution payable in securities of the Company other than shares of Common Stock, then and in each such event provision shall be made so that the holders of Series C Preferred Stock shall

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receive upon conversion thereof, in addition to the number of shares of Common Stock receivable thereupon, the amount of securities of the Company which they would have received had their Series C Preferred Stock been converted into Class A Common Stock on the date of such event and had they thereafter, during the period from the date of such event to and including the conversion date, retained such securities receivable by them as aforesaid during such period, subject to all other adjustments called for during such period under this Section 7 with respect to the rights of the holders of the Series C Preferred Stock.

(g) Adjustment for Reclassification, Exchange and Substitution. In the event that at any time or from time to time after the Issue Date, the Class A Common Stock issuable upon the conversion of the Series C Preferred Stock is changed into the same or a different number of shares of any class or classes of stock, whether by recapitalization, reclassification or otherwise (other than a subdivision or combination of shares or stock dividend or a reorganization, merger, consolidation or sale of assets, provided for elsewhere in this Section 7), then and in any such event each holder of Series C Preferred Stock shall have the right thereafter to convert such stock into the kind and amount of stock and other securities and property receivable upon such recapitalization, reclassification or other change, by holders of the maximum number of shares of Class A Common Stock into which such shares of Series C Preferred Stock could have been converted immediately prior to such recapitalization, reclassification or change, all subject to further adjustment as provided herein.

(h) Reorganizations, Mergers, Consolidations or Sales of Assets. If at any time or from time to time after the Issue Date there is a capital reorganization of the Class A Common Stock (other than a recapitalization, subdivision, combination, reclassification or exchange of shares provided for elsewhere in this Section 7) or a merger or consolidation of the Company with or into another corporation, or the sale of all or substantially all of the Company's properties and assets to any other person, then, as a part of such reorganization, merger, consolidation or sale, provision shall be made so that the holders of the Series C Preferred Stock shall thereafter be entitled to receive upon conversion of the Series C Preferred Stock the number of shares of stock or other securities or property to which a holder of the number of shares of Class A Common Stock deliverable upon conversion would have been entitled on such capital reorganization, merger, consolidation, or sale. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 7 with respect to the rights of the holders of the Series C Preferred Stock after the reorganization, merger, consolidation or sale to the end that the provisions of this Section 7 (including adjustment of the Conversion Price then in effect and the number of shares purchasable upon conversion of the Series C Preferred Stock) shall be applicable after that event and be as nearly equivalent as may be practicable.

(i) Accountants' Certificate of Adjustment. In each case of an adjustment or readjustment of the Conversion Price, the Company, at its expense, shall cause independent public accountants of recognized standing selected by the Company (who may be the independent public accountants then auditing the books of the Company) to compute such adjustment or readjustment in accordance with the provisions hereof and prepare a certificate showing such adjustment or readjustment, and shall mail such certificate, by first class mail, postage prepaid, to each registered holder of the Series C Preferred Stock at the holder's address

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as shown in the Company's books. The certificate shall set forth such adjustment or readjustment, showing in detail the facts upon which such adjustment or readjustment is based, including a statement of (1) the Conversion Price at the time in effect, and (2) the type and amount, if any, of other property which at the time would be received upon conversion of the Series C Preferred Stock.

(j) Notices of Record Date. In the event of (i) any taking by the Company of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other Distribution, or (ii) any capital reorganization of the Company, any reclassification or recapitalization of the capital stock of the Company, any merger or consolidation of the Company with or into any other corporation, or any transfer of all or substantially all of the assets of the Company to any other person or any voluntary or involuntary dissolution, liquidation or winding up of the Company, the Company shall mail to each holder of Series C Preferred Stock at least ten (10) days prior to the record date specified therein, a notice specifying (1) the date on which any such record is to be taken for the purpose of such dividend or Distribution and a description of such dividend or Distribution, (2) the date on which any such reorganization, reclassification, transfer, consolidation, merger, dissolution, liquidation or winding up is expected to become effective, and (3) the date, if any, that is to be fixed, as to when the holders of record of Class A Common Stock (or other securities) shall be entitled to exchange their shares of Class A Common Stock (or other securities) for securities or other property deliverable upon such reorganization, reclassification, transfer, consolidation, merger, dissolution, liquidation or winding up.

Section 8. No Reissuance of Series C Preferred Stock.

No share of Series C Preferred Stock acquired by the Company upon conversion, by reason of redemption, purchase, or otherwise shall be reissued, and all such shares shall be canceled, retired and eliminated from the shares which the Company shall be authorized to issue.

RESOLVED FURTHER, that the president of the Company or any vice president designated by him and the secretary of the Company or any assistant secretary of the Company are hereby authorized and directed to take those steps necessary to cause the issuance and sale of the Series C Preferred Stock including to execute a statement to be filed in accordance with the requirements of AS 10.06.320 of the Alaska Statutes."

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IN WITNESS WHEREOF, the Company has caused this Statement of Stock Designation to be duly executed on its behalf at Anchorage, Alaska as of this 9th day of April, 2001.

GENERAL COMMUNICATION, INC.

By:
/s/
Ronald A. Duncan
Its: President

By:
/s/
John M. Lowber
Its: Secretary

SUBSIDIARIES OF THE REGISTRANT			
Business	Entity	Jurisdiction of Organization	Name Under Which Subsidiary Does
<S>		<C>	<C>
Alaska United Fiber System Partnership United		Alaska	Alaska United Fiber System Partnership, Alaska Fiber System, Alaska United
Fiber Hold Co., Inc.		Alaska	Fiber Hold Co., Inc., Fiber Hold Company
GCI Communication Corp.		Alaska	GCI, GCC, GCICC, GCI Communication Corp.
GCI, Inc.		Alaska	GCI, GCI, Inc.
GCI Cable, Inc.		Alaska	GCI Cable, GCI Cable, Inc.
GCI Fiber Co., Inc.		Alaska	GCI Fiber Co., Inc., GCI Fiber Company
GCI Holdings, Inc.		Alaska	GCI Holdings, Inc.
GCI Satellite Co., Inc.		Alaska	GCI Satellite Co., Inc., GCI Satellite Company
GCI Transport Co., Inc.		Alaska	GCI Transport Co., Inc., GCI Transport Company
Potter View Development Co., Inc.		Alaska	Potter View Development Co., Inc.
GCI Cablesystems of Alaska, Inc.		Alaska	GCI Cablesystems of Alaska, Inc., Rogers Cable
GCI American Cablesystems, Inc.		Delaware	GCI American Cablesystems, Inc.
GCI Fiber Communication, Co., Inc. (85% ownership)		Alaska	GCI Fiber Communication, Co., Inc., GFCC, Kanas

</TABLE>

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
General Communication, Inc.:

We consent to incorporation by reference in the registration statements (No. 33-60728 and No. 33-60222) on Forms S-8 and (No. 333-82712) on Form S-3 of General Communication, Inc. of our report dated March 8, 2002, with respect to the consolidated balance sheets of General Communication, Inc. and Subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2001, and the related schedule, which report appears in the December 31, 2001, annual report on Form 10-K of General Communication, Inc.

/s/

KPMG LLP

Anchorage, Alaska
March 29, 2002

ARTICLE I - STOCKHOLDERS

Section 1. Annual Meeting.

An annual meeting of the stockholders, for the election of directors to succeed those whose terms expire and for the transaction of such other business as may properly come before the meeting, shall be held at such place, on such date, and at such time as the Board of Directors shall each year fix, which date shall be within thirteen (13) months subsequent to the later of the date of incorporation or the last annual meeting of stockholders.

Section 2. Special Meetings.

Special meetings of the stockholders, for any purpose or purposes prescribed in the notice of the meeting, may be called by the Board of Directors or the chief executive officer and shall be held at such place, on such date, and at such time as they or he or she shall fix.

Section 3. Notice of Meetings.

Written notice of the place, date, and time of all meetings of the stockholders shall be given, not less than ten (10) nor more than sixty (60) days before the date on which the meeting is to be held, to each stockholder entitled to vote at such meeting, except as otherwise provided herein or required by law (meaning, here and hereinafter, as required

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from time to time by the Delaware General Corporation Law or the Certificate of Incorporation of the Corporation).

When a meeting is adjourned to another place, date or time, written notice need not be given of the adjourned meeting if the place, date and time thereof are announced at the meeting at which the adjournment is taken; provided, however, that if the date of any adjourned meeting is more than thirty (30) days after the date for which the meeting was originally noticed, or if a new record date is fixed for the adjourned meeting, written notice of the place, date, and time of the adjourned meeting shall be given in conformity herewith. At any adjourned meeting, any business may be transacted which might have been transacted at the original meeting.

Section 4. Quorum.

At any meeting of the stockholders, the holders of a majority of all of the shares of the stock entitled to vote at the meeting, present in person or by proxy, shall constitute a quorum for all purposes, unless or except to the extent that the presence of a larger number may be required by law. Where a separate vote by a class or classes is required, a majority of the shares of such class or classes present in person or represented by proxy shall constitute a quorum entitled to take action with respect to that vote on that matter.

If a quorum shall fail to attend any meeting, the chairman of the meeting or the holders of a majority of the shares of stock entitled to vote who are present, in person or

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by proxy, may adjourn the meeting to another place, date, or time.

If a notice of any adjourned special meeting of stockholders is sent to all stockholders entitled to vote thereat, stating that it will be held with those present constituting a quorum, then except as otherwise required by law, those present at such adjourned meeting shall constitute a quorum, and all matters shall be determined by a majority of the votes cast at such meeting.

Section 5. Organization.

The Chairman of the Board of Directors or, in the absence of the Chairman, the chief executive officer of the Corporation or, in his or her absence, such person as may be chosen by the holders of a majority of the shares entitled to vote who are present, in person or by proxy, shall call to order any meeting of the stockholders and act as chairman of the meeting. In the absence of the Secretary of the Corporation, the secretary of the meeting shall be such person as the chairman appoints.

Section 6. Conduct of Business.

The chairman of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as seem to him or her in order.

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Section 7. Proxies and Voting.

At any meeting of the stockholders, every stockholder entitled to vote may vote in person or by proxy authorized by an instrument in writing filed in accordance with the procedure established for the meeting.

Each stockholder shall have one (1) vote for every share of

stock entitled to vote which is registered in his or her name on the record date for the meeting, except as otherwise provided herein or required by law.

All voting, including on the election of directors but excepting where otherwise required by law, may be by a voice vote; provided, however, that upon demand therefore by a stockholder entitled to vote or by his or her proxy, a stock vote shall be taken. Every stock vote shall be taken by ballots, each of which shall state the name of the stockholder or proxy voting and such other information as may be required under the procedure established for the meeting. Every vote taken by ballots shall be counted by an inspector or inspectors appointed by the chairman of the meeting.

All elections shall be determined by a plurality of the votes cast, and except as otherwise required by law, all other matters shall be determined by a majority of the votes cast.

Section 8. Stock List.

A complete list of stockholders entitled to vote at any meeting of stockholders, arranged in alphabetical order

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for each class of stock and showing the address of each such stockholder and the number of shares registered in his or her name, shall be open to the examination of any such stockholder, for any purpose germane to the meeting, during ordinary business hours for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or if not so specified, at the place where the meeting is to be held.

The stock list shall also be kept at the place of the meeting during the whole time thereof and shall be open to the examination of any such stockholder who is present. This list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

Section 9. Consent of Stockholders in Lieu of Meeting.

Any action required to be taken at any annual or special meeting of stockholders of the Corporation, or any action which may be taken at any annual or special meeting of the stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered

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to the Corporation by delivery to its registered office in Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be made by hand or by certified or registered mail, return receipt requested.

Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within sixty (60) days of the date the earliest dated consent is delivered to the Corporation, a written consent or consents signed by a sufficient number of holders to take action are delivered to the Corporation in the manner prescribed in the first paragraph of this Section.

ARTICLE II - BOARD OF DIRECTORS

Section 1. Number and Term of Office.

The number of directors who shall constitute the whole Board shall be such number as the Board of Directors shall from time to time have designated, except that in the absence of any such designation, such number shall be nine (9). Each director shall be elected for a term of one year and until his or her successor is elected and qualified, except as otherwise provided herein or required by law.

Whenever the authorized number of directors is increased between annual meetings of the stockholders, a

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majority of the directors then in office shall have the power to elect such new directors for the balance of a term and until their successors are elected and qualified. Any decrease in the authorized number of directors shall not become effective until the expiration of the term of the directors then in office unless, at the time of such decrease, there shall be vacancies on the board which are being eliminated by the decrease.

Section 2. Vacancies.

If the office of any director becomes vacant by reason of death, resignation, disqualification, removal or other cause, a majority of the directors remaining in office, although less than a quorum, may elect a successor for the unexpired term and until his or her successor is elected and

qualified.

Section 3. Regular Meetings.

Regular meetings of the Board of Directors shall be held at such place or places, on such date or dates, and at such time or times as shall have been established by the Board of Directors and publicized among all directors. A notice of each regular meeting shall not be required.

Section 4. Special Meetings.

Special meetings of the Board of Directors may be called by one--third (1/3) of the directors then in office (rounded up to the nearest whole number) or by the chief executive officer and shall be held at such place, on such

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date, and at such time as they or he or she shall fix. Notice of the place, date, and time of each such special meeting shall be given each director by whom it is not waived by mailing written notice not less than five (5) days before the meeting or by telegraphing or telexing or by facsimile transmission of the same not less than twenty-four (24) hours before the meeting. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting.

Section 5. Quorum.

At any meeting of the Board of Directors, a majority of the total number of the whole Board shall constitute a quorum for all purposes. If a quorum shall fail to attend any meeting, a majority of those present may adjourn the meeting to another place, date, or time, without further notice or waiver thereof.

Section 6. Participation in Meetings By Conference Telephone.

Members of the Board of Directors, or tee thereof, may participate in a meeting of committee by means of conference telephone or similar communications equipment by means of which all persons in the meeting can hear each other and such shall constitute presence in person at such meeting.

Section 7. Conduct of Business.

At any meeting of the Board of Directors, business shall be transacted in such order and manner as the Board may

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from time to time determine, and all matters shall be determined by the vote of a majority of the directors present, except as otherwise provided herein or required by law. Action may be taken by the Board of Directors without a meeting if all members thereof consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors.

Section 8. Powers.

The Board of Directors may, except as otherwise required by law, exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, including, without limiting the generality of the foregoing, the unqualified power:

- (1) To declare dividends from time to time in accordance with law;
- (2) To purchase or otherwise acquire any property, rights or privileges on such terms as it shall determine;
- (3) To authorize the creation, making and issuance, in such form as it may determine, of written obligations of every kind, negotiable or non-negotiable, secured or unsecured, and to do all things necessary in connection therewith;
- (4) To remove any officer of the Corporation with or without cause, and from time to time to devolve the powers and duties of any officer upon any other person for the time being;

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- (5) To confer upon any officer of the Corporation the power to appoint, remove and suspend subordinate officers, employees and agents;
- (6) To adopt from time to time such stock, option, stock purchase, bonus or other compensation plans for directors, officers, employees and agents of the Corporation and its subsidiaries as it may determine;
- (7) To adopt from time to time such insurance, retirement, and other benefit plans for directors, officers, employees and agents of the Corporation and its subsidiaries as it may determine; and,
- (8) To adopt from time to time regulations, not inconsistent with these By-laws, for the management of the Corporation's business and affairs.

Section 9. Compensation of Directors.

Directors, as such, may receive, pursuant to resolution of the Board of Directors, fixed fees and other compensation for their services as directors, including, without limitation, their services as members of committees of the Board of Directors.

ARTICLE III - COMMITTEES

Section 1. Committees of the Board of Directors.

The Board of Directors, by a vote of a majority of the whole Board, may from time to time designate committees of the Board, with such lawfully delegable powers and duties as

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it thereby confers, to serve at the pleasure of the Board and shall, for those committees and any others provided for herein, elect a director or directors to serve as the member or members, designating, if it desires, other directors as alternate members who may replace any absent or disqualified member at any meeting of the committee. Any committee so designated may exercise the power and authority of the Board of Directors to declare a dividend, to authorize the issuance of stock or to adopt a certificate of ownership and merger pursuant to Section 253 of the Delaware General Corporation Law if the resolution which designates the committee or a supplemental resolution of the Board of Directors shall so provide. In the absence or disqualification of any member of any committee and any alternate member in his or her place, the member or members of the committee present at the meeting and not disqualified from voting, whether or not he or she or they constitute a quorum, may by unanimous vote appoint another member of the Board of Directors to act at the meeting in the place of the absent or disqualified member.

Section 2. Conduct of Business.

Each committee may determine the procedural rules for meeting and conducting its business and shall act in accordance therewith, except as otherwise provided herein or required by law. Adequate provision shall be made for notice to members of all meetings; one-third (1/3) of the members shall constitute a quorum unless the committee shall consist

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of one (1) or two (2) members, in which event one (1) member shall constitute a quorum; and all matters shall be determined by a majority vote of the members present. Action may be taken by any committee without a meeting if all members thereof consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of such committee.

ARTICLE IV -- OFFICERS

Section 1. Generally.

The officers of the Corporation shall consist of a Chairman of the Board, a President, one or more Vice Presidents, a Secretary, a Treasurer and such other officers as may from time to time be appointed by the Board of Directors. Officers shall be elected by the Board of Directors, which shall consider that subject at its first meeting after every annual meeting of stockholders. Each officer shall hold office until his or her successor is elected and qualified or until his or her earlier resignation or removal. Any number of offices may be held by the same person.

Section 2. Chairman of the Board.

The Chairman of the Board of Directors of the Corporation shall act in a general executive capacity and, subject to the direction of the Board of Directors, shall have general responsibility for the supervision of the policies and affairs of the Corporation and the effective administration of the Corporation's business. The Board of Directors also may appoint a Vice Chairman of the Board who shall have and may

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exercise the powers of the Chairman of the Board in the absence or disability of the Chairman.

Section 3. President.

The President shall be the chief executive officer of the Corporation. Subject to the provisions of these By-laws and to the direction of the Board of Directors, he or she shall have the responsibility for the general management and control of the business and affairs of the Corporation and shall perform all duties and have all powers which are commonly incident to the office of chief executive or which are delegated to him or her by the Board of Directors. He or she shall have power to sign all stock certificates, contracts and other instruments of the Corporation which are authorized and shall have general supervision and direction of all of the other officers, employees and agents of the Corporation.

Section 4. Vice President.

Each Vice President shall have such powers and duties as may be delegated to him or her by the Board of Directors. One (1) Vice President shall be designated by the Board to perform the duties and exercise the powers of the President in the event of the President's absence or disability.

Section 5. Treasurer.

The Treasurer shall have the responsibility for maintaining the financial records of the Corporation. He or she shall make such disbursements of the funds of the Corporation as are authorized and shall render from time to time an

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account of all such transactions and of the financial condition of the Corporation. The Treasurer shall also perform such other duties as the Board of Directors may from time to time prescribe.

Section 6. Secretary.

The Secretary shall issue all authorized notices for, and shall keep minutes of, all meetings of the stockholders and the Board of Directors. He or she shall have charge of the corporate books and shall perform such other duties as the Board of Directors may from time to time prescribe.

Section 7. Delegation of Authority.

The Board of Directors may from time to time delegate the powers or duties of any officer to any other officers or agents, notwithstanding any provision hereof.

Section 8. Removal.

Any officer of the Corporation may be removed at any time, with or without cause, by the Board of Directors.

Section 9. Action with Respect to Securities of Other Corporations.

Unless otherwise directed by the Board of Directors, the President or any officer of the Corporation authorized by the President shall have power to vote and otherwise act on behalf of the Corporation, in person or by proxy, at any meeting of stockholders of or with respect to any action of stockholders of any other corporation in which this Corporation may hold securities and otherwise to exercise any and all rights and powers which this Corporation may possess by reason of its ownership of securities in such other corporation.

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ARTICLE V - STOCK

Section 1. Certificates of Stock.

Each stockholder shall be entitled to a certificate signed by, or in the name of the Corporation by, the Chairman of the Board or any Vice Chairman of the Board, or by the President or a Vice President, and by the Secretary or an Assistant Secretary, or the Treasurer or an Assistant Treasurer, certifying the number of shares owned by him or her. Any or all of the signatures on the certificate may be by facsimile.

Section 2. Transfers of Stock.

Transfers of stock shall be made only upon the transfer books of the Corporation kept at an office of the Corporation or by transfer agents designated to transfer shares of the stock of the Corporation. Except where a certificate is issued in accordance with Section 4 of Article V of these Bylaws, an outstanding certificate for the number of shares involved shall be surrendered for cancellation before a new certificate is issued therefor.

Section 3. Record Date.

In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders, or to receive payment of any dividend or other distribution or allotment of any rights or to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board

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of Directors may fix a record date, which record date shall not precede the date on which the resolution fixing the record date is adopted and which record date shall not be more than sixty (60) nor less than ten (10) days before the date of any meeting of stockholders, nor more than sixty (60) days prior to the time for such other action as hereinbefore described; provided, however, that if no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held, and, for determining stockholders entitled to receive payment of any dividend or other distribution or allotment of rights or to exercise any rights of change, conversion or exchange of stock or for any other purpose, the record date shall be at the

close of business on the day on which the Board of Directors adopts a resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided~ however, that the Board of Directors may fix a new record date for the adjourned meeting.

In order that the Corporation may determine the stockholders entitled to consent to corporate action in writ-

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ing without a meeting, the Board of Directors may fix a record date, which shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall be not more than ten (10) days after the date upon which the resolution fixing the record date is adopted. If no record date has been fixed by the Board of Directors and no prior action by the Board of Directors is required by the Delaware General Corporation Law, the record date shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation in the manner prescribed by Article I, Section 9 hereof. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by the Delaware General Corporation Law with respect to the proposed action by written consent of the stockholders, the record date for determining stockholders entitled to consent to corporate action in writing shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

Section 4. Lost, Stolen or Destroyed Certificates.

In the event of the loss, theft or destruction of any certificate of stock, another may be issued in its place pursuant to such regulations as the Board of Directors may establish concerning proof of such loss, theft or destruction and concerning the giving of a satisfactory bond or bonds of indemnity.

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Section 5. Regulations.

The issue, transfer, conversion and registration of certificates of stock shall be governed by such other regulations as the Board of Directors may establish.

ARTICLE VI - NOTICES

Section 1. Notices.

Except as otherwise specifically provided herein or required by law, all notices required to be given to any stockholder, director, officer, employee or agent shall be in writing and may in every instance be effectively given by hand delivery to the recipient thereof, by depositing such notice in the mails, postage paid, or by sending such notice by prepaid telegram or mailgram. Any such notice shall be addressed to such stockholder, director, officer, employee or agent at his or her last known address as the same appears on the books of the Corporation. The time when such notice is received, if hand delivered, or dispatched, if delivered through the mails or by telegram or mailgram, shall be the time of the giving of the notice.

Section 2. Waivers.

A written waiver of any notice, signed by a stockholder, director, officer, employee or agent, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to the notice required to be given to such stockholder, director, officer, employee or agent. Neither the business nor the purpose of any meeting need be specified in such a waiver.

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ARTICLE VII - MISCELLANEOUS

Section 1. Facsimile Signatures.

In addition to the provisions for use of facsimile signatures elsewhere specifically authorized in these By-laws, facsimile signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board of Directors or a committee thereof.

Section 2. Corporate Seal.

The Board of Directors may provide a suitable seal, containing the name of the Corporation, which seal shall be in the charge of the Secretary. If and when so directed by the Board of Directors or a committee thereof, duplicates of the seal may be kept and used by the Treasurer or by an Assistant Secretary or Assistant Treasurer.

Section 3. Reliance upon Books, Reports and Records.

Each director, each member of any committee designated by the Board of Directors, and each officer of the Corporation shall, in the

performance of his or her duties, be fully protected in relying in good faith upon the books of account or other records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of its officers or employees, or committees of the Board of Directors so designated, or by any other person as to matters which such director or committee member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

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Section 4. Fiscal Year.

The fiscal year of the Corporation shall be as fixed by the Board of Directors.

Section 5. Time Periods.

In applying any provision of these By-laws which requires that an act be done or not be done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, calendar days shall be used, the day of the doing of the act shall be excluded, and the day of the event shall be included.

ARTICLE VIII - INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 1. Right to Indemnification.

Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a director or an officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by

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the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith; provided, however, that, except as provided in Section 3 of this ARTICLE VIII with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation.

Section 2. Right to Advancement of Expenses.

The right to indemnification conferred in Section 1 of this ARTICLE VIII shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses"); provided, however, that, if the Delaware General Corporation Law requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including,

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without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Section 2 or otherwise. The rights to indemnification and to the advancement of expenses conferred in Sections 1 and 2 of this ARTICLE VIII shall be contract rights and such rights shall continue as to an indemnitee who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the indemnitee's heirs, executors and administrators.

Section 3. Right of Indemnitee to Bring Suit.

If a claim under Section 1 or 2 of this ARTICLE VIII is not paid in full by the Corporation within sixty (60) days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty (20) days, the indemnitee

may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prose-

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cuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) in any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met any applicable standard for indemnification set forth in the Delaware General Corporation Law. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or brought by the Corporation to recover an advancement of expenses pursuant to the terms of an under-

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taking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this ARTICLE VIII or otherwise shall be on the Corporation.

Section 4. Non-Exclusivity of Rights.

The rights to indemnification and to the advancement of expenses conferred in this ARTICLE VIII shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, the Corporation's Certificate of Incorporation, By-laws, agreement, vote of stockholders or disinterested directors or otherwise.

Section 5. Insurance.

The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

Section 6. Indemnification of Employees and Agents of the Corporation.

The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Corporation to the fullest extent of the provisions of this Article with respect to the indemnification

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and advancement of expenses of directors and officers of the Corporation.

ARTICLE IX - AMENDMENTS

These By-laws may be amended or repealed by the Board of Directors at any meeting or by the stockholders at any meeting.

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CERTIFICATE OF INCORPORATION

OF

ROGERS AMERICAN CABLESYSTEMS, INC.

FIRST: The name of the corporation is Rogers American Cablesystems, Inc.

SECOND: The address of the corporation's registered office in the State of Delaware is 1201 North Market Street, Post Office Box 1347, in the City of Wilmington, County of New Castle. The name of the corporation's registered agent at such address is Delaware Corporation Organizers, Inc.

THIRD: The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law.

FOURTH: The total number of shares of stock which the corporation is authorized to issue is One Thousand (1,000) shares of common stock, having a par value of one cent (\$.01) per share.

FIFTH: The business and affairs of the corporation shall be managed by or under the direction of the board of directors, and the directors need not be elected by ballot unless required by the bylaws of the corporation.

SIXTH: In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the board of directors is expressly authorized to make, amend and repeal the bylaws.

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SEVENTH: A director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. If the Delaware General Corporation Law is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended. Any repeal or modification of this provision shall not adversely affect any right or protection of a director of the corporation existing at the time of such repeal or modification.

EIGHTH: The corporation reserves the right to amend and repeal any provision contained in this Certificate of Incorporation in the manner from time to time prescribed by the laws of the State of Delaware. All rights herein conferred are granted subject to this reservation.

NINTH: The incorporator is Karin S. Mandel, whose mailing address is P.O. Box 1347, Wilmington, Delaware 19899.

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I, THE UNDERSIGNED, being the incorporator, for the purpose of forming a corporation under the laws of the State of Delaware do make, file and record this Certificate of Incorporation, and, accordingly, have hereto set my hand this 18th day of January, 1990.

/s/
Karin J. Mandel

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BYLAWS OF

ROGERS CABLESYSTEMS OF ALASKA, INC.

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BYLAWS

OF

ROGERS CABLESYSTEMS OF ALASKA, INC.

ARTICLE I. OFFICES

The corporation shall maintain its principal office for the transaction of its business in the City of Wasilla, State of Alaska. The corporation may have such other offices, either within or without the State of Alaska, as the Board of Directors may designate or as the business of the corporation may require from time to time.

ARTICLE II. SEAL

The Board of Directors may provide a corporate seal which shall be circular in form and shall have inscribed thereon the name of the corporation, the state of incorporation, and the words, "corporate seal."

ARTICLE III. MEETINGS

Section 1-- Annual Meeting. The annual meeting of the shareholders shall be held on the _____ day in the month of _____ in each year (unless such day is a legal holiday, in which case, the meeting shall be held on the next succeeding business day) at the hour of _____ O'clock _____ .M. for the purpose of electing directors and for the transaction of such other business as may come before the meeting. If the election of directors shall not be held on the day designated herein for any annual meeting of the shareholders, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the shareholders as soon thereafter as conveniently may be.

Section 2-- Special Meetings. Special meetings of the shareholders, for any purpose or purposes, unless otherwise prescribed by statute, may be called by the Chairman of the Board, the President, or the Board of Directors, and shall be

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called by the President at the request of the holders of not less than one-tenth of all the outstanding shares of the corporation entitled to vote at the meeting.

Section 3 -- Place of Meeting. The Board of Directors may designate any place, either within or outside the State of Alaska, as the place of meeting for any annual meeting or for any special meeting called by the Board of Directors. A waiver of notice signed by all shareholders entitled to vote at a meeting may designate any place, either within or outside the State of Alaska, as the place for the holding of such meetings. If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be the principal office of the corporation in the State of Alaska.

Section 4 -- Notice of Meeting. Written notice stating the place, day, and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than 20 nor more than 60 days before the date of the meeting, either personally or by mail, by or at the direction of the President or the Secretary, or the persons calling the meeting, to each shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the shareholder at his address

as it appears on the stock transfer books of the corporation, with postage thereon prepaid or, if the shareholder has filed with the Secretary a written request that notice be mailed to a different address, addressed to the shareholder at the new address.

Section 5 -- Closing of Transfer Books or Fixing of Record Date. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders, or any adjournment thereof, or shareholders entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors of the corporation may provide that the stock transfer books shall be closed for a stated period but not to exceed, in any case, 70 days. If the stock transfer books shall be closed for the purpose of determining shareholders entitled to notice of or to vote at a meeting of shareholders, such books shall be closed for at least 20 days immediately preceding such meeting. In lieu of closing the stock transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of shareholders, such date in any case to be not more than 60 days and, in case of a meeting of shareholders,

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not less than 20 days prior to the date on which the particular action, requiring such determination of shareholders, is to be taken. If the stock transfer books are not closed and no record date is fixed for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders, or shareholders entitled to receive payment of a dividend, the date on which notice of the meeting is mailed or the date on which the resolution of the Board of Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of shareholders. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof.

Section 6 -- Voting Lists. The officer or agent having charge of the stock transfer books for shares of the corporation shall make a complete list of the shareholders entitled to vote at each meeting of shareholders or any adjournment thereof, arranged in alphabetical order, with the address of and the number of shares held by each. Such list shall be made at least 20 days prior to the meeting, shall be available for inspection by shareholders during business hours for a period of 20 days prior to the meeting, shall be kept open at the time and place of the meeting, and shall be subject to the inspection of any shareholder during the whole time of the meeting for the purposes thereof.

Section 7 -- Quorum. A majority of the outstanding shares of the corporation entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders. If less than a majority of the outstanding shares are represented at a meeting, a majority of the shares so represented may adjourn the meeting from time to time without further notice. At an adjourned meeting at which a quorum was present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. The shareholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum, if any action is approved while a quorum is present.

Section 8 -- Proxies. At all meetings of shareholders, a shareholder may vote in person or by proxy executed in writing by the shareholder or by his duly authorized attorney--in--fact. Such proxy shall be filed with the Secretary of the corporation

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before or at the time of the meeting. The provisions of AS 10.16.418 are incorporated by reference.

Section 9 -- Voting of Shares. Subject to the provisions of Section 12 of this Article III and any provision in the Articles of Incorporation, each outstanding share entitled to vote shall be entitled to one vote upon each matter submitted to a vote at a meeting of shareholders.

Section 10-- Voting of Shares by Certain Holders.

Shares standing in the name of another corporation may be voted by such officer, agent, or proxy as the bylaws of such corporation may prescribe or, in the absence of such provision, as the board of directors of such corporation may determine.

Shares held by an administrator, executor, guardian, or conservator may be voted by that person either in person or by proxy, without a transfer of such shares into the name of that person, Shares standing in the name of a trustee may be voted by the trustee, either in person or by proxy, but a trustee is not be entitled to vote shares held by the trustee without a transfer of such shares into the name of the trustee.

Shares standing in the name of a receiver may be voted by such

receiver, and shares held by or under the control of a receiver may be voted by the receiver without the transfer thereof into the name of the receiver if authority to transfer the shares is contained in an appropriate order of the court by which such receiver was appointed.

A shareholder whose shares are pledged is entitled to vote the shares until the shares have been transferred into the name of the pledgee and, thereafter, the pledgee is entitled to vote the shares so transferred.

Neither shares of its own stock held by this corporation nor those held by another corporation, if a majority of the shares entitled to vote for the election of directors of such other corporation are held directly or indirectly by this corporation, shall be voted at any meeting or counted in determining the total number of outstanding shares at any given time for purposes of any meeting.

Shares held by a nominee may be voted by the nominee either in person or by proxy unless the nominee, in writing

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delivered to the corporation, names the person for whom the nominee holds the shares; and, in such event, such person shall vote the shares either in person or by proxy.

Section 11 -- Informal Action by Shareholders. Any action required to be taken at a meeting of the shareholders or any other action which may be taken at a meeting of the shareholders, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the shareholders entitled to vote with respect to the subject matter thereof.

Section 12 -- Cumulative Voting. At each election for directors, every shareholder entitled to vote at such election shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected and for whose election he has a right to vote or to cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of his shares shall equal or by distributing such votes on the same principle among any number of candidates.

Section 13-- Shareholders' Right to Financial Statements. The provisions of AS 10.06.433 are incorporated herein by reference.

Section 14-- Shareholders' Right to Books and Records. The provisions of AS 10.06.430 are incorporated herein by reference,

ARTICLE IV. BOARD OF DIRECTORS

Section 1-- General Powers. The business and affairs of the corporation shall be managed by its Board of Directors.

Section 2-- Number, Tenure, and Qualifications. The original Board of Directors shall be at least one in number. The number of directors may be increased up to the number of eleven by the vote of the directors or the shareholders authorizing such increase or may be reduced to not less than one by a like vote of the directors or the shareholders (provided, however, that a shareholder action pertaining to the number of directors may not be overridden by action of the directors); and the question of determining the number of directors may be considered at any regular meeting, without the necessity of previously giving notice of the contemplation of such change, or at any special meeting called for that purpose in accordance

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with these Bylaws. The Board of Directors shall be elected at the annual meeting of the shareholders to hold office until the next succeeding annual meeting (except in the case of the classification of directors permitted by AS 10.06.455). A director, including a director elected to fill a vacancy, shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified, and the term of each director shall begin immediately after election. Directors need not be residents of the State of Alaska or shareholders of the corporation.

Section 3 -- Regular Meetings. A regular meeting of the Board of Directors shall be held without other notice than this Bylaw immediately after and at the same place as the annual meeting of shareholders. The Board of Directors may provide, by resolution, the time and place, either within or outside the State of Alaska, for the holding of additional regular meetings of the board or a committee of the board without other notice than such resolution.

Section 4 -- Special Meetings. Regular or special meetings of the Board of Directors or of a committee of the board may be called by or at the request of the Chairman of the Board, the President, a vice president, the Secretary, or a director. The person or persons authorized to call meetings may fix any place, either within or outside the State of Alaska, as the place for

holding any regular or special meeting called by them.

Section 5 -- Notice. Notice of any regular or special meeting (if not earlier given in these Bylaws or a resolution of the board or a committee of the board or at a duly constituted meeting of the board or a committee of the board) shall be given at least 10 days previously thereto by written notice mailed to each member at his business address or at least 72 hours previously thereto if notice is by telegram, electronic means, personal messenger, or comparable person-to-person communication. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. Any member may waive notice of any meeting. The attendance of a member at a meeting shall constitute a waiver of notice of such meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be

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transacted at nor the purpose of any regular or special meeting of the Board of Directors or a committee of the board need be specified in the notice or waiver of notice of such meeting.

Section 6 - Quorum. A majority of the number of members shall constitute a quorum for the transaction of business at any meeting of the Board of Directors or a committee of the board but, if less than such majority is present at a meeting, a majority of the members present may adjourn the meeting from time to time without further notice. Once a quorum is established and any action is approved, the quorum may not thereafter be broken by the departure of a member.

Section 7 -- Manner of Acting. The act of the majority of the members present at a meeting at which a quorum is present shall be the act of the Board of Directors or a committee of the board. A member present when action on a corporate matter is taken is presumed to have assented to the action unless the member's dissent is entered in the minutes of the meeting or unless the member who did not vote in favor of the action files a written dissent with the Secretary before adjournment or by certified mail immediately after adjournment. The members may meet by telephone or other similar communications equipment.

Section 8 -- Action Without a Meeting. Any action that may be taken by the Board of Directors or a committee of the board at a meeting may be taken without a meeting if written consents identical in content shall be signed by all of the members. The business transacted at any meeting of the Board of Directors or a committee of the board, however called and noticed and wherever held, shall be as valid as though had at a meeting duly held after regular call and notice if a quorum be present at such meeting and if, before or after the meeting or approval of the minutes thereof, each of the members not present sign a written waiver of notice or a consent to holding such meeting or approval of the minutes thereof and all such waivers, consents, or approvals shall be made a part of the minutes of the meeting.

Section 9 -- Vacancies. Any vacancy occurring in the Board of Directors (other than by removal of a director ---- see Section 15) may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum of the Board of Directors. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office. Any directorship to be filled by reason of an increase in the number of directors may be filled by election by the Board of

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Directors for a term off office continuing only until the next election of directors by the shareholders. A vacancy shall be filled within six months or the next annual meeting, whichever occurs first.

Section 10 -- Compensation. By resolution of the Board of Directors, each member may be paid expenses, if any, for attendance at each meeting of the Board of Directors or a committee of the board and may be paid a stated fee as a member or a fixed sum for attendance at each meeting or both. No such payment shall preclude any member from serving the corporation in any other capacity and receiving compensation therefor.
AS 10.06.230(4).

Section 11 - Board Powers. Without limiting the general powers conferred by these Bylaws and provided by law, the Board of Directors shall have, in addition to such powers, the following powers, namely:

(a) From time to time, to make and change rules and regulations not inconsistent with law, or with these Bylaws, for the management and control of the business of the corporation and its affairs, and of its officers, agents, and employees; to lease, purchase, or otherwise to acquire, in any lawful manner,

for and in the name of the corporation, any and all real estate, personal property, letters patent, concessions, licenses, inventions, and other property rights or privileges whatsoever deemed necessary or convenient for the prosecution of its business and which the corporation is authorized to acquire, and generally, upon such terms and conditions as they think fit and in their discretion to pay therefor, either wholly or partially, in any stocks, bonds, debentures, or other securities of the corporation.

(b) To sell or otherwise to dispose of any real estate, personal property, patents, licenses, inventions, property rights, or privileges belonging to the corporation, whenever, in their opinion, its interest would be thereby promoted.

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(c) To enter into agreements and contracts with individuals, groups of individuals, corporations, or governments for any lawful purpose, including shareholder agreements as described in AS 10.06.424, .425.

(d) To supervise and direct the officers, agents, and employees of the corporation and to see that their duties are properly performed.

(e) To appoint and remove, at its pleasure, any and all officers, agents, and employees of the corporation and to prescribe their duties in a manner not inconsistent with these Bylaws and to fix their compensation.

(f) To borrow money and otherwise to incur indebtedness, to enter the terms and amount of such indebtedness in the minutes of the Board of Directors, to evidence such indebtedness by the note of the corporation, to mortgage the property of the corporation, and otherwise give security for the payment of such indebtedness.

(g) By resolution adopted by a majority of the entire Board, the Board of Directors may designate from among its members an executive committee or other committees of the Board, and the Board may delegate to an executive committee or otherwise, all pursuant to AS 10.06.468. Persons other than directors may be appointed members of a committee, without vote.

(h) To amend, alter, and repeal these Bylaws or any part thereof at any regular or special meeting of the Board of Directors.

(i) In addition to the powers and authorities expressly conferred upon the Board of Directors by these Bylaws, the Board of Directors may exercise all such other lawful powers of the corporation and do all such lawful acts and things in the furtherance of the corporations business as are not by

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statute or by the Articles of Incorporation or by these Bylaws directed or required to be exercised or done by the shareholders.

Section 12 -- Records. The Board of Directors shall cause to be kept a complete record of all their minutes and acts and of the proceedings of the shareholders and of shareholders meetings.

Section 13 -- Director Reliance. In acting for the corporation, and unless the director has knowledge concerning the matter in question that makes reliance unwarranted, directors may rely upon information, opinions, reports, or statements, including financial statements and data prepared by (1) officers, employees, and agents of the corporation whom the director believes to be reliable and competent in the matters presented, (2) counsel, public accountants, or other persons, as to matters that the director reasonably believes to be within the persons professional or expert competence, and (3) committees of the board, as to matters within the authority of the committee which the director believes to merit confidence.

Section 14 -- Director Right to Inspect. Directors have an absolute right, at a reasonable time, to inspect and copy all books, records, and documents of the corporation and to inspect the physical properties of the corporation pursuant to AS 10.06.450(d).

Section 15 -- Vacancy; Removal of Directors. The board may declare vacant the office of a director who has been declared of unsound mind by a court order. The board may remove a director without reason if the removal is approved by the outstanding shares in accordance with AS 10.06.460. Vacancies occurring in the board by reason of removal of directors may be filled only by

approval of the shareholders.

Section 16 -- Resignation. A director may resign upon giving written notice to the Chairman of the Board, the President, the Secretary, or the board. Upon such resignation (which is effective upon delivery of such notice unless the notice specifies a later time) and notwithstanding that a successor has not been elected or qualified, the office resigned is vacant. If the resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective.

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Section 17 -- Director Conflicts of Interest. Directors shall disclose any conflict of interest in any contract or other transaction between the corporation and the director or a corporation, firm, or association in which one or more of the directors has a material financial interest. Such contracts or other transactions may be approved pursuant to AS 10.06.478.

Section 18-- Director Liability. The provisions of AS 10.06.480 are incorporated by reference.

ARTICLE V. OFFICERS

Section 1 -- Number. The officers of the corporation shall be Chairman of the Board, President, one or more Vice Presidents (the number thereof to be determined by the Board of Directors), a Secretary, and a Treasurer, each of whom shall be elected by the Board of Directors. Such other officers and assistant officers as may be deemed necessary may be elected or appointed by the Board of Directors. Any two or more offices may be held by the same person except the offices of President and Secretary; provided, however, that a sole shareholder of the corporation may hold all or any combination of offices.

Section 2 -- Election and Term of Office. The officers of the corporation shall be chosen by the Board of Directors and shall serve at the pleasure of the Board of Directors.

Section 3-- Removal. Any officer or agent may be removed by the Board of Directors, subject to contract rights, if any.

Section 4 -- Resignation. An officer may resign at any time upon written notice to the corporation without prejudice to the rights, if any, of the corporation under contract to which the officer is a party.

Section 5 -- Chairman; President. The Chairman of the Board or, in his absence, the President shall be the principal executive officer of the corporation and, subject to the control of the Board of Directors, shall, in general, supervise and control all of the business and affairs of the corporation. He shall, when present, preside at all meetings of the shareholders and of the Board of Directors. He may sign with the Secretary or any other proper officer of the corporation thereunto authorized by the Board of Directors certificates for shares of the corporation, any deeds, mortgages, bonds, contracts, or other instruments except in cases where the signing and

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execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the corporation or shall be required by law to be otherwise signed or executed and, in general, shall perform all duties incident to the office of Chairman of the Board or President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 6 - The Vice Presidents. In the absence of the President or in the event of his death, inability, or refusal to act, the Vice President (in the event there be more than one Vice President, the Vice Presidents in the order designated at the time of their election or, in the absence of any designation, in the order of their election) shall perform the duties of the President and, when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President may sign with the Secretary or an Assistant Secretary certificates for shares of the corporation and shall perform such other duties as, from time to time, may be assigned to him by the Chairman of the Board, the President, or the Board of Directors.

Section 7-- The Secretary. The Secretary shall:

(a) keep the minutes of the proceedings of the shareholders and of the Board of Directors in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the corporate records; (d) if the corporation has a seal, be custodian of the seal of the corporation and see that the seal of the corporation is affixed to all documents the execution of which on behalf of the corporation under its seal is duly authorized; (e) keep a register of the post office address of each shareholder which shall be furnished to the Secretary by such shareholder; (f) sign with the Chairman of the Board, the President, or a Vice President certificates for shares of the corporation,

the issuance of which shall have been authorized by resolution of the Board of Directors; (g) have general charge of the stock transfer books of the corporation; and (h) in general, perform all duties incident to the office of Secretary and such other duties as, from time to time, may be assigned to him by the President or by the Board of Directors.

Section 8 - The Treasurer. The Treasurer shall:

(a) have charge and custody of and be responsible for all funds and securities of the corporation; (b) receive and give receipts for moneys due and payable to the corporation from any source whatsoever and shall deposit all such moneys in the name of the

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corporation in such banks, trust companies, or other depositories as shall be selected; and (c) in general, perform all of the duties incident to the office of Treasurer and such other duties as, from time to time, may be assigned to him by the Chairman of the Board, the President, or by the Board of Directors. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine.

Section 9 -- Salaries. The salaries of the officers, if any, shall be fixed from time to time by the Board of Directors, and no officer shall be prevented from receiving such salary by reason of the fact that he is also a director of the corporation.

Section 10 -- Reimbursement of Disallowed Salaries and Payments. Any payments made to an officer of the corporation, such as a salary, commission, bonus, interest, rent, or entertainment expense incurred by him which shall be disallowed in whole or in part as a deductible expense by the Internal Revenue Service or the Alaska Department of Revenue, shall be reimbursed by such officer to the corporation to the full extent of such disallowance. It shall be the duty of the directors, as a board, to enforce payment of each such amount disallowed. In lieu of payment by the officer, subject to the determination of the directors, proportionate amounts may be withheld from his future compensation payments until the amount owed to the corporation has been recovered.

Section 11 -- Reliance. An officer is entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data in each case prepared or presented by legal counsel or public accountants, unless the officer has knowledge concerning the matter in question that makes reliance unwarranted.

ARTICLE VI. CERTIFICATES OF STOCK

Section 1 Certificates for Shares. Certificates representing shares of the corporation shall be in such form as shall be determined by the Board of Directors but shall contain notices thereon of any restriction in transfer thereof. Such certificates shall be signed by the President or a Vice President and by the Secretary or an Assistant Secretary and may be sealed with the corporate seal or a facsimile thereof. The signatures of such officers upon a certificate may be facsimiles if the certificate is countersigned by a transfer agent or

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registered by a registrar other than the corporation itself or one of its employees. All certificates for shares shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the corporation. All certificates surrendered to the corporation for transfer shall be cancelled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and cancelled except that, in the case of a lost, destroyed, or mutilated certificate, a new one may be issued therefor upon such terms and indemnity to the corporation as the Board of Directors may prescribe. The Board of Directors may issue shares without certificates pursuant to AS 10.06.349. Shares shall be fully paid for before issuance of a certificate therefor

Section 2 -- Transfer of Shares. Transfer of shares of the corporation shall be made only on the stock transfer books of the corporation by the holder of record thereof, by his legal representative, who shall furnish proper evidence of authority to transfer, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the corporation, and upon surrender for cancellation of the certificate for such shares. The person in whose name shares stand on the books of the corporation shall be deemed by the corporation to be the owner thereof for all purposes.

Section 3 -- Restrictions on Transfer. Transfer of stock in this corporation is or may be restricted (a) by law, and particularly by provisions of federal and state securities laws, (b) by agreement between the corporation and its shareholders or agreement between shareholders, a copy of which shall be maintained by the Secretary and made available for reasonable inspection and copying by persons with a pecuniary interest therein, and (c) by provision of

these Bylaws.

Section 4 -- Corporate Option to Purchase, If no agreement exists between the corporation and its shareholders, then no stock of this corporation shall be sold or transferred to any person other than the corporation or a shareholder of the corporation (excluded person) without said stock first having been offered for sale to the corporation for redemption and then to the other of the shareholders of the corporation as follows:

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Should any of the shareholders of the corporation desire to sell or transfer stock or any interest therein, to any excluded person, the shareholder shall first offer, in writing, such stock to the corporation and then to the other shareholders of the corporation, in the ratio and proportion that the other shareholders hold stock in the corporation, at a price to be set forth in the notice. The corporation, after receiving such notice, shall have thirty days within which to purchase the interest of the selling shareholder and, should the corporation fail or refuse to purchase said stock within the thirty--day period after the receipt of the notice, then the selling shareholder shall give a like written notice and a like period of time to the continuing shareholders to purchase the interest of the selling shareholder at the price set forth in the notice. The shareholders receiving such notice shall have thirty days within which to purchase the interest of the selling shareholder and, should the continuing shareholders or any part of them refuse or fail to purchase their proportionate interest in the stock being offered for sale by the selling shareholder within the thirty--day period after receipt of the notice, then the selling shareholder shall be at liberty to sell said stock to any excluded person. In no event, however, shall said stock be sold to excluded persons at a price less than the price offered to the corporation and to the other shareholders, without first having offered the stock for sale to the corporation and the other shareholders at a like price and under similar terms or conditions.

Section 5 -- Responsibility. It shall be the responsibility of the transferring shareholder, before any transfer of the stock on the books of the corporation, to make satisfactory proof to the Secretary or transferring agent of compliance with law, applicable agreement, and these Bylaws.

Section 6 -- No Treasury Shares. Any stock in the corporation purchased, redeemed, or otherwise acquired by the corporation is restored to the status of authorized but unissued.

ARTICLE VII. FISCAL YEAR

The fiscal year of the corporation shall begin on the day of
and end on the day of in each year.

ARTICLE VIII. INDEMNIFICATION

Section 1 - Nonderivative Actions. Subject to the provisions of Sections 3, 4, 5, and 6 below, the corporation

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shall defend, indemnify, and hold financially harmless any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding whether civil, criminal, administrative, or investigative (other than an action by or in the right of the corporation) by reason of or arising from the fact that the person is or was a director, officer, employee, or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee, agent, partner, or trustee of another corporation, partnership, joint venture, trust, or other enterprise, against costs and expenses (including attorney's fees) of said suit, action, or proceeding, judgments, fines, and amounts paid in settlement actually and reasonably incurred in connection with the action, suit, or proceeding if (i) the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to a criminal action or proceeding, did not know and had no reasonable cause to believe the conduct was unlawful or (ii) the person's act or omission giving rise to such action, suit, or proceeding is ratified, adopted, or confirmed by the corporation or the benefit thereof received by the corporation. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption, and settlement shall not constitute any evidence, that the person did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to a criminal action or proceeding, did not know and had no reasonable cause to believe that the conduct was unlawful.

Section 2 -- Derivative Actions. Subject to the provisions of Sections 3, 4, 5, and 6 below, the corporation shall defend, indemnify, and hold financially harmless any person who was or is a party or is threatened to be

made a party to any threatened, pending, or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of or arising from the fact that the person is or was a director, officer, employee, or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee, agent, partner, or trustee of another corporation, partnership, joint venture, trust, or other enterprise against costs and expenses (including attorney's fees) actually and reasonably incurred in connection with the defense or settlement of such action or suit if (i) the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the

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corporation or (ii) the person's act or omission giving rise to such action or suit is ratified, adopted, or confirmed by the corporation or the benefit thereof received by the corporation; provided, however, that no indemnification shall be made in respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable for gross negligence or deliberate misconduct in the performance of the person's duty to the corporation unless, and only to the extent that, the court in which the action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for the expenses which the court considers proper.

Section 3 -- Denial of Right to Indemnification. Subject to the provisions of Sections 5 and 6 below, defense and indemnification under Sections 1 and 2 of this article automatically shall be made by the corporation unless it is expressly determined that defense and indemnification of the person is not proper under the circumstances because the person has not met the applicable standard of conduct set forth in Sections 1 or 2 of this article. The person shall be afforded a fair opportunity to be heard as to such determination. Defense and indemnification payment may be made, in the case of any challenge to the propriety thereof, subject to repayment upon ultimate determination that indemnification is not proper.

Section 4-- Determination. The determination described in Section 3 shall be made:

(1) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to the action or proceeding; or

(2) if such quorum is not obtainable or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion; or

(3) by a majority vote of the outstanding shares, including any shares held by the person or by any person who is not disinterested.

Section 5 -- Successful Defense. Notwithstanding any other provisions of Sections 1, 2, 3, or 4 of this article but subject to the provisions of Section 6 below, if a person is successful on the merits or otherwise in defense of any action, suit, or proceeding referred to in Sections 1 or 2 of this article or in defense of any claim, issue, or matter therein,

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the person shall be indemnified against costs and expenses (including attorney's fees) actually and reasonably incurred in connection therewith.

Section 6 -- Condition Precedent to Indemnification. Any person who desires to receive defense and indemnification under this article shall notify the corporation reasonably promptly that the person has been named a defendant to an action, suit, or proceeding of a type referred to in Sections 1 or 2 and that the person intends to rely upon the right of indemnification described in this article. The notice shall be in writing and mailed via registered or certified mail, return receipt requested, to the President of the corporation at the executive offices of the corporation or, in the event the notice is from the President, to the registered agent of the corporation. Notice need not be given when the corporation is otherwise notified by being named a party to the action.

Section 7 -- Insurance. At the discretion of the Board of Directors, the corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee, agent, partner, or trustee of another corporation, partnership, joint venture, trust, or other enterprise against any liability asserted against or incurred by the person in any such capacity or arising out of the person's status as such whether or not the corporation would have the power to defend and indemnify the person against such liability under the provisions of this article.

Section 8 -- Former Officers, Directors, etc. The indemnification provisions of this article shall be extended to a person who has

ceased to be a director, officer, employee, or agent as described above and shall inure to the benefit of the heirs, personal representatives, executors, and administrators of such person.

Section 9-- Purpose and Exclusivity. The defense and indemnification referred to in the various sections of this article shall be deemed to be in addition to and not in lieu of any other rights to which those defended and indemnified may be entitled under any statute, rule of law or equity, agreement, vote of the shareholders or Board of Directors, or otherwise. The purpose of this article is to augment, pursuant to AS 10.06.490(f) and the other provisions of AS 10.06.490.

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Section 10 -- Limitation of Liability. If set forth in the Articles of Incorporation, no director of this corporation shall have any personal liability to the corporation or its shareholders for monetary damages for the breach of fiduciary duty as a director except as provided in AS 10.06.210(1)(M).

ARTICLE IX. DIVIDENDS

Dividends upon the capital stock of the corporation may be declared by the Board of Directors at any regular or special meeting. Before paying any dividend or making any distribution, the directors shall ascertain compliance with the provisions of AS 10.06.358--.373.

ARTICLE X. LOANS TO DIRECTORS, OFFICERS, AND EMPLOYEES

No loan shall be made to a director, officer, or employee of the corporation except pursuant to AS 10.06.485.

ARTICLE XI. WAIVER OF NOTICE

Whenever any notice is required to be given to any shareholder or director of the corporation under the provisions of these Bylaws, the Articles of Incorporation, or the Alaska Corporations Code, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, or attendance at a meeting without protesting before the meeting or at its commencement the lack of notice, shall be deemed equivalent to such notice.

ARTICLE XII. REPORTS

The corporation is exempt, as allowed under AS 10.06.432, from the reporting requirements set forth in AS 10.06.433(a) and (b) but shall comply with the provisions of AS 10.06.433(c)--(g). The Board of Directors shall give timely notice of change in directors, officers, five percent shareholder, registered agent, or office.

ARTICLE XIII. AMENDMENTS

These Bylaws may be altered, amended, or repealed and new Bylaws may be adopted by the Board of Directors at any regular or special meeting of the Board of Directors.

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KNOW ALL MEN BY THESE PRESENTS: That the undersigned Secretary of Rogers Cablesystems of Alaska, Inc. does hereby certify that the above and foregoing Bylaws were duly adopted by the Board of Directors as the Bylaws of the corporation on the 29th day of March, 1990.

/s/
Secretary

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ARTICLES OF INCORPORATION
OF
ROGERS CABLESYSTEMS OF ALASKA, INC.

KNOW ALL MEN BY THESE PRESENTS: That the undersigned, being over eighteen years of age, has formed a business corporation under and pursuant to the laws of the State of Alaska and does hereby certify:

ARTICLE I

The name of this corporation is Rogers Cablesystems of Alaska, Inc.

ARTICLE II

The object and purposes for which this corporation is formed are as follows:

(a) This corporation shall have all the powers to do and transact any and all actions and have all of the powers mentioned and set forth directly or by inference in the Alaska Statutes, Title 10, Chapter 6, including AS 10.06.010.

(b) Without in any manner intending to limit the powers specified in the Alaska Statutes, this corporation, at its inception and as its main corporate purpose, shall engage in the business of providing cable television service.

ARTICLE III

The authorized capital stock of this corporation shall be 100,000 shares of nonassessable common stock fully voting, fully participating.

ARTICLE IV

To the extent available, both retained earnings and paid-in capital may be used for the purchase and redemption of common stock issued by this corporation.

No holder of any stock of this corporation shall be entitled, as a matter of right, to purchase, subscribe for or otherwise acquire any new or additional shares of stock of the corporation of any class, or any options or warrants to purchase, subscribe for or otherwise acquire any such new or additional share, or any shares, bonds, notes, debentures or other securities convertible into or carrying options or warrants to purchase, subscribe for or otherwise acquire any such new or additional shares.

During any time that the corporation shall be bound by provision in its Bylaws or by an agreement with its shareholders restricting transfer of shares, no person may acquire shares in the corporation except in accordance with the terms of such Bylaws or agreement, a copy of which shall be available for inspection at the office of the corporation. The provisions of such Bylaws or agreement, as amended, are hereby incorporated by reference.

ARTICLE V

To the full extent permitted by law and subject only to those limitations expressly stated in AS 10.06.210(1)(M), no director of this corporation shall have any personal liability to the corporation or its shareholders for monetary damages for the breach of fiduciary duty as a director. This provision shall apply in addition to, and not in substitution for, indemnification provisions contained in this corporation's Bylaws or provided by contract.

ARTICLE VI

The name and address of each alien affiliate is:

Rogers Finance Company Limited
Camlyn Hastings
Christ Church
Barbados, 14. I.

Rogers Canadian Holdings Inc.
Suite 2600
Commercial Union Tower
Toronto Dominion Centre
P.O. Box 249
Toronto, ON M5K 1J5

Rogers Communications Inc.
Suite 2600
Commercial Union Tower
Toronto Dominion Centre
P.O. Box 249
Toronto, ON M5K 1J5

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ARTICLE VII

The address of the corporation's initial registered office is:

Rogers Cablesystems of Alaska, Inc.
do Hughes, Thorsness, Gantz, Powell & Brundin
509 West Third Avenue
Anchorage Alaska 99501

The name of the corporation's initial registered agent is:
Mary K. Hughes.

ARTICLE VIII

The management of the affairs and concerns of this corporation is hereby vested in its Board of Directors. The number of directors shall be fixed from time to time by the Bylaws. The names and addresses of the initial Board of Directors are:

John C. Frank
One Sealaska Plaza, Suite 303
Juneau, Alaska 99801

Mary Hughes
509 West Third Avenue
Anchorage, Alaska 99501

Jayne Gilbert
One Sealaska Plaza. Suite 303
Juneau, Alaska 99801

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IN WITNESS WHEREOF, the undersigned, being the original incorporator hereinabove named, has signed these Articles of Incorporation, in duplicate, this 19 day of January, 1990.

/s/
Mary K. Hughes

VERIFICATION

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

I, Mary K. Hughes, say on oath or affirm that I have read the foregoing Articles of Incorporation and believe all statements made therein are true.

/s/
Mary K. Hughes

SUBSCRIBED AND SWORN TO or affirmed before me at Anchorage, Alaska, this 19th day of January, 1990.

/s/
NOTARY PUBLIC in and for Alaska
My Commission Expires:

Pursuant to the provisions of the Alaska Business Corporation Act, the undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation:

FIRST: The following amendment of the Articles of Incorporation was adopted by the board of directors of the corporation on the 8th day of 1February, 1990, in the manner prescribed by the Alaska Business Corporation Act:

RESOLVED, that the Articles of Incorporation, specifically Article VIII, be amended to delete the names and addresses of the initial Board of Directors and to state the names and addresses of the initial Board of Directors are:

Edward S. Rogers
Suite 2600, Commercial Union Tower
P.O. Box 249, Toronto Dominion Centre
Toronto, Ontario MSK 135

Cohn O. Watson
Suite 2600, Commercial Union Tower
P.O. Box 249, Toronto Dominion Centre
Toronto, Ontario M5K 1.35

Graham W. Savage
Suite 2600, Commercial Union Tower
P.O. Box 249, Toronto Dominion Centre
Toronto, Ontario M5l(135

Philip B. Lind
Suite 2600, commercial Union Tower
P.O. Box 249, Toronto Dominion Centre
Toronto, Ontario M5K 135

SECOND: The number of shares of the corporation authorized at the time of such adoption was 100,000; however, said shares have not been issued.

THIRD: No shares were entitled to vote thereon.

FOURTH: The amendment does not change the amount stated capital of the corporation.

DATED this 8th day of February, 1990.

ROGERS CAELESYSTEMS OF
ALASKA, INC.

By: /s/
Mary K. Hughes
President

By: /s/
John G. Frank
Secretary

STATE OF ALASKA)
)ss.
THIRD JUDICIAL DISTRICT)

I, Mary K. Hughes, President of Rogers Cablesystems of Alaska, Inc., say on oath or affirm that I have read the foregoing Articles of Amendment to the Articles of Incorporation and believe all statements made therein are true.

/s/
Mary K. Hughes

SUBSCRIBED AND SWORN TO OR AFFIRM before me this 8th day of February, 1990, at Anchorage, Alaska.

/s/
Notary Public, State of Alaska
My Commission Expires: 05-13-93

BYLAWS OF
KANAS TELECOM, INC.

ARTICLE I

OFFICES

Section 1 REGISTERED OFFICE

The corporation shall maintain a registered office in the State of Alaska, as required by law.

Section 2. OTHER OFFICES

The corporation may have offices at such other places, both within the State of Alaska, as the Board of Directors may from time to time or the business of the corporation may require.

ARTICLE II

SHAREHOLDERS: MEETING AND VOTING PLACE OF MEETINGS

Section 1. PLACE OF MEETINGS

Meetings of the shareholders shall be held at the principal office of business of the corporation, or at such other place, either within the State of Alaska, as the Board of Directors may designate.

Section 2. ANNUAL MEETING

The annual meeting of the shareholders shall be held in the month of _____ of each year, at the principal office of the corporation, or at such other place that the President of the corporation may reasonably designate. At the annual meeting, the shareholders shall elect, by vote, a Board of Directors, consider reports of the affairs of the corporation and transact such other business as may be properly brought before the meeting. In the event that the annual meeting is not held on the date herein provided for such meeting, the Directors shall cause a meeting in lieu thereof to be held as soon thereafter as may be convenient. Such meeting shall be called in the same manner as the annual meeting, and any business transacted or elections held at such meeting shall be as valid as if transacted or held at the annual meeting.

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Section 3. SPECIAL MEETINGS

Special meetings of the shareholders may be called by the President or the Board of Directors and shall be called by the Secretary at the request in writing of holders of not less than one-tenth of all the shares entitled to vote at such meeting. Such request shall state the purpose of the proposed meeting.

Section 4. NOTICE OF MEETINGS

(a) Written or printed notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than twenty (20), nor more than sixty (60), days before the date of the meeting, either personally, by mail or delivery service, or by facsimile, by or at the direction of the President, the Secretary or the officer or persons calling the meeting, to each shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the shareholder at his address as it appears on the stock transfer books of the corporation, with postage thereon prepaid.

(b) Notice of any regular or special meeting may be waived by written consent, whether executed before or subsequent to such meetings. The attendance of any shareholder in person, or his representation by proxy, at any regular or special meetings shall be deemed a waiver of the notice hereby prescribed, except where a shareholder attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

(c) When a meeting is adjourned for thirty (30) days or more, or when a redetermination of the persons entitled to receive notice of the adjourned meeting is required by law, notice of the adjourned meeting shall be given as for an original meeting. In all other cases, no notice of the adjournment or of the business to be transacted at the adjourned meeting need be given other than by announcement at the meeting at which such adjournment is taken.

Section 5. QUORUM

(a) At any meeting of the shareholders, the holders of a majority of the shares entitled to vote being present in person or represented by proxy, shall constitute a quorum for the transaction of business. Shareholders may not take any action that would violate the terms of a Shareholders' Agreement entered into between the Shareholders on or about June 19, 1996.

(b) In the absence of a quorum, a majority of those present in person or represented by proxy may adjourn the meeting from time to time until a quorum shall attend. Any business which might have been transacted

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at the original meeting may be transacted at the adjourned meeting if a quorum exists.

(c) If a quorum is present, the affirmative vote of a majority of the shares represented at the meeting shall be the act of the shareholders unless the vote of a greater number of shares is required by law, the Articles of Incorporation, or the Shareholders' Agreement entered into between the Shareholders on or about June 19, 1996.

Section 6. VOTING OF SHARES

a) Each outstanding share is entitled to one vote on each matter submitted to a vote at a meeting of shareholders, except to the extent that the voting rights of the shares of a class are limited or denied by the Articles of Incorporation.

(b) A shareholder may vote its shares either in person or by proxy, executed in writing by the shareholder or by his duly authorized attorney-in-fact and filed with the Secretary before being voted. Except for proxies that are irrevocable at law or under a Shareholders' Agreement, no proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

(c) At all elections of Directors, the Shareholders' shall elect directors pursuant to the terms of the Agreement entered into between the Shareholders on or about June 19, 1996.

Section 7. VOTING RIGHTS

The persons entitled to receive a notice of, and to vote at, any shareholders meeting shall be determined from the records of the corporation on the date of mailing of the notice, or on such other date not more than sixty (60) nor less than (10) days before such meeting as shall be fixed in advance by the Board of Directors.

Section 8. VOTING OF SHARES BY CERTAIN HOLDERS

(a) Shares standing in the name of another corporation may be voted by such officer, agent or proxy as the Bylaws of such corporation may prescribe, or, in the absence of such provision, as the Board of Directors of such corporation may determine.

(b) Shares held by any administrator, executor, guardian or conservator may be voted by him, either in person or by proxy, without a transfer of such shares into his name. Shares standing in the name of a trustee may be voted by him, either in person or by proxy, but no trustee shall

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be entitled to vote shares held by him without a transfer of such shares into his name.

(c) Shares standing in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer thereof into his name if authority to do so be contained in an appropriate order of the court by which such receiver was appointed.

(d) A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

Section 9. VOTING LISTS

The officer or agent having charge of the stock transfer books for shares of the corporation shall make, at least twenty (20) days before each meeting of shareholders, a complete list of the shareholders entitled to vote at such meeting, or any adjournment thereof arranged in alphabetical order, with the address of, and the number of shares held by each, which list, for a period of twenty (20) days prior to such meeting, shall be kept on file at the

registered office of the corporation and shall be subject to inspection by any shareholder during the whole time of the meeting. The original stock transfer book shall be Prima facie evidence as to who are the shareholders entitled to examine such list or transfer books or to vote at any meeting of shareholders. Failure to comply with the requirements of this section shall not affect the validity of any action taken at such meeting.

Section 10. ACTION WITHOUT A MEETING

Any action which the law, the Articles of Incorporation, or the Bylaws require or permit the shareholders to take at a meeting may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the shareholders entitled to vote on the matter. The consent, which shall have the same effect as a unanimous vote of the shareholders, shall be filed in the records of minutes of the corporation.

ARTICLE III

DIRECTORS: MANAGEMENT

Section 1. POWERS

The business and affairs of the corporation shall be managed by a Board of Directors which shall exercise, or direct the exercise of, all corporate powers except to the extent shareholder authorization is required by law, the Articles of Incorporation or these Bylaws.

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Section 2. NUMBER

The Board of Directors shall consist of four members until the number be changed by the Board of Directors or the shareholders by amendment of these Bylaws. No reduction of the number of Directors shall have the effect of removing any Director prior to the expiration of his term of office. Directors need not be residents of the State of Alaska nor shareholders of the corporation.

Section 3. ELECTION AND TENURE OF OFFICE

The Directors shall be elected at the annual meeting of the shareholders, to serve for one (1) year, or until their successors are elected and qualified. Their term of office shall begin immediately after election. The Directors may be removed at any time, and without cause, by a majority vote of the shareholders; provided, however, that no such removal shall be effective if the votes cast against such removal would have been sufficient to elect such Director if then cumulatively voted at an election of the entire Board of Directors.

Section 4. VACANCIES

(a) A vacancy in the Board of Directors shall exist upon the death, resignation or removal of any Director.

(b) Vacancies in the Board of Directors may be filled by a majority of the remaining Directors, though less than a quorum, or by a sole remaining Director, pursuant to the provisions of that Shareholders Agreement entered into by and between the Shareholders of this Corporation on or about May 23, 1996. Each Director so elected shall hold office for the balance of the unexpired term of his predecessor and until his successor is elected and qualified.

(c) The shareholders may, at any time, elect a Director to fill any vacancy not filled by the Directors pursuant to the provisions of that Shareholders Agreement entered into by and between the Shareholders of this Corporation on or about May 23, 1996, and shall elect the additional Directors in the event an amendment of the Bylaws is adopted increasing the number of Directors.

(d) If the Board of Directors accepts the resignation of a Director tendered to take effect at a future time, a successor may be elected to take office when the resignation becomes effective, pursuant to the provisions of that Shareholders Agreement entered into by and between the Shareholders of this Corporation on or about May 23, 1996.

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Section 5. MEETINGS

(a) Meetings of the Board of Directors shall be held at such place as may be designated from time to time by the Board of Directors or other such persons calling the meeting.

(b) Annual meetings of the Board of Directors shall be held without notice immediately following the adjournment of the annual meetings of

the shareholders.

(c) Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the President, or in his absence, by the Vice President, or by any two Directors.

(d) The Board of Directors or a committee designated by the Board may conduct a meeting by communicating simultaneously with each other by means of conference telephones or similar communications equipment.

Section 6. NOTICE OF SPECIAL MEETINGS

(a) Notice of the time and place of special meetings shall be given orally or delivered in writing personally, by mail or deliver service, or facsimile at least 24 hours before the meeting. Notice shall be sufficient if actually received at the required time or if mailed or sent by facsimile not less than three (3) days before the meeting. Notice mailed or sent by facsimile shall be directed to the Directors actual address ascertained by the person giving the notice.

(b) Notice of the time and place of holding of an adjourned meeting need not be given if such time and place is fixed at the meeting adjourned.

(c) Notice of any special meeting may be waived by written consent, whether executed before, or subsequent to, such meeting. Attendance of a Director at a meeting shall constitute a waiver of notice of such meeting except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 7. QUORUM AND VOTE

(a) A majority of the Directors shall constitute a quorum for the transaction of business. A minority of the Directors, in the absence of a quorum, may adjourn from time to time but may not transact any business.

(b) The action of a majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, unless the act of a greater number is required by law, by the Articles of Incorporation or these Bylaws.

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Section 8. DEADLOCK

In the event a deadlock occurs about the management of the Corporation that cannot be resolved, and the deadlock is such that the corporation could be involuntarily dissolved under the Alaska Corporations Code or any successor statute, the disputes about the management of the corporation which created the deadlock shall be submitted to dispute resolution as set forth in a Shareholders Agreement entered into by and between the parties dated on or about May 23, 1996.

Section 9. DIRECTOR EXPENSES

The Board of Directors shall adopt by resolution a reimbursement policy under which the Directors are reimbursed for all reasonable travel expenses incurred in attending meetings of the Board of Directors.

ARTICLE IV

OFFICERS

Section 1. DESIGNATION: ELECTION: QUALIFICATION

(a) The officers of the corporation shall be a President, a Vice President, a Secretary and a Treasurer and such other officers as the Board of Directors shall from time to time appoint. The officers shall be elected by, and serve at the pleasure of, the Board of Directors. Two or more offices, except the offices of President and Secretary, may be held by the same person.

(b) The Board of Directors, at its first meeting after each annual meeting, shall elect a President, and shall choose a Vice President, a Secretary and a Treasurer, none of whom need be a member of the Board. No officer need be a shareholder.

(c) The Board of Directors, in its discretion, may elect from among its members a Chairman of the Board of Directors who, when present, shall preside at all meetings of the Board of Directors and who shall have such other powers as the Board may prescribe.

(d) Any vacancy occurring in any office of the corporation shall be filled by the Board of Directors.

Section 2. COMPENSATION AND TERM OF OFFICE

(a) The compensation and term of office of all the officers of the corporation shall be fixed by the Board of Directors.

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(b) Any officer may be removed, either with or without cause, by action of the Board of Directors.

(c) Any officer may resign at any time by giving written notice to the Board of Directors, the President or the Secretary of the corporation. Any such resignation shall take effect upon receipt of such notice or at any later time specified therein. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective provided that the Board of Directors may reject any post-dated resignation by notice in writing to the resigning officer.

(d) This section shall not affect the rights of the corporation or any officer under any express contract of employment.

Section 3. PRESIDENT

(a) The President shall be the chief executive officer of the corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and affairs of the corporation. He shall preside at all meetings of the shareholders and, unless a chairman of the Board of Directors has been elected and is present, shall preside at the meetings of the Board of Directors. He shall be ex-officio a member of all the standing committees, including an executive committee, if any, shall have the general powers and duties of management usually vested in the office of President of a corporation, and shall have such other powers and duties as may be prescribed by the Board of Directors or the Bylaws.

(b) The President shall execute bonds, mortgages and other contracts requiring a seal, except where required or permitted by law to be otherwise signed and executed or where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the corporation.

Section 4. VICE PRESIDENTS

The Vice President, or if there shall be more than one, the Vice Presidents, in the order determined by the Board of Directors, shall, in the absence or disability of the President, and except as specially limited by vote of the Board of Directors, perform the duties and exercise the powers of the President. They shall perform such other duties and shall have such other powers as prescribed by the Board of Directors.

Section 5. SECRETARY

(a) The Secretary shall attend all meetings of Directors and shareholders and shall keep, or cause to be kept, a book of minutes of all meetings of Directors and shareholders showing the time and place of the meeting, whether it was regular or special, and if special, how authorized, the

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notice given, the names of those present at Directors' meetings, the number of shares present or represented at shareholders meetings and the proceedings thereof.

(b) The Secretary shall keep, or cause to be kept, a share register, or a duplicate share register, showing the names of the shareholders and their addresses, the number and classes of shares held by each, the number and date of certificates issued for such shares, and the number and date of cancellation or certificates surrendered for cancellation.

(c) The Secretary shall give, or cause to be given, such notice of the meetings of the shareholders and of the Board of Directors as is required by the Bylaws. He shall keep the seal of the corporation and affix it to all documents requiring a seal, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or the Bylaws.

Section 6. TREASURER

(a) The Treasurer shall have the custody of the corporate funds, shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the Board of Directors.

(b) The Treasurer shall disburse funds of the corporation as may be ordered by the Board of Directors, taking proper vouchers for such

disbursements, and shall render the President and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as Treasurer and of the financial condition of the corporation.

Section 7. ASSISTANTS

The Board of Directors may appoint, or authorize the appointment of, assistants to the Secretary or Treasurer or both. Such assistants may exercise the power of the Secretary or Treasurer, as the case may be, and shall perform such duties as are prescribed by the Board of Directors.

Section 8. GENERAL MANAGER

Board of Directors may also appoint, or authorize the appointment of, a General Manager, who shall hold office at the pleasure of the Board. The Board of Directors may delegate to the General Manager such executive powers and authority as they may deem necessary to facilitate the handling and management of the corporation's property and interests.

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ARTICLE V

EXECUTIVE AND OTHER COMMITTEES

Subject to law, the provisions of the Articles of Incorporation and the Bylaws, the Board of Directors may appoint an executive committee, and such other committees as may be necessary from time to time, consisting of such number of its members and having such powers as it may designate. Such committees shall hold office at the pleasure of the Board.

ARTICLE VI

CORPORATE RECORDS AND REPORTS

Section 1. RECORDS

The corporation shall maintain adequate and correct books, records and accounts of its business and properties. All of such books, records and accounts shall be kept at its place of business as fixed by the Board of Directors, except as otherwise provided by law.

Section 2. INSPECTION

All books and accounts of the corporation shall be open to inspection by the shareholders in the manner and to the extent required by law.

Section 3. CERTIFICATION AND INSPECTION OF BYLAWS

The original, or a copy, of the Bylaws and any amendments thereto, certified by the Secretary, shall be open to inspection by the shareholders and Directors in the manner and to the extent required by law.

Section 4. CHECKS, DRAFTS, ETC.

All checks, drafts or other orders for payment of money, notes and other evidences of indebtedness, issued in the name of or payable to the corporation shall be signed or endorsed by such person or persons and in such manner as shall be determined by resolution of the Board of Directors.

ARTICLE VII

CERTIFICATES AND TRANSFER OF SHARES

Section 1. CERTIFICATES FOR SHARES

(a) Certificates for shares shall be in such form as the Board of Directors may determine. The certificates shall designate the state in which

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the corporation was incorporated, the name of the record holder of the shares represented thereby, the number of the certificate, the date of issuance, the number of shares for which it is issued, the par value, the rights, privileges, preferences and restrictions of the shares, if any, the provisions as to redemption or conversion, if any, and shall make reference to any liens or restrictions upon transfer or voting.

(b) Every certificate for shares must be signed by the President or a Vice President and the Secretary or an Assistant Secretary and may be sealed with the seal of the corporation or a facsimile thereof. If the certificate is countersigned by a transfer agent or registered by a registrar other than the corporation itself or an employee of the corporation, it may be authenticated by facsimiles of the signatures of such officers.

Section 2. REGISTERED SHAREHOLDERS

The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares for all purposes, including distribution of dividends, voting and liability for assessments. The corporation shall not be bound to recognize any equitable or other claim to or interest in such shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

Section 3. TRANSFER ON BOOKS

Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, the corporation or transfer agent shall issue a new certificate to the person entitled thereof, cancel the old certificate and record the transaction on its books.

Section 4. RESTRICTIONS ON TRANSFER

No securities of this corporation or certificates representing such securities shall be transferred in violation of any law or of any restriction on such transfer set forth in the Articles of Incorporation or amendments thereof the Bylaws or Shareholders' Agreement, any buy and sell agreement, right of first refusal, or other agreement restricting such transfer which has been filed with the corporation if reference to any such restrictions is made on the certificates representing such securities. The corporation shall not be bound by any restriction not so filed and noted. The corporation may rely in good faith upon the opinion of its counsel as to such legal or contractual violation with respect to any such restrictions unless the issue has been finally determined by a court of competent jurisdiction. The corporation, and any party to any such agreement, shall have the right to have a restrictive legend imprinted upon any such certificate and any certificates issued in replacement or exchange therefor or with respect thereto.

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Section 5. LOST, STOLEN OR DESTROYED CERTIFICATES

In the event a certificate is represented to be lost, stolen or destroyed, a new certificate shall be issued in place thereof upon proof of the loss, theft or destruction and upon the giving of such bond or other security as may be required by the Board of Directors.

Section 6. TRANSFER AGENTS AND REGISTRARS

The Board of Directors may from time to time appoint one or more transfer agents and one or more registrars for the shares of the corporation who shall have such powers and duties as the Board of Directors shall specify.

Section 7. CLOSING STOCK TRANSFER BOOKS

(a) The Board of Directors may close the transfer books for a stated period not exceeding sixty (60) days to determine the shareholders entitled to notice of or to vote at a meeting of shareholders, or entitled to receive payment of a dividend, or in order to make a determination of shareholders for any proper purpose. If the stock transfer books are closed to determine shareholders entitled to notice of or to vote at a meeting of shareholders, they shall be closed for at least twenty (20) days immediately preceding the meeting.

(b) In lieu of closing the stock transfer books, the Board of Directors may fix, in advance, a date as the record date for the determination of shareholders. This record date shall not be more than sixty (60) days and, in case of a meeting of shareholders, not less than twenty (20) days before the date on which the particular action requiring the determination of shareholders is to be taken. If the stock transfer books are not closed and no record date is fixed for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders, or shareholders entitled to receive payment of a dividend, the date on which notice of the meeting is mailed or the date on which the resolution of the Board of Directors declaring the dividend is adopted is, as the case may be, the record date for the determination of shareholders.

ARTICLE VIII

DIVIDENDS AND WORKING CAPITAL

Section 1. DIVIDENDS

Dividends may be declared by the Board of Directors from time to time out of the surplus or net profits of the corporation and shall be payable at such time or times as the Board of Directors shall determine, subject to preferences and provisions set forth in the Articles of Incorporation and

statutes.

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Section 2. WORKING CAPITAL

Before the payment of any dividends or the making or any distributions of the net profits, there may be set aside out of the net profits of the corporation such sum or sums as the Directors may from time to time, in their discretion, think proper, as a working capital or as a reserve fund to meet contingencies. Subject to the terms of any Shareholders' Agreement, the Board of Directors may, from time to time, increase, diminish or vary such capital or such reserve fund in their judgment and discretion.

ARTICLE IX

GENERAL PROVISIONS

Section 1. FISCAL YEAR

The fiscal year of the corporation shall be fixed by resolution of the Board of Directors.

Section 2. SEAL

The corporate seal shall be circular in form, and shall have inscribed thereon the name of the corporation and the words "Corporate Seal" and "State of Alaska."

Section 3. AMENDMENT OF BYLAWS

(a) Except as otherwise provided by law, the Board of Directors may amend or repeal these Bylaws or adopt new Bylaws.

(b) Whenever an amendment or new bylaw is adopted, it shall be copied in the minute book with the original Bylaws in the appropriate place. If any bylaw is repealed, the fact of repeal and the date on which the repeal occurred shall be stated in such book and place.

Section 4. INDEMNIFICATION

(a) The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative, by reason of the fact that such person is or was a director or an officer of the corporation against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding to the fullest extent and in the manner set forth in and permitted by, and subject to the limitations and conditions precedent imposed by, the Alaska Corporations Code, as amended, and any other applicable law, if any, as from time to time in effect. Such right of indemnification shall not be deemed

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exclusive of any other rights to which directors or officers may be entitled apart from the foregoing provision. The foregoing provisions of this subsection (a) and the relevant provisions of the Alaska Corporations Code and other applicable law, if any, are in effect, and any repeal or modification thereof shall not affect any rights or obligations then existing, with respect to any state of facts then or theretofore existing, or any action, suit or proceedings theretofore, or thereafter brought or threatened based in whole or in part upon such state of facts.

(b) Subject to the discretion of the board of directors, the corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative, by reason of the fact that such person is or was an employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding to the extent and in the manner set forth in and permitted by, and subject to the limitations and conditions precedent imposed by, the Alaska Corporations Code, as amended, and any other applicable law, if any, as from time to time in effect. Such right of indemnification shall not be deemed exclusive of any other rights to which any such person may be entitled apart from the foregoing provisions.

(c) Notwithstanding any other provisions of subsections (a) and (b), of this Section, if a Director, officer, employee or agent of the corporation is successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (a) or (b) of this Section, or in the defense of any claim, issue or matter therein, such person shall be

indemnified against expenses (including attorneys' fees), actually and reasonably incurred by such person in connection with the defense.

(d) At the discretion of the Board of Directors, the corporation may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him/her and incurred by him/her in any such capacity or arising out of his/her status as such, whether or not the corporation would have the power to indemnify him/her against such liability under the provisions of this article.

Section 5. CONFLICT OF INTEREST TRANSACTIONS

No contract or transaction of the corporation shall be void or voidable by reason of the interest a shareholder may have in such contract or transaction, or by reason of the fact that one or more of the corporation's

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officers, directors or agents who negotiated or participated in or approved of such transactions also holds a position as officer, director or agent with the other party to the contract or transaction. Such contracts or transactions shall be valid and binding on the corporation so long as: (1) each contract or transaction is duly approved by the Board of Directors of this corporation without counting the vote of any common director, although such common director may be present at the meeting and counted for purposes of a quorum; (2) the interest of the shareholder in the contract or transaction, or the position of the officer, director or agent with the other party to the contract or transaction, is disclosed to or otherwise known to the Board of Directors; and (3) the material facts of the contract or other transaction are disclosed to or otherwise known to the Board of Directors. Where a common director's vote is necessary to the entering of such contract or transaction, the contract or transaction shall not be void or voidable if it is fair to this corporation or its shareholders at the time it is authorized or approved.

ADOPTED THIS 18th day of June 1996.

/s/
Patrick M. Anderson
It's President

Reviewed and approved for entry this 18th day of June, 1996.

/s/
Patrick M. Anderson, Director

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ARTICLES OF INCORPORATION

OF

KANAS TELECOM, INC.

The undersigned natural person of the age of eighteen years or more, acting as incorporator of a corporation under the Alaska Corporations Code (Alaska Statutes 10.06 et. seq.), adopts the following Articles of Incorporation:

ARTICLE I

The name of the corporation is:

KANAS TELECOM, INC.

ARTICLE II

The purpose for which the corporation is organized is to engage in any lawful business allowed under the Alaska Corporations Code, other than banking and finance.

ARTICLE III

The duration of the corporation shall be perpetual.

ARTICLE IV

The authorized capital stock of the corporation shall consist of 100,000 nonassessable, voting common shares without par value.

ARTICLE V

The internal affairs of the corporation shall be governed by by-laws hereafter adopted.

ARTICLE VI

The initial registered office address of the corporation is:

P.O. Box 649
Glennallen, Alaska 99588

ARTICLE VII

The name of the initial registered agent at that address is:

Roy S. Ewan

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ARTICLE VIII

The name and address of the incorporator is:

Patrick M. Anderson
One Sealaska Plaza, Suite 302
Juneau, Alaska 99801

ARTICLE IX

The initial Board of Directors shall consist of one person. The name and address of the person who shall serve as Director until the first annual meeting of shareholders, or until his successor shall be elected and qualified, is:

Patrick M. Anderson
One Sealaska Plaza, Suite 302
Juneau, Alaska 99801

ARTICLE X

There are no affiliates of this corporation who are nonresident aliens or corporations whose place of incorporation is outside of the United States.

EXECUTED in duplicate originals at Juneau, Alaska on this 13th day of May, 1996.

/s/
Patrick M. Anderson, Incorporator

STATE OF ALASKA)
)ss.

Patrick M. Anderson says on oath or affirms that he has read the foregoing document and believes all statements made in the document are true.

/s/
Patrick M. Anderson, Incorporator

SUBSCRIBED AND SWORN to or affirmed before me at Juneau, Alaska on this 13th day of May, 1996.

/s/
NOTARY PUBLIC FOR ALASKA
My Commission Expires:

ARTICLES OF AMENDMENT

The undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation pursuant to the provisions of Alaska Statute 10.06.510:

- 1. The name of the corporation is: KANAS TELECOM, INC.
- 2. Resolved that Article I of the Articles of Incorporation be amended to read as follows:

"The name of the corporation is:
GCI FIBER COMMUNICATION CO., INC."

- 3. The amendment to the Articles of Incorporation was adopted as of July 19, 2001, by unanimous vote of all of the outstanding shares and all of the corporation's Directors.

The number of shares outstanding is: 50,000
The number of shares entitled to vote is: 50,000

The number of shares that voted for the amendment: 50,000
The number of shares that voted against the amendment: 0

Dated as of July 19, 2001 KANAS TELECOM, INC.

By: /s/
Wilson Hughes
President

By: /s/
Ronald A. Duncan
Chief Executive Officer

Subscribed and sworn to before me this 23rd day of July, 2001.

/s/ Tammy M. Webber
Notary Public in and for Alaska
My Commission Expires: 01/08/03