

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

FORM 10-K

(X) ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934 (Fee Required)  
For the fiscal year ended December 31, 1995

or

( ) TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934 (No Fee Required)

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  
incorporation or organization)

-----  
(I.R.S. Employer  
Identification No.)

2550 Denali Street Suite 1000 Anchorage, Alaska 99503

-----  
(Address of principal executive offices)

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. [ X ]

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 29, 1996 was approximately \$38,439,000.

The number of shares outstanding of the registrant's common stock as of February 29, 1996, was:

Class A common stock - 19,681,207 shares; and  
Class B common stock - 4,175,434 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 or after June 5, 1996 are incorporated by reference into Part III of this report.

GENERAL COMMUNICATION, INC.

1995 ANNUAL REPORT ON FORM 10-K

TABLE OF CONTENTS

	PAGE
PART I.....	1
Item 1. BUSINESS.....	1
Item 2. PROPERTIES.....	13
Item 3. LEGAL PROCEEDINGS.....	14
Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.....	14

PART II.....	15
Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.....	15
Item 6. SELECTED FINANCIAL DATA.....	16
Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.....	17
Item 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.....	22
Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.....	45

PART III

Incorporated by reference from the Company's Proxy Statement for its 1996 Annual Shareholders' Meeting

PART IV.....	46
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Item 14. EXHIBITS, CONSOLIDATED FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.....	46
PART I	

Item 1. BUSINESS

Background and Description of Business

General Communication, Inc. ("GCI") is an Alaska-based corporation that supplies common-carrier long-distance and other telecommunication products and services to residential, commercial and government users. Telecommunication services that GCI and its subsidiaries ("the Company") provides are carried over facilities that are owned by the Company or are leased from other companies.

GCI began commercial operations in November 1982 in competition with the former monopoly carrier, Alascom, Inc. ("Alascom"). In many respects, GCI's entry into the market parallels that of MCI Telecommunications Corporation ("MCI") which, in the contiguous United States, entered the market to compete with the former monopoly carrier American Telephone and Telegraph Company ("AT&T"). GCI followed in MCI's footsteps approximately a decade later. MCI acquired an approximate 30 percent ownership interest in GCI during 1993.

Industry

The U.S. telecommunication industry remains in a state of flux, with companies faced with the challenges of new technologies and rapid changes in the competitive and regulatory environment. Growing competition has resulted in lower prices, which should stimulate ongoing volume gains, even in the heavily saturated U.S. market. The policies of President Clinton's Administration, the Telecommunications Act of 1996, emerging technologies, and a blurring of distinctions among industry sectors all portend new revenue possibilities for the industry. Where the focus was once on regulation of a closely guarded monopoly, regulators are now ushering the telecommunication industry into an era of competition and reduced regulation. Decisions made now will influence the industry's future in ways difficult to foresee, as technology continues to catapult the industry forward.

What once was a \$94 billion telephone service industry before divestiture of the Bell System in 1984 has evolved into an estimated \$200 billion-plus communications marketplace, comprised of the following:

- (1) \$40 billion -- digitally priced long distance services;
- (2) \$97 billion -- analog-priced local services;
- (3) \$25 billion -- analog-priced cable TV services;
- (4) \$15 billion -- analog-priced cellular services;
- (5) \$4 billion -- digitally priced messaging/paging services; and
- (6) \$20 billion -- digital private data and value-added services.

Industry analysts in trade journals estimate that long distance revenues received by U.S. based interexchange carriers for public network services will grow to \$77 billion in the year 2000 at a 5 percent compound annual rate. International revenues for these carriers are expected to continue to pace market growth, growing more than twice as fast as the mature domestic market, growing to \$16.5 billion in 2000 at a better than 10 percent compound annual rate. International revenues for these carriers are roughly divided into thirds in terms of the region of the world from which they are generated: the Western Hemisphere, Europe and the remainder of the world, with the latter growing most rapidly, paced by traffic with the Pacific Rim.

Expanding voice markets such as computer-telephony integration, and wireline and wireless PBXs, are expected to drive growth in the telecommunications market in 1996. These newer market segments contributed to a 15 percent overall increase in U.S. telecommunications revenues. The revenue growth is attributed to businesses' greater need for communications equipment, software and

services. Telecommuting, Private Branch Exchanges ("PBXs") and internetworking are among the market forces pushing the growth.

Trade journal analysts predicted that sales of wireless PBXs--systems that interface a wireless controller with an existing PBX--would grow from \$394 million in 1995 to \$3.3 billion in 1998. Wireless PBXs give employees wireless capabilities at their desktops. Improvements in high-speed wireline networking, such as building asynchronous transfer mode local area networks, also are allowing powerful messaging capabilities to connect workers. Video conferencing and unified messaging are two applications analysts expect to become popular in 1996. Data communications and internetworking revenue increased 19.4 percent last year as a result of added demand for enterprise networking.

Sudden, widespread use of the Internet caused the modem market to grow by 50 percent, while integrated services digital network ("ISDN") lines became both widely available and desired, expanding 126 percent last year. Industry players expect the Internet phenomenon to spark growing interest in ISDN. Major vendors now are looking at linking voice mail systems through use of internetworking techniques over the Internet, such as standardized protocols and messaging features similar to E-mail.

Communication sectors not traditionally competitive with telephone companies, such as cable and wireless services, are projected to grow an average 10.9% per year. This compares with the 3% average per year growth in revenue for traditional local telephone service from 1993 to 1998. Cable TV companies may gain a competitive advantage through marketing of cable modems. Computer-based services likely will be a strong market for cable TV firms. Cable modems may give them the ability to offer a competitive alternative to the second telephone line into the home, providing high-speed access to data services. Content is expected to be the ultimate driver of Cable TV profits and may determine which companies gain the most market share.

The emergence of new services -- especially digital cellular radio, personal communications services ("PCS"), interactive TV, and video dial tone -- has created opportunities for significant growth in local loop services. These opportunities are also laying the foundation for a restructuring of the newly competitive local loop services market. Not only are competitors entering the core business of the local telephone companies, but they are beginning to pursue the fast-growing markets that previously were closed to them, such as consumer video. Competition between telephony, cable TV, and PCS markets will increasingly overlap in the 1990s. As opportunities for new wireless and video services arise and competitors expand beyond their traditional markets, competition between existing telephone companies and these major industries is expected to intensify.

Future mergers are expected throughout the telecommunications industry aimed at creating geographic clustering and expansion of the breadth of services offered to customers (i.e., local, long distance, cable and wireless). In addition, interexchange carriers are poised to enter the local service market. At the core of several of currently existing ventures are the integration of wireless and wireline technology. The ventures plan to provide services in which customers would use a phone similar to a portable cordless device linked to the existing wired infrastructure of the partners. When customers leave their homes or offices, the phones would become mobile and would be serviced through the wireless network that would be created by the venture. Moreover, the venture's local telephone services will be packaged with cable and multimedia services, long-distance service and entertainment services. Customers will be able to select the mix of services and products that fit their needs. Increased competition in 1996 may result in fewer players providing more expanded services -- growth by acquisition will be a key component of the survivors' strategy.

On September, 23, 1993, the Federal Communications Commission ("FCC") adopted a broad set of rules for the licensing of PCS. The FCC concluded an auction of spectrum to be used for the provision of PCS in March, 1995. PCS systems are expected to make an individual carrying a pocket-

sized phone available at the same number, whether at home, at work or traveling. Unlike cellular systems, a caller using PCS will not need to know the location of the person he or she is trying to reach. The difference in the way PCS systems are configured as compared to cellular systems means that PCS systems could be less costly to operate than cellular systems and therefore less expensive for users. Rapid growth of cellular telephone services and the anticipation of PCS services has generated substantial interest in wireless communications. The FCC's efforts are expected to encourage reduction of communication prices and put the technology within financial reach of most American homes and businesses.

It is predicted that PCS will grow rapidly, reaching 17.9 million subscribers by 2005. By then, PCS services will be generating annual revenues of nearly \$8 billion. PCS's success is expected to occur even with competition from other wireless services such as cellular, paging and enhanced specialized mobile radio. Increases in services are expected to be fueled by declining usage rates and expanded coverage.

PCS licensees will be required to offer service to at least one-third of their market population within five years or risk losing their licenses. Service must be extended to two-thirds of the population within seven years and must reach 90% population coverage within 10 years.

The Telecommunications Act of 1996 ("Act") was signed into law Feb. 8, 1996. It is expected to have a dramatic impact on the telecommunications industry, resulting in even greater changes than the 1984 breakup of the Bell System. Bell Operating Companies (BOCs) can immediately begin manufacturing, research and development; GTE Corp. can begin providing interexchange services through its telephone companies nationwide; laws in 27 states that foreclose competition are knocked down; co-carrier status for competitive local exchange carriers is ratified; and the concept of "physical collocation" of competitors' facilities in Local Exchange Carriers ("LECs") central offices, which an appeals court rejected, is resurrected.

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 principal beneficiaries of this "unbundling" are expected to be the interexchange carriers ("IXCs"), however the new regime offers opportunities for other service providers, particularly commercial mobile radio service ("CMRS") providers. Within the local exchange market, estimated to be worth more than \$90 billion annually, consumers likely will be presented with an array of choices for local telephone service.

The new legislation sets up four classes of carriers, with an increasing number of obligations placed on each one. The first group, telecommunications carriers, includes any provider that offers subscription-based telecommunication services.

The second group includes LECs, which have five specific duties:

- (1) Resale: LECs cannot prohibit or impose unreasonable or discriminatory conditions or limitations on the resale of their services.
- (2) Number portability: LECs must provide to the extent technically feasible number portability, which would permit LEC subscribers to switch to another carrier without losing their existing phone numbers.

3

- (3) Dialing parity: LECs must provide dialing parity to competing providers so that their customers can access the services of another without special dialing requirements or delays.
- (4) Access: LECs must provide competing carriers with access to their rights-of-way, including poles, ducts, and conduits.
- (5) Reciprocal compensation: LECs must pay other carriers, including CMRS providers, the same fee to terminate calls originating on the LEC's network as the competing carrier has to pay to terminate calls on the LEC's network.

The next class of carriers includes incumbent local exchange carriers, which are tasked with six duties. These include a duty

- (1) to negotiate interconnection agreements;
- (2) to provide interconnection on request that is at least equal in quality to the services it provides itself;
- (3) to provide unbundled access to network elements, so that a competitor can buy only those LEC services that it needs (such as unbundled access to the local loop);
- (4) to offer its services at wholesale rates for resale;
- (5) to provide notice of changes in its network; and
- (6) to offer co-location of competing carriers' equipment in its switching offices.

The final classification includes the BOCs, which are given authority to enter the intercity market, but only after they have satisfied a long list of requirements, including a fourteen-point checklist of specific actions--all aimed at easing the lot of the competing carrier.

The Act is expected to require the Federal Communications Commission to begin no fewer than 50 rulemaking proceedings. The legislation calls for the establishment of a new federal-state joint board on universal service within 30 days of enactment. That board will have to develop proposals to revamp the universal service subsidy system that has evolved over the years which could be among the most far-reaching provisions of the Act.

Enactment of the bill affects local exchange service markets almost

immediately by requiring states to authorize local exchange service resale. Resellers will be able to market new bundled service packages to attract customers. Over the long term, the requirement that local exchange carriers unbundle access to their networks may lead to increased price competition. Local exchange service competition may not take hold immediately because interconnection arrangements are not in place in most areas.

#### General

GCI was incorporated under the laws of the State of Alaska in 1979. From 1980 to January, 1987, GCI was a wholly-owned subsidiary of WestMarc Communications, Inc. ("WSMC"), formerly Western Tele-Communications, Inc., then a microwave communication common carrier. On January 23, 1987, WSMC distributed all of the outstanding shares of the Class A and Class B common stock of GCI to its shareholders. This distribution was made as a dividend to WSMC's shareholders of record at the close of business on December 29, 1986, on the basis of one share of GCI Class A common stock for each outstanding share of WSMC Class A common stock, and one share of GCI Class B common stock for each outstanding share of WSMC Class B common stock. Following the distribution GCI became an independent publicly-held company.

Effective November 30, 1990, GCI transferred substantially all of its operating assets to its wholly owned subsidiary, GCI Communication Corp. ("GCC"), an Alaska corporation, which assumed all of GCI's liabilities and became the operating company. GCI serves as a holding company and remains liable as a guarantor on certain of GCC's obligations. All of the issued and outstanding shares of GCC were pledged as security under GCC's credit agreement with its senior lenders.

4

The Company was authorized to and began providing intrastate services on May 15, 1991 on its own facilities in the areas where it provided interstate service and through resale of others' services where it has no facilities.

GCI Communication Services, Inc. ("Communication Services"), an Alaska corporation, is a wholly-owned subsidiary of GCI and was incorporated in 1992. Communication Services provides private network point-to-point data and voice transmission services between Alaska, Hawaii and the western contiguous United States. Communication Services products are marketed directly by GCC.

GCI Leasing Co., Inc. ("Leasing Company"), an Alaska corporation, is a wholly-owned subsidiary of Communication Services and was incorporated in 1992. Leasing Company owns and leases undersea fiber optic cable capacity for carrying a majority of the Company's interstate switched message and private line long distance services between Alaska and the remaining United States.

#### Products

The Company offers a broad spectrum of telecommunication services to residential, commercial and government customers primarily throughout Alaska. The Company operates in two industry segments and offers five primary product lines. The message and data transmission services industry segment offers message toll, private line and private network services, and the system sales and service industry segment offers data communication equipment sales and technical services.

The Company's message and data transmission services industry segment is engaged in the transmission of interstate and intrastate switched message toll service ("MTS") and private line and private network communication service between the major communities in Alaska, and the remaining United States and foreign countries. GCI's message toll services include intrastate, interstate and international direct dial, 800, calling card, operator and enhanced conference calling, as well as termination of northbound toll service for MCI, U.S. Sprint ("Sprint") and several large resellers without facilities in Alaska. GCI also provides origination of southbound calling card and 800 toll services. 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. Regulated telephone relay services for the deaf, hard-of-hearing and speech impaired are provided through the Company's operator service center. The Company offers its message services to commercial and residential subscribers. Subscribers may cancel service at any time. Toll related services account for approximately 93%, 90% and 90% of the Company's 1995, 1994 and 1993 total revenues, respectively.

GCI has positioned itself as the price leader in the Alaska telecommunication market and, as such, rates charged for the Company's telecommunication services are designed to be equal to or below those for comparable services provided by the only other significant competitor in the Alaska telecommunications market, AT&T Alascom.

In addition to providing communication services, GCC sells, services and operates, on behalf of certain customers, dedicated communication and computer networking equipment and provides field/depot, third party, technical support, consulting and outsourcing services through its systems sales and service industry segment.

The Company also supplies 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 operating at data rates up to 1.544 mbs. In addition, the Company designs, installs and maintains data communication systems for commercial and government customers throughout Alaska. Presently, there are five companies in Alaska that actively sell and maintain data and voice communication systems. The Company's unique ability to integrate telecommunication

5

networks and data communication equipment has allowed it to maintain its dominant market position on the basis of "value added" support rather than price competition.

GCI has expanded its technical services business to include outsourcing, onsite technical contract services and telecommunication consulting. GCI was awarded a five year contract, effective April 1, 1992, to assume management responsibility for all of BP Exploration (Alaska) ("BP") telecommunication and computer networking assets in Alaska. BP is the largest oil company presently operating in Alaska. GCI was awarded a five year contract, effective October 31, 1995, to assume management responsibility for all of National Bank of Alaska telecommunication and computer networking assets in Alaska.

Expenditures of approximately \$2.5 million were made in 1994 developing new demand assigned multiple access ("DAMA") satellite communication technology. A four-module demonstration system was constructed in 1994 and was integrated into the Company's telecommunication network in 1995. Existing satellite technology relies on fixed channel assignments to a central hub. DAMA technology assigns satellite capacity on an as needed basis. 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.

The Company obtained the necessary APUC and FCC approvals waiving current prohibitions against construction of competitive facilities in rural Alaska, allowing for deployment of DAMA technology in 56 sites in rural Alaska on a demonstration basis. Construction and deployment will occur in 1996, with services expected to be provided during the fourth quarter of 1996. Total construction and deployment costs are expected to total \$18 to \$20 million.

The FCC concluded an auction of spectrum to be used for the provision of PCS in March, 1995. The Company was named by the FCC as the high bidder for one of the two 30 megahertz blocks of spectrum, with Alaska statewide coverage. Acquisition of the license for a cost of \$1.65 million will allow GCI to introduce new PCS services in Alaska. The Company began developing plans for PCS deployment in 1995 with technology service trials expected to take place in 1996 and service to be offered as early as 1997 or 1998.

Neither GCI or any of its subsidiaries has revenues that are materially affected by seasonality. The Company has not expended material amounts during the last three fiscal years on customer-sponsored research activities.

#### Facilities

Currently, GCI's facilities comprise earth stations at Eagle River, Fairbanks, Juneau, Prudhoe Bay, Valdez, Kodiak, Sitka, Ketchikan, Unalaska 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. The Issaquah earth station is connected with the Seattle distribution center by means of diversely routed fiber optic cable transmission systems, each having the capability to restore the other in the event of failure. The Juneau earth station and distribution center are co-located. The Ketchikan, Prudhoe Bay, Valdez, Kodiak, Sitka, Unalaska and Cordova installations consist only of an earth station. GCI constructed microwave facilities serving the Kenai Peninsula communities and owns a 49 percent interest in an earth station located on Adak Island in Alaska. GCI maintains an operator service center in Wasilla, Alaska. Each of the distribution centers contains electronic switches to route calls to and from local exchange companies and, in Seattle, to obtain access to MCI and other facilities to distribute GCI southbound traffic to the remaining 49 states and international destinations.

Leasing Company owns a portion of an undersea fiber optic cable which allows the Company to carry its Anchorage, Eagle River, Wasilla, Palmer, Kenai Peninsula, Glenallen and approximately one-

6

half of its Fairbanks area traffic to and from the contiguous lower 48 states over a terrestrial circuit, eliminating the one-quarter second delay associated with a satellite circuit. The Company's preferred routing for this traffic is via the undersea fiber optic cable which makes available satellite capacity to carry the Company's intrastate traffic.

The Company employs satellite transmission for certain other major routes and uses advanced digital transmission technology throughout its system. The

Company leases C-band transponders on AT&T's Telstar 303 satellite. The lease expires June 1996 and may be renewed, at the Company's option, through the end of the satellite's useful life, currently projected to be 1998. The Company will redirect its earth stations toward the Hughes Communications Galaxy, Inc. ("Hughes") Galaxy IX satellite upon its successful delivery by Hughes expected to occur in June 1996.

GCI employs advanced 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 will be economically feasible in rural Alaska in the foreseeable future.

#### Customers

The Company had approximately 85,600, 73,100 and 73,600 active Alaska subscribers to its message telephone service at December 31, 1995, 1994 and 1993, respectively. Approximately 9,500, 9,300 and 9,500 of these were business users at December 31, 1995, 1994 and 1993, respectively, and the remainder were residential customers. MTS revenues currently amount to approximately \$9,050,000 per month.

Substantially all service areas, except Bethel, Alaska, in which GCI has facilities have completed the equal access balloting process. GCI carries 33% to 49% of the southbound interstate MTS traffic and 21% to 48% of the intrastate MTS traffic originating in those service areas.

In January, 1993 GCI entered into a five-year contract with MCI to provide facilities for MCI's Alaska message toll and 800 service traffic. The contract supplanted a previous contract and provides for expanded usage by MCI of GCI's facilities and usage by GCI of MCI's facilities. Revenues attributed to the contract in 1995, 1994 and 1993 totaled approximately \$23,939,000, \$19,512,000 and \$16,068,000, or approximately 18.5%, 16.7%, and 15.7% of total revenues, respectively. The contract was amended in March 1996 extending its term three years to March 31, 2001.

Services provided pursuant to a contract with Sprint resulted in revenues in 1995, 1994 and 1993 of approximately \$14,885,000, \$12,412,000 and \$10,123,000 or approximately 11.5%, 10.6%, and 9.9% of total revenues, respectively.

Both MCI and Sprint are major customers of the Company in its message and data transmission services industry segment. Loss of one or both of these customers would have a significant detrimental effect on the Company's revenues and contribution. There are no other individual customers, the loss of which would have a material impact on the Company's revenues or gross profit.

The Company provided private line and private network communication products and services to approximately 566 commercial and government accounts in 1995. Private line and private network communication products and services currently generate approximately \$1,050,000 in monthly, revenues.

7

<TABLE>

A summary of switched MTS traffic minutes follows:

<CAPTION>

For Quarter Ended -----	Interstate Minutes -----			Intrastate Minutes -----
	Southbound -----	Northbound -----	Calling Card ----	
	(amounts in thousands)			
<S>	<C>	<C>	<C>	<C>
March 31, 1993	47,100	34,713	3,947	16,178
June 30, 1993	49,928	34,651	3,811	17,283
September 30, 1993	54,403	36,282	4,043	18,770
December 31, 1993	56,549	39,348	4,459	17,989
	-----	-----	-----	-----
Total 1993	207,980	144,994	16,260	70,220
	=====	=====	=====	=====
March 31, 1994	56,118	39,664	4,431	18,910
June 30, 1994	58,809	38,293	4,220	20,534
September 30, 1994	61,715	39,678	4,210	21,253
December 31, 1994	59,902	40,424	4,605	19,786
	-----	-----	-----	-----
Total 1994	236,544	158,059	17,466	80,483
	=====	=====	=====	=====
March 31, 1995	60,140	41,600	4,351	21,208
June 30, 1995	65,031	43,721	4,113	23,051

September 30, 1995	71,918	45,027	4,233	23,883
December 31, 1995	72,319	46,545	5,518	25,228
	-----	-----	-----	-----
Total 1995	269,408	176,893	18,215	93,370
	=====	=====	=====	=====

</TABLE>

All minutes data were taken from GCC's billing statistics reports.

#### Markets

The dominant carrier and GCI's primary competition in the Alaska market for interstate and intrastate MTS, private line and private network telecommunication services continues to be AT&T Alascom. Other carriers, such as MCI and Sprint can enter the market by constructing their own facilities in Alaska. At the present time, however, MCI, Sprint and several other carriers interconnect with GCC in Seattle and Dallas for delivery of their Alaska bound interstate traffic. Sprint and MCI also originate 800 services in Alaska on GCI's facilities.

Five companies in Alaska actively sell and service data and voice communication systems. Other companies can enter the market at any time.

#### Financial Information About Industry Segments

For financial information with respect to industry segments of GCI, reference is made to the information set forth in Note 8 of the Notes to Consolidated Financial Statements included in Part II of this Report, which Note is included herein by reference.

8

#### History of Telecommunication in Alaska

The first telecommunication facilities in Alaska were telegraph lines operated by the U.S. Army. Later, telephone service was added, and the Alaska Communications System ("the ACS") grew to cover much of the state. Wherever military communication was not hampered, the Army allowed its circuits to be used for civilian purposes. Control of the ACS was transferred to the U.S. Air Force and eventually, the ACS supplied long distance trunks to local exchanges in the state's growing communities.

As the civilian population increased, the need for a transition to commercial operation became apparent. In 1969, ten years after Alaska statehood, the Alaska Communications Disposal Act ("the Act") was passed by Congress. The RCA Corporation was the successful bidder under the Act and purchased the ACS. RCA formed a subsidiary, RCA Alaska Communications, later Alascom, to own and operate the system.

Through its purchase of the ACS, Alascom became the sole long lines carrier in Alaska. In the lower 48 states, Alascom interconnected with AT&T. In Alaska, it interconnected with the telephone companies providing local exchange service. Additionally, Alascom was required to maintain a number of thin-line links to remote areas of the state. Under the terms of the ACS purchase agreement, Alascom was required to expand service to the less developed areas of Alaska. In 1979 Alascom was acquired by Pacific Power and Light, Inc., a utility holding company, which has since transferred Alascom to its publicly-traded subsidiary, Pacific Telecom, Inc. ("PTI").

Rates initially charged for Alaska telecommunication services had been substantially higher than interstate rates in the contiguous states. In 1972 the FCC established a policy of rate integration intended to equalize all domestic interstate rates. This policy was used to support a subsidy mechanism to help Alascom cover higher costs associated with rural operations.

When GCI began operations in 1982, AT&T provided almost all of the telecommunication services in the lower 48 states and Alascom provided almost all of the long distance telecommunication services in Alaska and between Alaska and the lower 48 states, Hawaii, and foreign countries. Although Alascom's business was highly subsidized, GCI competed with Alascom with no subsidy whatsoever.

In 1983 the State of Alaska petitioned the FCC to initiate a rule making to determine how to rationalize the policies of rate integration and competition in the Alaska market in light of the rapid changes in the telecommunication industry brought on by the AT&T divestiture and changing FCC competition policies. This led the FCC to initiate a rule making proceeding ("the Alaska rule making proceeding") in 1984. Issues involved in the Alaska rule making proceeding, namely the harmonizing of the FCC's policies of competition and rate integration for the Alaska market and the implementation of a permanent structure for that market, were referred to a Federal-State Joint Board ("Joint Board"). Joint Board activity, including the consideration of several alternative market structures, continued through the adoption of a recommended transition mechanism in 1993, which was later adopted by the full FCC in 1994. This FCC action led to a negotiated buyout of Alascom by AT&T, as further described in Part I, History of Regulatory Affairs and Recent Developments

below.

## History of Regulatory Affairs

The Company's activities in the telecommunication market are regulated by two agencies. The Communications Act of 1934 gives the FCC the authority to certificate market entry and regulate rates for interstate telecommunication. Intrastate telecommunication services are regulated by the Alaska Public Utilities Commission ("APUC").

9

The Company's entry into the intrastate telecommunication market had been hampered because the APUC had no policy on intrastate competition. In May 1990 the Alaska legislature passed legislation mandating competition in the Alaska intrastate telecommunication market. The legislature further directed the APUC to adopt regulations governing a competitive telecommunication market and to begin accepting applications for service on February 15, 1991. On February 15, 1991 GCI, through its wholly-owned operating subsidiary GCC, filed an application to provide competitive intrastate telecommunication services. The Company was authorized to and began providing intrastate services on May 15, 1991 on its own facilities in the areas where it provided interstate service and through resale of others' services where it has no facilities.

In the first quarter of 1992 the APUC granted GCC a Certificate of Public Convenience and Necessity to provide telephone relay services ("TRS") for the deaf, hard-of-hearing and speech impaired though the Company's operator service center in Wasilla, Alaska. GCC commenced its regulated TRS operations on June 21, 1992. Intrastate TRS operating costs, capital costs and a rate of return are being funded through a universal access surcharge billed by all local telephone companies in the state of Alaska. Under an FCC decision, starting in 1993, a portion of the TRS operating costs are recovered through an interstate pool administered by the National Exchange Carrier Association ("NECA").

The FCC regulates dominant interstate carriers, such as the Company's only interstate competitor, AT&T/Alascom. Company's only interstate competitor, Alascom. Because, under the terms of the AT&T acquisition of Alascom, Alascom rates and services must "mirror" those offered by AT&T, changes in AT&T prices indirectly affect the rates and services of the Company. AT&T's prices, and thus those of Alascom, are regulated under a price cap plan whereby AT&T's rate of return is no longer regulated or restricted. AT&T is allowed to raise and lower prices for three groups of services within pre-established floor and ceiling levels with little regulatory oversight. These services include products offered to: 1) small businesses or residential customers; 2) users of 800 services and 3) large business customers. Price increases by AT&T generally improve the Company's ability to raise its prices while price decreases pressure the Company to follow. The Company has, so far, successfully adjusted its pricing and marketing strategies to respond to AT&T pricing practices.

In 1983 the State of Alaska petitioned the FCC to commence a rulemaking proceeding to determine how to harmonize the FCC's policies of rate integration and competition in the Alaska market in light of the rapid changes in the telecommunications industry brought on by the AT&T divestiture and changing FCC competition policies. In 1984 the FCC initiated the Alaska rulemaking proceeding in response to the State's request. Issues involved in the Alaska rulemaking proceeding, namely the harmonizing of the FCC's policies of competition and rate integration for the Alaska market and the implementation of a permanent structure for that market, were referred to a Federal-State Joint Board ("Joint Board"), consisting of state utility commissioners and FCC commissioners.

On May 17, 1993 the Joint Board issued a Tentative Recommendation and Order Inviting Comments. Comments were filed by the various parties, with the Company supporting this Tentative Recommendation. On October 26, 1993, the Joint Board made its Final Recommended Decision, rejecting the market structure plans previously advanced by Alascom and AT&T and, instead, recommended a market structure based on that set forth in the Tentative Recommendation.

The Final Recommended Decision proposes to end the AT&T/Alascom Joint Services Arrangement ("JSA") on September 1, 1995, subject to the adoption and implementation of certain transition mechanisms. These include requiring AT&T to provide interstate MTS/WATS between Alaska and the other 49 states at integrated rates and under terms and conditions applicable to AT&T's services in the rest of the country. After the JSA is terminated, Alascom could offer interstate MTS/WATS independently from AT&T, under its own tariff and with no obligation to charge AT&T's integrated rates. During a four year transition, AT&T would be required to purchase services from Alascom to meet its MTS/WATS obligations. For the first one and one-half years AT&T would obtain

10

such services under the continued JSA. For the remaining two and one-half years, after the termination of the JSA, AT&T would be required to purchase a declining amount of service from Alascom, with this obligation declining to zero at the end of this second phase.

Final FCC action on the Joint Board's Final Recommended Decision, took place on May 19, 1994, and is contained in its Memorandum Opinion and Order,

released May 19, 1994. In the Memorandum Opinion and Order, the FCC adopted the provisions of the Final Recommended Decision and set the termination of the JSA to be effective January 1, 1996. AT&T/Alascom has filed an appeal of the Memorandum Opinion and Order.

On October 17, 1994, Pacific Telecom, Inc. ("PTI") announced a definitive agreement to sell the stock of Alascom to AT&T, subject to certain conditions, including state and federal regulatory approvals. AT&T, PTI and Alascom filed for such approvals before the FCC and the APUC on December 15, 1994, alleging that the buyout would further the Joint Board objectives and fulfill the provisions of the FCC Order. The Company participated fully in both transfer proceedings. The buyout was approved, with conditions, by the APUC on March 31, 1995 and the FCC on August 2, 1995.

In the normal course of the Company's operations, it is involved in legal and regulatory matters before the FCC and the APUC. While management does not anticipate abrupt changes in the competitive structure of the Alaska market, no assurances can be given that such changes will not occur and that such changes would not be materially adverse to the Company.

#### Recent Developments

The Company announced March 15, 1996 that it has signed letters of intent to acquire three Alaska cable companies that offer cable television service to more than 101,000 subscribers serving 74 percent of households throughout the state of Alaska. The Company intends to acquire Prime Cable of Alaska, Alaska Cablevision, Inc. of Kirkland, Washington and Alaskan Cable Network. Prime Cable operates the state's largest cable television system including stations in Anchorage, Bethel, Kenai and Soldotna, Alaska. Alaska Cablevision owns and operates cable stations in Petersburg, Wrangell, Cordova, Valdez, Kodiak, Homer, Seward, Nome and Kotzebue, Alaska. Alaskan Cable Network operates stations in Fairbanks, Juneau, Ketchikan and Sitka, Alaska. This acquisition will allow the Company to integrate cable services to bring more information not only to more customers, but in a manner that is quicker, more efficient and more cost effective than ever before. The purchase will facilitate consolidation of the cable operations and will provide a platform for developing new customer products and services over the next several years.

The total purchase price is \$280.7 million. According to terms of the letters of intent, GCI will issue 16.3 million shares of Class A Common stock to the owners of the three cable companies valued at \$105.7 million. The balance of the purchase will be provided by approximately \$175 million of bank financing. Additional capital will be provided from the sale of 2 million shares of GCI's Class A Common Stock to MCI Telecommunications Corporation for \$6.50 per share.

Definitive agreements are expected to be finalized in April 1996 at which time GCI will apply to the APUC to transfer the licenses of the cable companies. Once all regulatory approvals are granted, the cable companies will be consolidated into a single organization owned by the Company.

11

#### Employees

GCC and affiliated companies employ approximately 435 persons as of February 20, 1996 in operations, engineering, marketing, network services, customer and operator services, data processing, billing, accounting, and administration. GCC and affiliated companies are not parties to any union contracts with their employees. In general, relations with employees have been satisfactory.

#### Environmental Regulations

The Company and its subsidiaries may undertake activities which, 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 prior to the commencement of facility construction. Management believes that compliance with such regulations has no material effect on the Company's consolidated operations. The principal effect of Company facilities on the environment would be in the form of construction of the facilities at various locations in Alaska. Company facilities have been constructed in accordance with federal, state, and local building codes and zoning regulations whenever and wherever applicable. Some of the facilities may be on lands which 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, however, none of the Company's facilities has been constructed in areas which are subject to flooding, tsunami's, etc. and as such are most likely to fall outside any new wetland designation. Most of the Company's facilities are on lands leased by the Company, and, with respect to all of these facilities, the Company is unaware of any violations of lease terms or federal, state or local regulations pertaining to preservation or protection

of the environment.

#### Foreign and Domestic Operations and Export Sales

Although the Company has several agreements to facilitate the origination and termination of international toll traffic, it has neither foreign operations nor export sales. The Company conducts operations throughout the western contiguous United States, Alaska and Hawaii and believes that any subdivision of its operations into distinct geographic areas would not be meaningful. Revenues associated with international toll traffic were \$5,643,000, \$4,427,000 and \$3,734,000 for the years ended December 31, 1995, 1994 and 1993, respectively.

#### Backlog of Orders and Inventory

As of December 31, 1995 and 1994, the Company's systems sales and service industry segment had a backlog of equipment sales orders of approximately \$258,000 and \$608,000, respectively. The decrease in backlog as of December 31, 1995 can be attributed primarily to faster completion of outstanding sales orders in 1995. The Company expects that all of the orders in backlog at the end of 1995 will be delivered during 1996.

#### Patents, Trademarks and Licenses

Neither GCI nor its affiliates hold patents, trademarks, franchises or concessions. The Communications Act of 1934 gives the FCC the authority to license and regulate the use of the electromagnetic spectrum for radio communication. The Company through its message and data transmission services industry segment holds licenses for its satellite and microwave transmission facilities for provision of its telecommunication services. The Company acquired a license for use of a

12

30 megahertz block of spectrum for provision of PCS services in Alaska. The Company's operations may require additional licenses in the future.

#### Other

GCC has filed FCC tariffs for its international service, interstate domestic services, and domestic operator services.

Each tariff contains the rates and other contractual terms applicable to customers who purchase the services covered by the tariff. In accord with the FCC's deregulatory approach with respect to non-dominant carriers, tariffs and tariff revisions filed by such carriers routinely become effective without intervention by the FCC or third parties.

The State of Alaska has the authority to regulate telecommunications that originate and terminate within the state. In 1990 the State legislature introduced intrastate competition in Alaska. Subsequently, the APUC developed regulations that allow for the certification of additional carriers for such intrastate telecommunications and, to varying degrees, requires filing of tariffs and regulation of the rates for such services. Under the APUC's current policy and regulations, all certified carriers are required to file tariffs for the provision of intrastate services. When filing for a rate increase, the dominant carrier is required to file an accompanying rate case. Non-dominant carriers are not rate regulated. Tariff revisions filed by non-dominant carriers routinely become effective without intervention by the APUC or third parties. Tariffs can be filed or revised on 30 days notice.

On March 15, 1996 the Company filed a tariff with the APUC requesting approval for provision of local services based on the terms of the Telecommunications Act of 1996 which, in part, requires local exchange carriers to open up their networks and allow resale of their services. Once APUC approval is obtained, the Company intends to offer local services through its facilities or resale of local exchange carrier facilities.

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

#### Item 2. PROPERTIES

The Company leases its message and data transmission services industry segment's executive, corporate and administrative facilities in Anchorage, Fairbanks and Juneau, Alaska. GCC owns a 49 percent interest in an earth station located on Adak Island in Alaska. GCC's message and data transmission services segment owns properties and facilities including satellite earth stations, and distribution, transportation and office equipment. Additionally, GCC acquired in December 1992, access to capacity on an undersea fiber optic cable from Seward, Alaska to Pacific City, Oregon.

The Company's systems sales and service industry segment occupies space in the buildings housing its executive offices and operating facilities in Anchorage, Fairbanks and Juneau, Alaska, and Seattle, Washington. Facilities in Fairbanks and Juneau, Alaska, and Seattle, Washington are occupied under

short-term operating lease agreements. The Anchorage property is leased pursuant to a 15 year capital lease agreement.

The undersea fiber optic cable capacity is owned subject to an outstanding mortgage. Substantially all of the Company's properties secure its senior credit agreement. See Note 5 to the Consolidated Financial Statements in Item 8 for further discussion.

The two wideband transponders the Company owned reached the end of their expected useful life in August, 1994, at which time the Company leased temporary replacement capacity. The Company leased replacement transponder capacity subsequent to a transition period utilizing four C band

13

transponders on AT&T's Telstar 303 satellite. The lease expires June 1996. The Company entered into a purchase and lease-purchase option agreement in August 1995 for the acquisition of satellite transponders to meet its long-term satellite capacity requirements. The agreement provides for interim the interim lease of transponder capacity from June 1996 through the delivery of the purchased transponders as early as the fourth quarter of 1997. The amount of the down payment required in 1996 and the balance payable upon delivery of the transponders are dependent upon a number of factors including the number of transponders required and the timing of their delivery and acquisition. The Company does not expect the down payment to exceed \$10.1 million and the remaining balance payable coinciding with a staged delivery to exceed \$46 million. The Company amended its existing senior credit facility and provided a letter of credit to accommodate the payment in 1996 and expects to further amend or refinance its credit agreement to fund its remaining commitment.

The Company's operating, executive, corporate and administrative properties are in good condition. The Company considers its properties suitable and adequate for its present needs and are being fully utilized.

Item 3. LEGAL PROCEEDINGS

Neither the Company or any if its subsidiaries is a party to any material pending legal proceedings. Neither the Company's property nor that of any if its subsidiaries is subject to any material pending legal proceedings.

The Company and its subsidiaries are a party to various claims and pending litigation as part of the normal course of business. In the opinion of management, the disposition of these matters is not expected to have a material adverse effect on the Company's financial statements. Neither the Company's property nor that of any if its subsidiaries is subject to any material pending legal proceedings.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of stockholders of the Company during the fourth quarter of 1995.

14

PART II

Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information for Common Stock

<TABLE>

Shares of the Company's Class A common stock are traded on the Nasdaq National Market tier of the Nasdaq Stock Market under the symbol GNCMA. Shares of the Company's Class B common stock are traded on the Over-the-Counter market. The Company's Class B common stock is convertible into the Company's 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. The prices, rounded up to the nearest eighth, represent prices between dealers, do not include retail markups, markdowns, or commissions, and do not necessarily represent actual transactions.

<CAPTION>

	Class A		Class B	
	High	Low	High	Low
<S>	<C>	<C>	<C>	<C>
1994:				
First Quarter	5 7/8	4 1/8	5 7/8	4 1/8
Second Quarter	4 5/8	3 1/8	4 5/8	3 1/8
Third Quarter	5	3 1/2	5	3 1/2
Fourth Quarter	5	4 1/8	5	4 1/8
1995:				
First Quarter	4 5/8	3 3/4	4 5/8	3 3/4
Second Quarter	4 1/4	3 7/8	4 1/4	3 7/8

Third Quarter	4 1/8	3 1/4	4 1/8	3 1/4
Fourth Quarter	5 1/8	3 3/4	5 1/8	3 3/4

</TABLE>

#### Holders

As of March 5, 1996 there were approximately 1,830 holders of record of the Company's Class A common stock and approximately 750 holders of record of the Company'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

The Company has never paid cash dividends on its Class A or Class B common stock and has no present intention of doing so. Payment of cash dividends in the future, if any, will be determined by the Company's Board of Directors in light of the Company's earnings, financial condition and other relevant considerations. GCC's existing bank loan agreements contain provisions that prohibit payment of dividends, other than stock dividends (see note 5(a) to the financial statements included in Part II of this Report).

15

#### 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,			
	1995	1994	1993	1992
1991	----	----	----	----
	(Amounts in thousands except per share)			
amounts)				
<S>	<C>	<C>	<C>	<C>
Revenues	\$129,279	116,981	102,213	96,499
75,522				
Net earnings (loss) before income taxes	\$12,601	11,681	6,715	1,524
(1,422)				
Net earnings (loss)	\$7,502	7,134	3,951	890
(1,092)				
Earnings (loss) per share	\$0.31	0.30	0.17	0.02
(0.12)				
Total assets	\$84,765	74,249	71,610	72,351
70,167				
Long-term debt, including current portion 1	\$9,980	12,554	20,823	37,235
24,850				
Obligations under capital leases, including current portion 2	\$1,047	1,297	1,522	1,720
10,975				
Preferred stock 3	\$0	0	0	3,282
3,282				
Total stockholders' equity 4	\$43,016	35,093	27,210	14,870
13,554				
Dividends declared per Common share 5	\$0.00	0.00	0.00	0.00
0.00				
Dividends declared per Preferred share 6	\$0.00	0.00	0.44	1.78
1.69				

<FN>

1 The Company exercised the purchase option described in footnote (2) below in December 1992 to acquire capacity on a fiber optic undersea cable from Seward, Alaska to Pacific City, Oregon. Long term debt associated with this purchase is recorded in long-term debt and current portion of long-term debt in the Consolidated Financial Statements included in Part II of this Report.

2 The Company entered into a capital lease agreement in May 1991 for access to capacity on an undersea fiber optic cable from Seward, Alaska to Pacific City, Oregon. The lease term was ten years with monthly payments including maintenance of approximately \$230,000 per month commencing August 22, 1991, the date the fiber optic cable became operational. The Company had an option expiring December 31, 1992 to purchase the leased capacity for \$10.12 million, less the prior six month's lease payments, excluding maintenance. The lease was capitalized in 1991 at the underlying asset's fair market value and the related obligation was recorded in the Company's Consolidated Financial Statements.

3 In January, 1991, the Company sold 347,047 shares of non-voting Series A 15% Convertible Cumulative Preferred Stock to WestMarc Communications, Inc. for \$9.5088 per share. The preferred stock accrued dividends on each share in cash or stock at the Company's discretion. The accrued dividends were payable semi-annually at the rate of 15% per annum if paid in cash or at the rate of 18.75% if paid in Class B Common Stock. Pursuant to an agreement with WestMarc Communications, Inc. the Company acquired and

retired the preferred stock in 1993.

- 4 The 1993 increase in stockholders' equity is primarily attributed to the Company's issuance of common stock to MCI.
- 5 The Company has never paid a cash dividend on its common stock and does not anticipate paying any dividends in the foreseeable future. The Company intends to retain its earnings, if any, for the development of its business. Payment of cash dividends in the future, if any, will be determined by the board of directors of the Company in light of the Company's earnings, financial condition, credit agreements and other relevant considerations. The Company's existing bank loan agreements contain provisions that prohibit payment of dividends, other than stock dividends, as further described in Note (5) (a) to the financial statements included in Part II of this Report.
- 6 The Company declared and issued stock dividends of approximately 304,000 and 286,000 shares of Class B Common Stock in 1992 and 1991, respectively, and paid dividends totaling \$153,000 in 1993 on its non-voting Series A 15% Convertible Cumulative Preferred Stock.

</FN>

</TABLE>

16

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

Year ended December 31, 1995 ("1995"), compared with year ended December 31, 1994 ("1994"), compared with year ended December 31, 1993 ("1993").

The Company's liquidity (ability to generate adequate amounts of cash to meet the Company's need for cash) was affected by a net increase in the Company's cash and cash equivalents of \$2.4 million from 1994 to 1995. Sources of cash in 1995 included the Company's operating activities which generated positive cash flow of \$14.3 million net of changes in the components of working capital, proceeds from the sale of investment securities held for sale totaling \$832,000, repayments of notes receivable totaling \$184,000, and proceeds from the issuance of common stock of \$82,000. Uses of cash during 1995 included repayment of \$2.8 million of long-term borrowings and capital lease obligations, investment of \$8.9 million in distribution and support equipment, and payment of the final installment for a PCS spectrum license totaling approximately \$521,000.

Net receivables increased \$4.8 million from 1994 to 1995 resulting from increased sales and receipt of a payment from a major customer in January 1996, beyond the cutoff date for recording in the current year.

Payments of approximately \$1.9 million of accrued payroll and payroll related obligations resulted in reduced balances at 1995 as compared to 1994.

Working capital totaled \$5.1 million and \$1.8 million at December 31, 1995 and 1994, respectively. Working capital generated by operations exceeded expenditures for property, equipment and other assets, repayment of long-term borrowings and capital lease obligations, and the additional investment in the PCS license resulting in the \$3.3 million increase at December 31, 1995 as compared to 1994.

Cash flow from operating activities, as depicted in the Consolidated Statements of Cash Flows, decreased \$4.2 million in 1995 as compared 1994. Cash flow generated from operating activities was reduced by payment of current obligations. Cash flow from operating activities increased \$6.8 million during 1994 as compared to 1993 primarily as a result of revenue growth and decreased distribution costs as a percentage of revenues as further described below.

The Company's expenditures and other additions to property and equipment totaled \$8.9 million, \$10.6 million, and \$5.7 million during 1995, 1994 and 1993, respectively. Management's capital expenditures plan for 1996 includes approximately \$30 to \$50 million in capital necessary to pursue strategic initiatives, to maintain the network and to enhance transmission capacity to meet projected traffic demands.

The two wideband transponders the Company owned reached the end of their expected useful life in August, 1994, at which time the Company leased replacement capacity. The cost of the leased capacity contributed to an increase in distribution costs during 1995 as compared to 1994. The existing leased capacity is expected to meet the Company's requirements until such time that capacity is available pursuant to the terms of a new long-term agreement described below.

The Company entered into a purchase and lease-purchase option agreement in August 1995 for the acquisition of satellite transponders to meet its long-term satellite capacity requirements. The amount of the down payment required in 1996 and the balance payable upon delivery of the transponders as early as the fourth quarter of 1997 are dependent upon a number of factors including the number of transponders required and the timing of their delivery and acquisition. The Company

does not expect the down payment to exceed \$10.1 million and the remaining balance payable coinciding with a staged delivery to exceed \$46 million. The Company amended its existing senior credit facility to provide a letter of credit to accommodate the required down payment in 1996 and expects to further amend or refinance its credit agreement to fund its remaining commitment.

The Company continues to evaluate the most effective means to integrate its telecommunications network with that of MCI. Such integration will require capital expenditures by the Company in an amount yet to be determined. Any investment in such capital expenditures is expected to be recovered by increased revenues from expanded service offerings and reductions in costs resulting from integration of the networks.

The FCC concluded an auction of spectrum to be used for the provision of PCS in March, 1995. The Company was named by the FCC as the high bidder for one of the two 30 megahertz blocks of spectrum, with Alaska statewide coverage. Acquisition of the license for a cost of \$1.65 million will allow GCI to introduce new PCS services in Alaska. The Company began developing plans for PCS deployment in 1995 with limited technology service trials planned for 1996 and service to be offered as early as 1997 or 1998. Expenditures for PCS deployment could total \$50 to \$100 million over the next 10 year period. The estimated cost for PCS deployment is expected to be funded through income from operations and additional debt and perhaps, equity financing. The Company expects to arrange additional debt financing capacity in 1996. The Company's ability to deploy PCS services will be dependent on its available resources.

Expenditures of approximately \$2.5 million were made in 1994 developing new DAMA satellite communication technology. A four-module demonstration system was constructed in 1994 and was integrated into the Company's telecommunication network in 1995. Existing satellite technology relies on fixed channel assignments to a central hub. DAMA technology assigns satellite capacity on an as needed basis. 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.

The Company obtained the necessary APUC and FCC approvals waiving current prohibitions against construction of competitive facilities in rural Alaska, allowing for deployment of DAMA technology in 56 sites in rural Alaska on a demonstration basis. Construction and deployment will occur in 1996, with services expected to be provided during the fourth quarter of 1996. Construction and deployment costs are expected to total \$18 to \$20 million, and are expected to be funded through a combination of cash generated from operations and bank financing.

The Company announced March 15, 1996 that it has signed letters of intent to acquire three Alaska cable companies that offer cable television service to more than 101,000 subscribers serving 74 percent of households throughout the state of Alaska. The Company intends to acquire Prime Cable of Alaska, Alaska Cablevision, Inc. of Kirkland, Washington and Alaskan Cable Network. Prime Cable operates the state's largest cable television system including stations in Anchorage, Bethel, Kenai and Soldotna, Alaska. Alaska Cablevision owns and operates cable stations in Petersburg, Wrangell, Cordova, Valdez, Kodiak, Homer, Seward, Nome and Kotzebue, Alaska. Alaskan Cable Network operates stations in Fairbanks, Juneau, Ketchikan and Sitka, Alaska. This acquisition will allow the Company to integrate cable services to bring more information not only to more customers, but in a manner that is quicker, more efficient and more cost effective than ever before. The purchase will facilitate consolidation of the cable operations and will provide a platform for developing new customer products and services over the next several years.

The total purchase price is \$280.7 million. According to terms of the agreements, GCI will issue 16.3 million shares of Class A Common stock to the owners of the three cable companies valued at \$105.7 million. The balance of the purchase will be provided by approximately \$175 million of bank financing. Additional capital will be provided from the sale of 2 million shares of GCI's Class A Common Stock to MCI Telecommunications Corporation for \$6.50 per share.

Definitive agreements are expected to be executed in April 1996 at which time GCI will apply to the APUC to transfer the licenses of the cable companies. Once all regulatory approvals are granted, the cable companies will be consolidated into a single organization owned by the Company.

Management expects that cash flow generated by the Company will be sufficient to meet no less than the minimum required for maintenance level capital expenditures and scheduled debt repayment. The Company's ability to invest in discretionary capital and other projects will depend upon its future cash flows and access to additional debt and/or equity financing.

#### Results of Operations

Year ended December 31, 1995 ("1995"), compared with year ended December 31, 1994 ("1994"), compared with year ended December 31, 1993 ("1993").

The Company's message data and transmission services industry segment provides interstate and intrastate long distance telephone service to all communities within the state of Alaska through use of its facilities and interconnect agreements with other carriers. The Company's average rate per minute for message transmission during 1995, 1994, and 1993 was 19.1(cent), 18.6(cent), and 18.2(cent), respectively. Total revenues for 1995 were \$129.3 million, an approximate 10.5 percent increase over 1994 revenues of \$117.0 million, which revenues increased 14.4 percent over 1993 revenues of \$102.2 million. Revenue growth is attributed to the increase in the average rate per minute and to four fundamental factors, as follows:

- (1) Growth in interstate telecommunication services which resulted in billable minutes of traffic carried totaling 465, 415 and 365 million minutes in 1995, 1994 and 1993, respectively, or 83.2, 83.9 and 83.9 percent of total 1995, 1994 and 1993 minutes, respectively.
- (2) Provision of intrastate telecommunication services which resulted in billable minutes of traffic carried totaling 93.4, 79.6 and 70.1 million minutes in 1995, 1994 and 1993, respectively, or 16.8, 16.1, and 16.1 percent of total 1995, 1994 and 1993 minutes, respectively.
- (3) Increases in revenues derived from other common carriers ("OCC") including MCI and Sprint. OCC traffic accounted for \$38.8 million or 30.0 percent, \$31.9 million or 27.3 percent, \$26.2 million or 25.6 percent of total revenues in 1995, 1994 and 1993, respectively. Both MCI and Sprint are major customers of the Company. Loss of one or both of these customers would have a significant detrimental effect on revenues and on contribution. There are no other individual customers, the loss of which would have a material impact on the Company's revenues or gross profit.
- (4) Increased revenues associated with private line and private network transmission services, which increased 8 percent in 1995 as compared to 1994, increased 6 percent in 1994 as compared to 1993, and increased 8 percent in 1993 as compared to 1992.

System sales and service revenues totaled \$7.2 million, \$9.1 million and \$8.3 million in 1995, 1994 and 1993, respectively. The decrease in system sales and service revenues is attributed to fewer larger dollar equipment sales orders received during 1995 as compared to 1994 as well as a reduction of the company's outsourcing services provided to the oil field services industry.

Transmission access and distribution costs, which represent cost of sales for transmission services, amounted to approximately 56.5 percent, 55.4 percent, 58.9 percent of transmission revenues during 1995, 1994 and 1993, respectively. The increase in distribution costs as a percentage of transmission revenues for 1995 as compared to 1994 results primarily from increases in costs associated with the Company's lease of transponder capacity as previously described. The decrease in distribution costs as a percentage of transmission revenues during 1994 as compared to 1993 results from proportionate increases in revenues as compared to costs and decreases in access tariff charges commencing July 1993, offset by increases in costs associated with the Company's lease of

19

replacement transponder capacity as previously described. Changes in distribution costs as a percentage of revenues will occur as the Company's traffic mix changes. The Company is unable to predict if or when access charge rates will change in the future and the impact of such changes on the Company's distribution costs.

Sales and service cost of sales as a percentage of sales and service revenues amounted to approximately 73.3 percent, 70.4 percent and 65.7 percent during 1995, 1994 and 1993, respectively. Increases in cost of sales as a percentage of sales and service revenues result from reduced margins associated with equipment sales and service contracts.

Contribution increased 5.3 percent during 1995 as compared to 1994, and increased 22.5 percent during 1994 as compared to 1993. Increases in distribution costs associated with the Company's lease of transponder capacity as previously described reduced the rate of growth in 1995 contribution as compared to 1994. Proportionate decreases in distribution costs during 1994 as compared to 1993 coupled with proportionate increases in revenues during the same period resulted in the 1994 increase.

Total operating costs and expenses increased 5.7 percent during 1995 as compared to the same period in 1994, and increased 16.5 percent during 1994 as compared to the same period in 1993. 1995 and 1994 increases in operating and engineering, service, sales and communications, and general and administrative costs were necessary to support the Company's expansion efforts and the increase in minutes of traffic carried. During 1995 the Company incurred approximately \$450,000 for what is expected to be nonrecurring costs related to breaks in the undersea fiber optic cable and promotion of its new DAMA technology. Additional costs were incurred during the fourth quarter of 1995 attributed to the promotion of the Company's calling plans. Significant marketing, telemarketing, and promotional expenditures were incurred in 1994 to promote the Company's introduction of new services and programs resulting from its strategic alliance with MCI, including MCI's Friend's and Family calling plan, 1-800-COLLECT, PhoneCash prepaid calling cards, and an Amway distributor resale program.

Additional general and administrative costs were incurred in 1994 resulting from the Company's performance based bonus and incentive compensation plans which are funded from incremental operating cash flow. Increases in 1994 expenses were offset in part by reductions in bad debt and depreciation and amortization costs. In general, the Company has dedicated additional resources in certain areas to pursue longer term opportunities. It must balance the desire to pursue such opportunities with the need to continue to improve current performance.

Continuing legal and regulatory costs are, in large part, associated with regulatory matters involving the FCC, the APUC, and the Alaska Legislature.

Interest expense decreased 25.5 percent during 1995 as compared to 1994 and decreased 31.7 percent during 1994 as compared to 1993. The decreases in interest expense result primarily from reduction in the Company's outstanding indebtedness.

Income tax expense totaled \$5,099,000, \$4,547,000 and \$2,764,000 in 1995, 1994 and 1993, respectively, resulting from the application of statutory income tax rates to net earnings before income taxes

The Company has capital loss carryovers totaling approximately \$56,000 which expire in 1997. Tax benefits associated with recorded deferred tax assets, net of valuation allowances, are considered to be more likely than not realizable through taxable income earned in carryback years, future reversals of existing taxable temporary differences, and future taxable income exclusive of reversing temporary differences and carryforwards.

The Alaska economy is supported in large part by the oil and gas industry. ARCO announced a 715 person downsizing in July 1994. Similar downsizing was announced in 1994 by other companies operating in the oil and gas industry in Alaska for 1995.

20

The Alaska economy is also supported by the United States armed services and the United States Coast Guard which maintain bases in Anchorage, Fairbanks, Adak, Kodiak, and other communities in Alaska. The military presence in the state of Alaska provides a significant source of revenues to the economy of the state. The Company provides message telephone services in a variety of ways to the United States government and its armed forces personnel. The Company provides private lines for secured point-to-point data and voice transmission services and long distance services individually to military personnel.

A reduction in federal military spending or closure of a major facility in Alaska would have a substantial adverse impact on the state and would both directly and indirectly affect the Company. A reduction in the number of military personnel served by the Company and a reduction in the number of private lines required by the armed forces would have a direct effect on revenues. Indirect effects would include a reduction of services provided across the state in support of the military community and as a result, a reduction in the number of customers served by the Company and volume of traffic carried.

On July 13, 1995, the president approved and Congress subsequently accepted the independent Defense Base Closure and Realignment Commission report to close 79 military bases and downsize 26 others. The commission estimates its list would save \$19.3 billion over 20 years, at a cost nationwide of 43,742 military and civilian jobs and 49,823 indirect jobs. Since its first round of action in 1991, the Defense Base Closure and Realignment Commission has claimed more than \$5 billion in savings by closing or realigning military bases.

The following military installations located in Alaska were recommended for closure or realignment in the 1995 report: Fort Greely (realign, estimated loss of 438 military and 286 civilian jobs), Fort Wainwright (realign, estimated gain of 205 military and 56 civilian jobs), NAF Adak (closure, estimated loss of 540 military and 138 civilian jobs).

The loss of jobs and associated revenues attributed to oil and gas industry and military workforce reductions is not expected to have a material effect on the Company's operations. No assurance can be given that funding for existing military installations in Alaska will not be adversely affected by reprioritization of needs for military installations or federal budget cuts in the future.

In October 1994, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 119, "Disclosure about Derivative Financial Instruments and Fair Value of Financial Instrument" ("SFAS No. 119"). SFAS No. 119 requires disclosures regarding amount, nature and terms of derivative financial instruments, for instance futures, forward, swap and option contracts and other instruments with similar characteristics. The Company anticipates that the adoption of SFAS No. 119 in 1996 will not have a material effect on its consolidated financial statements.

In March 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" ("SFAS No. 121"). This statement sets forth new standards for determining when long-lived assets

are impaired and requires such impaired assets to be written down to fair value. The Company anticipates that the adoption of SFAS No. 121 in 1996 will not have a material effect on its consolidated financial statements.

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"). SFAS No. 123 establishes financial accounting and reporting standards for stock-based employee compensation plans. Those plans include all arrangements by which employees receive shares of stock or other equity instruments of the employer or the employer incurs liabilities to employees in amounts based on the price of the employer's stock. This statement also applies to transactions in

21

which an entity issues its equity instruments to acquire goods or services from nonemployees. The Company anticipates that the adoption of SFAS No. 123 in 1996 will not have a material effect on its consolidated financial statements.

The Company generally has experienced increased costs in recent years due to the effect of inflation on the cost of labor, material and supplies, and plant and equipment. A portion of the increased labor and material and supplies costs directly affects income through increased maintenance and operating costs. The cumulative impact of inflation over a number of years has resulted in higher depreciation expense and increased costs for current replacement of productive facilities. However, operating efficiencies have partially offset this impact, as have price increases, although the latter have generally not been adequate to cover increased costs due to inflation. Competition and other market factors limit the Company's ability to price services and products based upon inflation's effect on costs.

Item 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of the Company are filed under this Item, beginning on Page 23. The financial statement schedules required under Regulation S-X are filed pursuant to Item 14 of this Report.

22

INDEPENDENT AUDITORS' REPORT

-----

The Board of Directors and Stockholders  
General Communication, Inc.:

We have audited the accompanying consolidated balance sheets of General Communication, Inc. and Subsidiaries as of December 31, 1995 and 1994, 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, 1995. 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 generally accepted auditing standards. 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, 1995 and 1994, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1995 in conformity with generally accepted accounting principles.

/s/KPMG PEAT MARWICK LLP

Anchorage, Alaska  
March 15, 1996

23

<TABLE>

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 1995 and 1994

<CAPTION>

ASSETS

1995	1994	
----	-----	
		(Amounts in thousands)
		<S>
<C>	<C>	
		Current assets:
		Cash and cash equivalents .....
4,017	1,649	
-----	-----	
		Receivables:
		Trade .....
21,737	17,036	
		Other .....
253	221	
-----	-----	
21,990	17,257	
		Less allowance for doubtful receivables .....
295	409	
-----	-----	
21,695	16,848	Net receivables .....
-----	-----	
		Prepaid and other current assets .....
1,566	1,344	
		Deferred income taxes, net (note 6) .....
746	884	
		Inventory .....
991	674	
		Notes receivable (note 3) .....
167	200	
-----	-----	
29,182	21,599	Total current assets .....
-----	-----	
		Property and equipment, at cost (notes 5, 8 and 9)
		Land .....
73	73	
		Distribution systems .....
67,434	63,272	
		Support equipment .....
11,610	10,223	
		Property and equipment under capital leases .....
2,030	2,030	
-----	-----	
81,147	75,598	
		Less amortization and accumulated depreciation .....
33,789	28,085	
-----	-----	
47,358	47,513	Net property and equipment in service .....
		Construction in progress .....
3,096	--	
-----	-----	
50,454	47,513	Net property and equipment .....
		Notes receivable (note 3) .....
904	767	
		Investment securities available for sale (note 4) .....
--	785	
		Other assets, at cost, net of amortization .....
4,225	3,585	

-----      -----  
 84,765      74,249      Total assets ..... \$

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

<TABLE>  
 GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

Consolidated Balance Sheets  
 (Continued)

<CAPTION>  
 LIABILITIES AND STOCKHOLDERS' EQUITY 1995

1994		
-	-----	---
	----	
(Amounts in thousands)		
<S>		<C>
<C>		
Current liabilities:		
1,585	Current maturities of long-term debt (note 5) .....	\$ 1,689
249	Current maturities of obligations under capital leases (note 9) .....	282
11,841	Accounts payable .....	16,861
4,036	Accrued payroll and payroll related obligations .....	2,108
711	Accrued liabilities .....	1,134
217	Accrued income taxes (note 6) .....	547
101	Accrued interest .....	132
1,097	Deferred revenues .....	1,317
--	-----	-----
19,837	Total current liabilities .....	24,070
10,969	Long-term debt, excluding current maturities (note 5) .....	8,291
257	Obligations under capital leases, excluding current maturities (note 9) .....	26
791	Obligations under capital leases due to related parties, excluding current maturities (note 9) .....	739
6,522	Deferred income taxes, net (note 6) .....	7,004
780	Other liabilities .....	1,619
--	-----	-----
39,156	Total liabilities .....	41,749
--	-----	-----

Stockholders' equity (notes 2, 6 and 7): Common stock (no par):  
 Class A. Authorized  
 50,000,000 shares; issued and outstanding 19,680,199 and 19,616,614 shares at December 31, 1995 and 1994, respectively ..... 13,912  
 13,830  
 Class B. Authorized  
 10,000,000 shares; issued and outstanding 4,175,434 and 4,179,019 shares at December 31, 1995 and 1994, respectively ..... 3,432  
 3,432  
 Less cost of 122,611 and 105,111 Class A common shares held in treasury at December 31, 1995 and 1994, respectively ..... (389)  
 (328)



Other income (expense):		
Interest expense (notes 2 and 5)	(1,539)	(2,254)
Interest income	223	165
Total other income (expense)	(1,316)	(2,089)
Earnings before income taxes	11,681	6,715
Income tax expense (notes 2 and 6)	(4,547)	(2,764)
Net earnings	7,134	3,951
Net earnings per common share	.30	.17

(1,146)  
243  
(903)  
12,601  
(5,099)  
\$ 7,502  
\$ .31

See accompanying notes to consolidated financial statements.

<TABLE>

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

Years ended December 31, 1995, 1994 and 1993

<CAPTION>

Paid-in Retained Capital Earnings thousands)	Shares of Common Stock			Preferred	Class A Common	Class B Common	Class A Shares Held	
	Class A	Class B	Stock	Stock	Stock in Treasury			
	(Amounts in thousands)						(Amounts in	
	<C>	<C>	<C>	<C>	<C>	<C>	<C>	
Balances at December 31, 1992	12,639	2,853	\$3,282	2,430	1,210	(328)		
4,690 3,586								
Net earnings	--	--	--	--	--	--	--	
-- 3,951								
Class B shares converted to Class A	15	(15)	--	--	--	--	--	
-- --								
Tax effect of excess stock compensation expense for tax purposes over amounts recognized for financial reporting purposes	--	--	--	--	--	514		
-- --								
Retirement of shares	(562)	(3,282)	(359)	--	--	(1,987)		
-- --								
Preferred stock dividend paid	--	--	--	--	--	--	--	
-- (153)								
Shares issued under stock option plan	118	--	--	124	--	--	--	
-- --								
Shares issued and issuable under officer stock option agreements	539	--	--	385	--	--	--	
35 --								
Shares issued, net of associated costs	6,252	1,276	--	10,890	2,222	--	--	
-- --								
Balances at December 31, 1993	19,001	4,114	--	13,470	3,432	(328)		
3,252 7,384								
Net earnings	--	--	--	--	--	--	--	
-- 7,134								
Class B shares converted to Class A	9	(9)	--	--	--	--	--	
-- --								
Tax effect of excess stock compensation expense for tax purposes over amounts recognized for financial reporting purposes	--	--	--	--	--	371		
-- --								

Shares issued under stock option plan .....	37	--	--	96	--	--
Shares issued under warrant agreement, net .....	254	--	--	185	--	--
Shares issued and issuable under officer stock option agreements .....	316	74	--	79	--	--
18	--					
-----	-----	-----	-----	-----	-----	-----
Balances at December 31, 1994 .....	19,617	4,179	\$ --	13,830	3,432	(328)
3,641 14,518						
Net earnings .....	--	--	--	--	--	--
-- 7,502						
Class B shares converted to Class A .....	3	(3)	--	--	--	--
--						
Tax effect of excess stock compensation expense for tax purposes over amounts recognized for financial reporting purposes .....	--	--	--	--	--	397
--						
Shares purchased and held in Treasury .....	--	--	--	--	--	(61)
--						
Shares issued under stock option plan .....	40	--	--	82	--	--
--						
Shares issued and issuable under officer stock option agreements .....	20	--	--	--	--	--
3	--					
-----	-----	-----	-----	-----	-----	-----
Balances at December 31, 1995 .....	19,680	4,176	\$ --	13,912	3,432	(389)
4,041 22,020						
=====	=====	=====	=====	=====	=====	=====

</TABLE>

See accompanying notes to consolidated financial statements.

27

<TABLE>

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 1995, 1994 and 1993

<CAPTION>

	1995	1994	1993
	----	----	----
	(Amounts in thousands)		
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net earnings .....	\$ 7,502	7,134	3,951
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization .....	6,223	6,739	6,978
Deferred income tax expense .....	1,017	1,588	1,136
Deferred compensation and compensatory stock options .....	433	343	183
Disposals of property and equipment .....	170	--	--
Bad debt expense, net of write-offs .....	(114)	(312)	46
Other noncash income and expense items .....	354	(36)	7
Change in operating assets and liabilities (note 2) .....	(1,307)	3,063	(591)
Net cash provided by operating activities .....	14,278	18,519	11,710
	-----	-----	-----
Cash flows from investing activities:			
Purchases of property and equipment .....	(8,938)	(10,604)	(5,744)
Cash received from disposal of property and equipment .	--	--	105
Purchases of other assets including long-term deposits	(934)	(1,110)	(303)
Proceeds from the sale of available for sale security	832	--	--
Notes receivable issued .....	(251)	(339)	(602)
Payments received on notes receivable .....	184	10	964
Restricted cash investments .....	--	684	2,268
Net cash used in investing activities .....	(9,107)	(11,359)	(3,312)
	-----	-----	-----
Cash flows from financing activities:			
Long-term borrowings .....	--	--	10,000
Repayments of long-term borrowings and capital lease obligations .....	(2,824)	(8,494)	(26,610)
Proceeds from common stock issuance .....	82	360	13,641

Purchase of treasury stock .....	(61)	--	--
Disbursements to retire common and preferred stock .....	--	--	(5,627)
Dividends paid on preferred stock .....	--	--	(153)
	-----	-----	-----
Net cash used by financing activities .....	(2,803)	(8,134)	(8,749)
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents .	2,368	(974)	(351)
Cash and cash equivalents at beginning of year .....	1,649	2,623	2,974
	-----	-----	-----
Cash and cash equivalents at end of year .....	\$ 4,017	1,649	2,623
	=====	=====	=====

</TABLE>

See accompanying notes to consolidated financial statements.

28

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Principles

(a) General

General Communication, Inc. ("GCI"), an Alaska corporation, was incorporated in 1979. GCI Communication Corp. ("GCC"), an Alaska corporation, is a wholly owned subsidiary of GCI and was incorporated in 1990. GCI Network Systems, Inc. ("Network Systems"), formerly Transalaska Network Systems, Inc., an Alaska corporation, was a wholly-owned subsidiary of GCC and was incorporated in 1988. Effective December 31, 1993 Network Systems operations were merged into GCC. Both GCC and Network Systems operations continue to be provided by the surviving corporation, GCC, subsequent to the merger. GCI Communication Services, Inc. ("Communication Services"), an Alaska corporation, is a wholly-owned subsidiary of GCI and was incorporated in 1992. GCI Leasing Co., Inc. ("Leasing Company"), an Alaska corporation, is a wholly-owned subsidiary of Communication Services and was incorporated in 1992. GCI and GCC are engaged in the transmission of interstate and intrastate private line and switched message long distance telephone service between Anchorage, Fairbanks, Juneau, and other communities in Alaska and the remaining United States and foreign countries. GCC also provides northbound services to certain common carriers terminating traffic in Alaska and sells and services dedicated communications systems and related equipment. Communication Services provides private network point-to-point data and voice transmission services between Alaska, Hawaii and the western contiguous United States. Leasing Company owns and leases capacity on an undersea fiber optic cable used in the transmission of interstate private line and switched message long distance services between Alaska and the remaining United States and foreign countries.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of GCI, its wholly-owned subsidiaries GCC and Communication Services, and Communication Services wholly owned subsidiary Leasing Company. All significant intercompany balances and transactions have been eliminated in consolidation.

(c) Net Earnings Per Common Share

<TABLE>

Primary earnings per common share are determined by dividing net earnings (after deducting preferred stock dividends of \$153,000 in 1993) by the weighted number of common and common equivalent shares outstanding:

<CAPTION>

	1995	1994	1993
	----	----	----
	(in thousands)		
<S>	<C>	<C>	<C>
Weighted average common shares outstanding	23,723	23,199	21,085
Common equivalent shares outstanding	703	884	1,243
	-----	-----	-----
	24,426	24,083	22,328
	=====	=====	=====

The difference between shares for primary and fully diluted earnings per share was not significant in any period presented.

(d) Cash and Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash.

(e) Inventory

Inventory of merchandise for resale and parts is stated at the lower of cost or market. Cost is determined using the first-in, first-out method for parts and the specific identification method for equipment held for resale.

(f) Property and Equipment

Property and equipment is stated at cost. Construction costs of transmission 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 at December 31, 1995; management intends to place this equipment in service during 1996.

Depreciation and amortization is computed on a straight-line basis based upon the shorter of the lease term or the estimated useful lives of the assets ranging from 3 to 20 years for distribution systems and 5 to 10 years for support equipment. Amortization of equipment financed under capitalized leases is included in depreciation expense.

Repairs and maintenance are charged to operations, and renewals and additions are capitalized. Gains or losses are recognized at the time of ordinary retirements, sales or other dispositions of property.

(g) Marketable Securities

Effective January 1, 1994, GCI and subsidiaries ("the Company") adopted Statement of Financial Accounting Standards No. 115 ("SFAS No. 115"), Accounting for Certain Investments in Debt and Equity Securities. Under SFAS No. 115, securities when purchased, are classified in either the trading account securities portfolio, the securities available for sale portfolio, or the securities held to maturity portfolio. Securities are classified as trading account securities when the intent is profit maximization through market appreciation and resale. Securities are classified as available for sale when management intends to hold the securities for an indefinite period of time. Securities are classified as held to maturity when it is management's intent to hold these securities until maturity.

Unrealized gains or losses on securities available for sale are excluded from earnings and reported as a net amount in a separate component of stockholders' equity. There was no cumulative effect on the financial statements from the adoption of SFAS No. 115. Securities available for sale are stated at fair market value which approximates cost.

(h) Other Assets

Other assets, excluding deferred loan costs and goodwill, are recorded at cost and are amortized on a straight-line basis over 2 to 15 years. Deferred loan costs are recorded at cost and are amortized on a straight-line basis over the life of the associated loan.

Goodwill totaled approximately \$1,286,000 and \$1,387,000 at December 31, 1995 and 1994, respectively, net of amortization of approximately \$697,000 and \$596,000,

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

(i) Revenue From Services and Products

Revenues generated from long distance telecommunication 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. Service revenues are derived primarily from maintenance contracts on equipment and are recognized on a prorated basis over the term of the contract. Other revenues are recognized when the service is provided.

(j) Interest Expense

Interest costs incurred during the construction period of significant capital projects are capitalized. Interest capitalized by the Company totaled \$112,000 during the year ended December 31, 1995.

(k) Income Taxes

In February, 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109 ("SFAS No. 109"), "Accounting for Income Taxes". SFAS No. 109 requires a change from the deferred method of accounting for income taxes of APB Opinion 11 to the asset and liability method of accounting for income taxes. Under the asset and liability method of SFAS No. 109, deferred tax assets and liabilities are recognized for the 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. Under SFAS No. 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date.

Effective January 1, 1993, the Company adopted SFAS No. 109. The adjustment required for this change in accounting for income taxes was recorded in the first quarter of 1993 and resulted in increases in current deferred tax assets and net long-term deferred tax liabilities, and provision of a valuation allowance for deferred tax assets. No cumulative effect adjustment to the Company's consolidated statement of operations was required.

(l) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management 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.

(m) Reclassifications

Reclassifications have been made to the 1994 financial statements to make them comparable with the 1995 presentation.

31 (Continued)

(2) Consolidated Statements of Cash Flows Supplemental Disclosures

For purposes of the Statement of Cash Flows, the Company's cash equivalents includes cash and all invested assets with original maturities of less than three months.

<TABLE>

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

<CAPTION>

Year ended December 31,	1995	1994	1993
	----	----	----
<S>	<C>	<C>	<C>
(Increase) decrease in trade receivables	\$ (4,701)	63	(2,287)
(Increase) decrease in other receivables	(32)	(91)	535
(Increase) decrease in prepaid and other current assets	(222)	312	(477)
(Increase) decrease in inventory	(317)	(38)	70
Decrease in income taxes receivable	---	---	17
Increase in accounts payable	5,020	1,434	621
Increase (decrease) in accrued liabilities	423	195	(64)
Increase (decrease) in accrued payroll and payroll related obligations	(1,928)	1,238	857
Increase in accrued income taxes	330	163	54
Increase (decrease) in accrued interest	31	14	(43)
Increase (decrease) in deferred revenues	220	(90)	126
Decrease in components of other liabilities	(131)	(137)	---
	-----	-----	-----
	\$ (1,307)	3,063	(591)
	=====	=====	=====

</TABLE>

Income taxes paid totaled \$3,752,000, \$2,796,000 and \$1,558,000 during 1995, 1994 and 1993, respectively.

Interest paid totaled approximately \$1,227,000, \$1,525,000 and \$2,297,000 during 1995, 1994 and 1993, respectively.

The Company recorded \$397,000, \$371,000 and \$514,000 in 1995, 1994 and 1993, 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.

32

(Continued)

(3) Notes Receivable

<TABLE>

A summary of notes receivable follows:

<CAPTION>

	December 31,	
	1995	1994
	-----	-----
	(Amounts in thousands)	
<S>	<C>	<C>
Note receivable from officer bearing interest at the rate paid by the Company on its senior indebtedness, secured by GCI Class A common stock, due on the 90th day after termination of employment or July 30, 1998, whichever is earlier.	\$ 500	500
Note receivable from officer bearing interest at 10%, secured by Company stock; payable in equal annual installments of \$36,513 through August 26, 2004.	224	224
Notes receivable from officers and others bearing interest at 7% to 10%, unsecured and secured by Company common stock, shares of other common stock and equipment; due September 20, 1996 through August 26, 2004.	261	194
	-----	-----
Total notes receivable	985	918
Less current portion	(167)	(200)
Plus long-term accrued interest	86	49
	-----	-----
	\$ 904	767
	=====	=====

</TABLE>

(4) Investment Securities Available for Sale

As of January 1, 1994 the Company adopted SFAS No. 115. Accordingly, the Company's marketable equity securities have been classified as available for sale securities and are reported at fair market value which approximate cost at December 31, 1994. The Company held no trading account investment securities or available for sale securities at December 31, 1995.

33

(Continued)

(5) Long-term Debt

<TABLE>

Long-term debt is summarized as follows:

<CAPTION>

	December 31,	
	1995	1994
	-----	-----
	(Amounts in thousands)	
<S>	<C>	<C>
Credit Agreement (a)	\$ 1,000	2,000
Undersea Fiber and Equipment Loan Agreement (b)	8,271	9,500
Financing Obligation (c)	709	1,054
	-----	-----
	9,980	12,554
Less current maturities	1,689	1,585
	-----	-----
Long-term debt, excluding current maturities	\$ 8,291	10,969
	=====	=====

</TABLE>

(a) GCI completed a refinancing of its senior indebtedness on May 14, 1993. The facility was amended on October 31, 1995 to provide financing for the initial letter of credit and

subsequent down payment required pursuant to the terms of the Company's transponder purchase agreement with Hughes. The facility is comprised of two components, the first of which is a \$15,750,000 reducing revolver requiring payments or reductions of \$650,000 per quarter through December 31, 1996, and \$812,500 thereafter through its expiration on December 31, 1997. \$2.65 million of this component has been used to provide a letter of credit to secure payment of certain access charges associated with the Company's provision of telecommunications services within the state of Alaska. \$4.6 million of this portion of the facility was available for additional borrowings at December 31, 1995, \$3.3 million of which was drawn down in March 1996. The other component totals \$10.08 million, and has been used to provide a \$9.1 million letter of credit to Hughes. The letter of credit is expected to be drawn down by Hughes after delivery of transponder capacity scheduled for May or June of 1996. Once drawn upon, the facility will be repaid in quarterly installments of \$455,000 beginning September 30, 1996, with all remaining outstanding principal due on December 31, 1997.

The Credit agreement provides for interest (8.18% at December 31, 1995), among other options, at LIBOR plus two and one-quarter to two and three-quarters percent depending on the Company's leverage ratio as defined in the Agreement. A fee of .50% per annum is assessed on the unused portion of the facility.

The credit agreement contains, among others, covenants requiring maintenance of specific levels of operating cash flow to indebtedness, to interest expense, to fixed charges, and to pro forma debt service. The credit agreement includes limitations on acquisitions and additional indebtedness, and prohibits payment of dividends, other than stock dividends. The Company was in compliance with all credit agreement covenants during the period commencing May 14, 1993 (date of the refinancing) through December 31, 1995.

34

(Continued)

Security for the credit agreement includes a pledge of the stock of GCC and Communication Services, and a first lien on substantially all of GCC's assets. GCI and its subsidiaries, Communication Services and Leasing Company, are liable as guarantors.

In June, 1993, the Company entered into a two-year interest rate swap agreement with a bank whereby the rate on \$18,200,000 of debt (reduced by \$422,500 per quarter beginning July 1, 1993) was fixed at 4.45 percent plus applicable margins. The interest effect of the difference between the fixed rate and the three-month LIBOR rate was either added to or served to reduce interest expense depending on the relative interest rates. The agreement expired June 30, 1995.

(b) On December 31, 1992, Leasing Company entered into a \$12,000,000 loan agreement, of which approximately \$9,000,000 of the proceeds were used to acquire capacity on the undersea fiber optic cable linking Seward, Alaska and Pacific City, Oregon. Concurrently, Leasing Company leased the capacity under a ten year all events, take or pay, contract to MCI, who subleased the capacity back to the Company. The lease and sublease agreements provide for equivalent terms of 10 years and identical monthly payments of \$200,000. The proceeds of the lease agreement with MCI were pledged as primary security for the financing. The loan agreement provides for monthly payments of \$170,000 including principal and interest through the earlier of January 1, 2003, or until repaid. The loan agreement provides for interest at the prime rate plus one-quarter percent. Additional collateral includes substantially all of the assets of Leasing Company including the fiber capacity and a security interest in all of its outstanding stock. MCI has a second position security interest in the assets of Leasing Company.

(c) As consideration for MCI's role in enabling Leasing Company to finance and acquire the undersea fiber optic cable capacity described at note 5(b) above, Leasing Company agreed to pay MCI \$2,040,000 in sixty monthly payments of \$34,000. For financial statement reporting purposes, the obligation has been recorded at its remaining present value, using a discount rate of 10% per annum. The agreement is secured by a second position security interest in the assets

of Leasing Company.

As of December 31, 1995 maturities of long-term debt were as follows (in thousands):

Year ending December 31,	
1996	\$ 1,689
1997	2,882
1998	1,631
1999	1,780
2000	1,942
2001 and thereafter	56
	-----
	\$ 9,980
	=====

35

(Continued)

(6) Income Taxes

<TABLE>

Total income tax expense (benefit) for the years ended December 31, 1995, 1994 and 1993 were allocated as follows (amounts in thousands):

<CAPTION>

31,		Years ended December	
---		-----	-----
1993		1995	1994
----		----	----
<S>		<C>	<C>
Earnings from continuing operations		\$5,099	4,547
Stockholders' equity, for stock option compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes		(397)	(371)
(514)		-----	-----
2,250		\$4,702	4,176
=====		=====	=====

</TABLE>

<TABLE>

Income tax expense consists of the following:

<CAPTION>

	Years ended December 31,		
	-----	-----	-----
	1995	1994	1993
	----	----	----
	(Amounts in thousands)		
<S>	<C>	<C>	<C>
Current tax expense:			
Federal taxes	\$3,077	2,604	1,615
State taxes	1,005	355	13
	-----	-----	-----
	4,082	2,959	1,628
	-----	-----	-----
Deferred tax expense:			
Federal taxes	780	816	508
State taxes	237	772	628
	-----	-----	-----
	1,017	1,588	1,136
	-----	-----	-----
	\$5,099	4,547	2,764
	=====	=====	=====

</TABLE>

<TABLE>

Total income tax expense differed from the "expected" income tax expense determined by applying the statutory federal income tax rate of 34% as follows:

<CAPTION>

	Years ended December 31,		
	-----	-----	-----
	1995	1994	1993



140	13	Other .....	
-----	-----		
8,137	7,520	Total gross long-term deferred tax liabilities .....	
-----	-----		
7,004	6,522	Net combined long-term deferred tax liabilities .....	\$
=====	=====		

The valuation allowance for deferred tax assets was \$225,000, \$425,000 and \$425,000 as of December 31, 1995, 1994 and 1993, respectively.

Tax benefits associated with recorded deferred tax assets, net of valuation allowances, are considered to be more likely than not realizable through taxable income earned in carryback years, future reversals of existing taxable temporary differences, and future taxable income exclusive of reversing temporary differences and carryforwards. The amount of deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

For income tax reporting purposes, the Company has available capital loss carryovers totaling approximately \$56,000 which expire in 1997.

The Company's U.S. income tax return for 1993 was selected for examination by the Internal Revenue Service during 1995. The examination commenced during the fourth

37 (Continued)

quarter of 1995. Management believes this examination will not adversely affect the consolidated financial statements.

(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.

MCI owns a total of 6,251,509 shares of GCI's Class A and 1,275,791 shares of GCI's Class B common stock which on a fully diluted basis represented approximately 31 and 30 percent of the issued and outstanding shares of the respective class.

Stock Warrants

On May 18, 1994 an officer of the Company exercised warrants. In exchange for \$114, the Company issued 160,297 and 74,028 shares of GCI Class A and Class B common stock, respectively.

Pursuant to the terms of a stock appreciation right granted in 1988, the Company issued to its former senior lender warrants to acquire 1,021,373 shares of GCI Class A common stock for \$.85669 per share. Warrants to purchase 600,000 shares of Class A common stock were exercised in April and May, 1991, an additional 168,085 were exercised in September, 1991 and the remaining warrants to purchase 253,288 shares were exercised in September and October, 1994.

Stock Option Plan

In December 1986, GCI adopted a Stock Option Plan (the "Option Plan") in order to provide a special incentive to officers, non-employee directors, and employees by offering them an opportunity to acquire an equity interest in GCI. The Option Plan provides for the grant of options for a maximum of 3,200,000 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 Plan is administered by GCI's Board of Directors or a committee of disinterested persons.

Employees of GCI (including officers and directors), employees of affiliated companies and non-employee directors of GCI are eligible to participate in the Option Plan. Options granted under the Option

Plan must expire not later than ten years after the date of grant. The exercise price may be less than, equal to, or greater than the fair market value of the shares on the date of grant. Options granted pursuant to the Option Plan are only exercisable if at the time of exercise the option holder is an employee or non-employee director of GCI.

38

(Continued)

<TABLE>

Information for the years 1993, 1994 and 1995 with respect to the Plan follows:

<CAPTION>

<S>	Shares -----	Option Price -----
Outstanding at December 31, 1992	1,660,677	\$0.75-\$3.00
Granted	298,500	\$4.00
Exercised	(129,519)	\$0.75-\$2.25
Forfeited	(6,000)	\$4.00
	-----	
Outstanding at December 31, 1993	1,823,658	\$0.75-\$4.00
Granted	---	---
Exercised	(72,459)	\$0.75-\$3.00
Forfeited	(21,500)	\$4.00
	-----	
Outstanding at December 31, 1994	1,729,699	\$0.75-\$4.00
Granted	610,000	\$4.00
Exercised	(40,000)	\$1.87-\$2.25
Forfeited	(11,500)	\$4.00
	-----	
Outstanding at December 31, 1995	2,288,199	\$0.75-\$4.00
Available for grant at December 31, 1995	349,553	
Exercisable at December 31, 1995	986,999	
	-----	

</TABLE>

The options expire at various dates through October 2005.

#### Stock Options Not Pursuant to a Plan

In June 1989, officer John Lowber was granted options to acquire 100,000 Class A common shares at \$.75 per share. The options vested in equal annual increments over a five-year period and expire February, 1999.

The Company entered into an incentive agreement in June 1989 with Mr. Behnke, an officer of the Company. The incentive agreement provides for the acquisition of 85,190 remaining shares of Class A common stock of the Company for \$.001 per share exercisable through June 16, 1997. The shares under the incentive agreement vested in equal annual increments over a three-year period.

#### Class A Common Shares Held in Treasury

The Company acquired 105,111 shares of its Class A common stock in 1989 for approximately \$328,000 to fund a deferred bonus agreement with Mr. Duncan, an officer of the Company. The agreement provides that the balance is payable after the later of a) termination of employment or b) six months after the effective date of the agreement. In September 1995, the Company acquired an additional 17,500 shares of Class A common stock for approximately \$61,000 to fund additional deferred compensation agreements for two of its officers, including Mr. Duncan.

39

(Continued)

#### Employee Stock Purchase Plan

In December 1986, GCI adopted an Employee Stock Purchase Plan (the "Plan") qualified under Section 401 of the Internal Revenue Code of 1986 (the "Code"). The Plan provides for acquisition of the Company's Class A and Class B common stock at market value. The Plan permits each employee of GCI and affiliated companies 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 \$9,240 in 1995; 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.

GCI may match employee salary reductions and after tax contributions in any amount, elected by GCI each year, but not more than 10 percent of any one employee's compensation will be matched in any year. The combination of salary reductions, after tax contributions and GCI matching contributions cannot exceed 25 percent of any employee's compensation (determined after salary reduction) for any year. GCI's contributions vest over six years. Prior to July 1, 1995 employee and GCI contributions were invested in GCI common stock and employee contributions received up to 100% matching, as determined by the Company each year, in GCI common stock. Beginning July 1, 1995 employee contributions may be invested in GCI common stock, MCI common stock, Tele-Communications, Inc. common stock or various mutual funds. Beginning July 1, 1995 employee contributions invested in GCI common stock receive up to 100% matching, as determined by the Company each year, in GCI common stock. Employee contributions invested in other than GCI common stock receive up to 50% matching, as determined by the Company each year, in GCI common stock. The Company's matching contributions allocated to participant accounts totaled approximately \$864,000, \$792,000 and \$485,000 for the years ended December 31, 1995, 1994, and 1993, respectively. The Plan may, at its discretion, purchase shares of common stock from the Company at market value or may purchase GCI common stock on the open market.

40

(Continued)

(8) Industry Segments Data  
<TABLE>

The Company is engaged in the design, development, sale and service of telecommunication services and products in two principal industries: (1) message and data transmission services and (2) telecommunication systems sales and service.

<CAPTION>

	1995	1994	1993
	----	----	----
	(Amounts in thousands)		
<S>	<C>	<C>	<C>
Net sales			
Message and data transmission svcs.	\$122,086	107,843	93,914
Systems sales and service	7,193	9,138	8,299
	-----	-----	-----
-			
Total net sales	\$129,279	116,981	102,213
	=====	=====	=====
Operating income			
Message and data transmission svcs.	\$ 25,183	24,952	18,707
System sales and service	1,847	2,112	428
Corporate	(13,526)	(14,067)	
	-----	-----	-----
(10,331)			
-			
Total operating income	\$ 13,504	12,997	8,804
	=====	=====	=====
Identifiable assets			
Message and data transmission svcs.	\$ 69,715	60,335	59,277
Systems sales and service	2,554	2,838	4,306
Corporate	12,496	11,076	8,027
	-----	-----	-----
-			
Total identifiable assets	\$ 84,765	74,249	71,610
	=====	=====	=====
Capital expenditures			
Message and data transmission svcs.	\$ 5,946	10,003	4,457
Systems sales and service	---	---	369
Corporate	2,992	601	918
	-----	-----	-----
-			
Total capital expenditures	\$ 8,938	10,604	5,744
	=====	=====	=====
Depreciation and amortization expense			
Message and data transmission svcs.	\$ 5,385	6,194	6,572
Systems sales and service	84	103	132
Corporate	754	442	274
	-----	-----	-----
-			
Total depreciation and amortization expense	\$ 6,223	6,739	6,978
	=====	=====	=====

</TABLE>

Intersegment sales approximate market and are not significant. Identifiable assets are assets associated with a specific industry segment. General corporate assets consist primarily of cash,

temporary cash investments and other assets and investments which are not specific to an industry segment. Goodwill and the related amortization associated with the acquisition of Network Systems is allocated to the message and data telephone services segment. Goodwill and the related amortization related to the acquisition of the Transalaska Data Systems, Inc. assets is allocated to the systems sales and service segment. Revenues derived from leasing operations are allocated to the message and data transmission services segment.

The Company provides message telephone service to MCI and Sprint, major customers. Pursuant to the terms of a contract with MCI, the Company earned revenues of approximately \$23,939,000, \$19,512,000 and \$16,068,000 for the years ended December 31, 1995, 1994 and 1993, respectively. Amounts receivable from MCI totaled \$4,256,000

41 (Continued)

and \$3,257,000 at December 31, 1995 and 1994, respectively. The Company earned revenues pursuant to a contract with Sprint totaling approximately \$14,885,000, \$12,412,000 and \$10,123,000 for the years ended December 31, 1995, 1994 and 1993 respectively. Amounts receivable from Sprint totaled \$2,362,000 and \$981,000 at December 31, 1995 and 1994, respectively.

(9) Leases

The Company leases business offices, has entered into site lease agreements and uses certain equipment and satellite transponder capacity pursuant to operating lease arrangements. Rental costs under such arrangements amounted to approximately \$4,353,000, \$4,258,000 and \$4,029,000 for the years ended December 31, 1995, 1994 and 1993, respectively.

<TABLE>

A summary of future minimum lease payments for all leases as of December 31, 1995 follows:

<CAPTION>

Year ending December 31:	Operating	Capital
-----	-----	-----
	(Amounts in thousands)	
<S>	<C>	<C>
1996	\$ 6,343	435
1997	7,493	221
1998	1,441	202
1999	1,343	204
2000	1,247	211
2001 and thereafter	778	1,301
	-----	-----
Total minimum lease payments	\$ 18,645	2,574
	=====	
Less amount representing interest		(1,527)
Less current maturities of obligations under capital leases		(282)
Subtotal - long-term obligations under capital leases		765
Less long-term obligations under capital leases due to related parties, excluding current maturities		(739)
		-----
Long-term obligations under capital leases, excluding current maturities		\$ 26
		=====

</TABLE>

The Company entered into a long-term capital lease agreement in 1991 with the wife of the Company's president for property occupied by the Company. The lease term is 15 years with monthly payments of \$14,400, increasing in \$800 increments at each two year anniversary of the lease. Monthly lease costs increased to \$15,200 effective October 1993 and \$16,000 effective October 1995. Monthly lease costs will increase to \$16,800 in October 1997. If the owner sells the premises prior to the end of the tenth year of the lease, the owner will rebate to the Company one-half of the net sales price received in excess of \$900,000. If the property is not sold prior to the tenth year of the lease, the owner will pay the Company the greater of one-half of the appreciated value of the property over \$900,000, or \$500,000. The leased asset was capitalized in 1991 at the owner's cost of \$900,000 and the related obligation was recorded in the accompanying financial statements.

The leases generally provide that the Company pay the taxes, insurance and maintenance expenses related to the leased assets.

It is expected that in the normal course of business, leases that expire will be renewed or replaced by leases on other properties.

42 (Continued)

(10) Disclosure about Fair Value of Financial Instruments

Statement of Financial Standards No. 107, "Disclosures about Fair Value of Financial Instruments" ("SFAS No. 107") 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. The carrying amounts at December 31, 1995 for the Company's assets and liabilities approximate their fair values.

(11) Commitments and Contingencies

During 1995, the Company 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. The Company may, at its discretion, contribute matching deferrals equal to the rate of matching selected by the Company. 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 the Company with respect to deferred compensation plan benefits. Compensation deferred pursuant to the plan totaled \$340,000 as of December 31, 1995.

The Company entered into a purchase and lease-purchase option agreement in August 1995 for the acquisition of satellite transponders to meet its long-term satellite capacity requirements. The amount of the down payment required in 1996 and the balance payable upon delivery of the transponders as early as the fourth quarter of 1997 are dependent upon a number of factors. The Company does not expect the down payment to exceed \$10.1 million and the remaining balance payable at delivery to exceed \$46 million.

In the normal course of the Company's operations, it is involved in various legal and regulatory matters before the FCC and the APUC. While the Company does not anticipate that the ultimate disposition of such matters will result in abrupt changes in the competitive structure of the Alaska market or of the business of the Company, no assurances can be given that such changes will not occur and that such changes would not be materially adverse to the Company.

(12) Subsequent Event

Subsequent to year-end, the Company announced that it has signed letters of intent to acquire three Alaska cable companies that offer cable television service to more than 101,000 subscribers serving 74 percent of households throughout the state of Alaska. The Company intends to acquire Prime Cable of Alaska, Alaska Cablevision, Inc. of Kirkland, Washington and Alaskan Cable Network. Prime Cable operates the state's largest cable television system including stations in Anchorage, Bethel, Kenai and Soldotna, Alaska. Alaska Cablevision owns and operates cable stations in Petersburg, Wrangell, Cordova, Valdez, Kodiak, Homer, Seward, Nome and Kotzebue, Alaska. Alaskan Cable Network operates stations in Fairbanks, Juneau, Ketchikan and Sitka, Alaska. This acquisition will allow the Company to integrate cable services to bring more information not only to more customers, but in a manner that is quicker, more efficient and more cost effective than ever before. The purchase

will facilitate consolidation of the cable operations and will provide a platform for developing new customer products and services over the next several years. Upon closing and after all approvals are obtained, the cable companies will be consolidated into a single organization owned by the Company.

The total purchase price is \$280.7 million. According to terms of the letters of intent, GCI will issue 16.3 million shares of Class A Common stock to the owners of the three cable companies valued at \$105.7 million. The balance of the purchase will be provided by approximately \$175 million of bank financing. Additional capital will be provided from the sale of 2 million shares of GCI's Class A Common Stock to MCI Telecommunications Corporation for \$6.50 per share.

The more significant contingencies which must be resolved include negotiation and execution of definitive agreements with the owners of the cable companies and MCI, approval of the transactions and transfer of licenses by the APUC and the FCC, and approval of the transactions by the Company's shareholders and senior lender and the

cable companies' shareholders, partners and lenders.

Management is confident that once the contingencies are resolved, the transactions will be financed through modification or assumption of an existing or negotiation of a new bank credit agreement facility. Although the Company has held discussions with existing lenders regarding such a facility, no agreement exists concerning the amounts or terms of such a facility.

(13) Selected Quarterly Information (Unaudited)

<TABLE>  
<CAPTION>

	Three months ended			
	Dec. 31, 1995	Sept. 30, 1995	June 30, 1995	Mar. 31, 1995
	(Amounts in thousands, except per share amounts)			
<S>	<C>	<C>	<C>	<C>
Total revenues	\$34,363	33,363	31,860	29,693
Contribution	\$15,808	15,548	14,026	13,676
Net earnings	\$1,807	2,252	1,836	1,607
Net earnings per share	\$.07	.09	.08	.07

</TABLE>  
<TABLE>  
<CAPTION>

	Three months ended			
	Dec. 31, 1994	Sept. 30, 1994	June 30, 1994	Mar. 31, 1994
	(Amounts in thousands, except per share amounts)			
<S>	<C>	<C>	<C>	<C>
Total revenues	\$29,143	30,685	28,962	28,191
Contribution	\$14,061	14,740	14,387	12,897
Net earnings	\$1,320	1,994	2,122	1,698
Net earnings per share	\$.06	.08	.09	.07

</TABLE>

44 (Continued)

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

45  
PART IV

Item 14. EXHIBITS, CONSOLIDATED FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) (1) Consolidated Financial Statements Page No.

Included in Part II of this Report:

Independent Auditors' Report .....	23
Consolidated Balance Sheets, December 31, 1995 and 1994 .....	24 -- 25
Consolidated Statements of Operations, Years ended December 31, 1995, 1994 and 1993 .....	26
Consolidated Statements of Stockholders' Equity, Years ended December 31, 1995, 1994 and 1993 .....	27
Consolidated Statements of Cash Flows, Years ended December 31, 1995, 1994 and 1993 .....	28
Notes to Consolidated Financial Statements .....	29 -- 44

(a) (2) Consolidated Financial Statement Schedules

Included in Part IV of this Report:

Independent Auditors' Report.....	51
Schedule VIII - Valuation and Qualifying Accounts, Years ended December 31, 1995, 1994 and 1993 .....	52

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.

(b) Exhibits

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

3 - Articles of Incorporation and By-laws:

Restated Articles of Incorporation of General Communication, Inc. dated August 16, 1993.

Incorporated herein by reference to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 1994

Bylaws of General Communication, Inc., as amended and restated dated March 24, 1993

Incorporated herein by reference to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 1994

4 - Instruments defining the rights of security holders:

Registration Rights Agreement, dated as of January 18, 1991, between General Communication, Inc. and WestMarc Communications, Inc.

Incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1990.

Employee stock option agreements issued to individuals Spradling, O'Hara, Strid, Behnke, Lewkowski and Snyder.

Incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1991.

Lease agreement between GCI Communication Services, Inc. and National Bank of Alaska Leasing Corporation dated January 15, 1992.

Incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1992.

Stock Purchase Agreement between MCI Telecommunications Corporation and General Communication, Inc. dated March 31, 1993.

Incorporated herein by reference to the Company's Current Report on Form 8-K dated June 4, 1993.

Voting Agreement by and between MCI Telecommunications Corporation, Ronald A. Duncan, Robert M. Walp, and WestMarc Communications, Inc., dated March 31, 1993.

Incorporated herein by reference to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 1994

47

10 - Material Contracts:

Denali Towers Lease

MCI Telecommunications Corporation Carrier Agreement

Westin Building Lease

All the above incorporated herein 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.

Denali Towers Lease, Suites 1000 and 1105

Denali Towers Lease, Suites 910 and 1110

Denali Towers Lease, Suite 400

Hughes Transponder Lease Agreement

Duncan and Hughes Deferred Bonus Agreements

All of the above incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1989.

Service Agreement dated January 1, 1990 between General Communication, Inc. and US Sprint Communications Company Limited Partnership of Delaware

Incorporated herein by reference to the Company's Annual Report on Form 10-K dated December 31, 1990.

Order approving Application for a Certificate of Public Convenience and Necessity to operate as a Telecommunications (Intrastate Interexchange Carrier) Public Utility within Alaska.

Incorporated herein by reference to the Company's Annual Report on Form 10-K dated December 31, 1991.

1986 Stock Option Plan, as amended

Loan agreement between National Bank of Alaska and GCI Leasing Co., Inc. dated December 31, 1992.

Pledge and Security Agreement between National Bank of Alaska and GCI Communication Services, Inc. dated December 31, 1992.

Lease Agreement between MCI Telecommunications Corporation and GCI Leasing Co., Inc. dated December 31, 1992.

Sublease Agreement between MCI Telecommunications

Corporation and General Communication, Inc. dated December 31, 1992.

Financial Assistance Agreement between MCI Telecommunications Corporation and GCI Leasing Co., Inc. dated December 31, 1992.

All of the above incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1992.

Letter of intent between MCI Telecommunications Corporation and General Communication, Inc. dated December 31, 1992.

Incorporated herein by reference to the Company's Current Report on Form 8-K dated January 13, 1993.

MCI Carrier Agreement between MCI Telecommunications Corporation and General Communication, Inc. dated January 1, 1993.

Contract for Alaska Access Services Agreement between MCI Telecommunications Corporation and General Communication, Inc. dated January 1, 1993.

All of the above incorporated herein by reference to the Company's Current Report on Form 8-K dated June 4, 1993.

Promissory Note Agreement between General Communication, Inc. and Ronald A. Duncan, dated August 13, 1993.

Deferred Compensation Agreement between General Communication, Inc. and Ronald A. Duncan, dated August 13, 1993.

Pledge Agreement between General Communication, Inc. and Ronald A. Duncan, dated August 13, 1993.

48

Amended and Restated Credit Agreement between General Communication, Inc. and Nationsbank of Texas, N.A., dated April 30, 1993.

All of the above incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1993.

Revised Qualified Employee Stock Purchase Plan of General Communication, Inc.

Summary Plan Description pertaining to the Revised Qualified Employee Stock Purchase Plan of General Communication, Inc.

All of the above incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1994.

Company's press release on the letters of intent, dated March 15, 1996

Amendments to Contract for Alaska Access, effective April 1, 1996

Amendments to MCI Carrier Agreement:

- Sixth Amendment, effective April 1, 1996 (there was no fifth amendment as of the date of this report)
- Fourth Amendment, dated September 24, 1995
- Third Amendment, dated October 1, 1994
- MCI Carrier Addendum MCI 800 DAL Service (First Amendment), dated April 20, 1994

All of the above incorporated herein by reference to the Company's Current Report on Form 8-K dated March 14, 1996, filed March 28, 1996.

- 10.1 - The GCI Special Non-Qualified Deferred Compensation Plan
- 10.2 - Second Amendment to the Amended and Restated Credit Agreement between General Communication, Inc. and Nationsbank of Texas, N.A., dated October 31, 1995.
- 10.3 - Equipment Purchase Agreement between GCI Communication Corporation and Scientific-Atlanta, Inc.

Licenses:

214 Authorization  
International Resale Authorization  
Digital Electronic Message Service Authorization  
Fairbanks Earth Station License  
Fairbanks (Esro) Construction Permit for P-T-P Microwave Service  
Fairbanks (Polaris) Construction Permit for P-T-P Microwave Service  
Anchorage Earth Station Construction Permit  
License for Eagle River P-T-P Microwave Service  
License for Juneau Earth Station  
Issaquah Earth Station Construction Permit

All the above incorporated herein 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.

49

- 21 - Subsidiary of Registrant:  
GCI Communication Corp.

State of Incorporation: Alaska

Subsidiary of Registrant:  
GCI Communication Services, Inc.  
State of Incorporation: Alaska

Subsidiary of Subsidiary of Registrant:  
GCI Leasing Co., Inc.  
State of Incorporation: Alaska

27 - Financial Data Schedule

28 - Additional Exhibits:  
The Articles of Incorporation of GCI Communication Corp.  
The By-laws of GCI Communication Corp.  
All of the above incorporated herein by reference to the  
Company's Annual Report on Form 10-K for the period ended  
December 31, 1990  
The By-laws of GCI Communication Services, Inc.  
The Articles of Incorporation of GCI Communication Services,  
Inc.  
The By-laws of GCI Leasing Co., Inc.  
The Articles of Incorporation of GCI Leasing Co., Inc.  
All of the above incorporated herein by reference to the  
Company's Annual Report on Form 10-K for the year ended  
December 31, 1992.

(c) Reports on Form 8-K

None filed during the quarter ended December 31, 1995.

50  
INDEPENDENT AUDITORS' REPORT  
-----

The Board of Directors and Stockholders  
General Communication, Inc.:

Under date of March 15, 1996, we reported on the consolidated balance sheets of General Communication, Inc. and Subsidiaries ("Company") as of December 31, 1995 and 1994 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, 1995, which are included in the Company's 1995 Annual Report on Form 10-K. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule in the consolidated financial statements, which is listed in the index in Item 14(a)(2) of the Company's 1995 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 basic consolidated financial statements taken as a whole, presents fairly, in all material respects the information set forth therein.

/s/KPMG PEAT MARWICK LLP

Anchorage, Alaska  
March 15, 1996

51

<TABLE>

Schedule VIII  
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GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

Valuation and Qualifying Accounts

Years ended December 31, 1995, 1994 and 1993

<CAPTION>

Additions                      Deductions

Balance end year	Description	Balance at beginning of year	Charged to profit and loss	Other	Write-offs net of recoveries	at of
-----						
-----						
(Amounts in thousands)						
<S>		<C>	<C>	<C>	<C>	
<C>						
Year ended December 31, 1995:						
Allowance for doubtful receivables		\$ 409	1,459	---	1,573	
295		=====	=====	===	=====	
===						
Year ended December 31, 1994:						
Allowance for doubtful receivables		\$ 721	829	---	1,141	
409		=====	=====	===	=====	
===						
Year ended December 31, 1993:						
Allowance for doubtful receivables		\$ 721	1,207	---	1,161	
721		=====	=====	===	=====	
===						

</TABLE>

52

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 15, 1996

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title	Date
----- /s/ Carter F. Page Carter F. Page	Chairman of Board and Director	March 15, 1996
/s/ Robert M. Walp Robert M. Walp	Vice Chairman of Board and Director	March 15, 1996
/s/ Ronald A. Duncan Ronald A. Duncan	President and Director, (Chief Executive Officer)	March 15, 1996
/s/ Donne F. Fisher Donne F. Fisher	Director	March 15, 1996
/s/ John W. Gerdelman John W. Gerdelman	Director	March 15, 1996
/s/ Larry E. Romrell Larry E. Romrell	Director	March 15, 1996
/s/ James M. Schneider James M. Schneider	Director	March 15, 1996
/s/ John M. Lowber John M. Lowber	Senior Vice President, Chief Financial Officer, Secretary and Treasurer	March 15, 1996

/s/ Alfred J. Walker  
Alfred J. Walker

Vice President and Chief  
Accounting Officer

March 15, 1996

EQUIPMENT PURCHASE

AGREEMENT

between

GCI Communication Corporation

and

Scientific-Atlanta, Inc.

EQUIPMENT PURCHASE AGREEMENT

TABLE OF CONTENTS

SECTION 1	DEFINITIONS
SECTION 2	SCOPE OF THE AGREEMENT
SECTION 3	PRICE AND PAYMENT
SECTION 4	DELIVERY SCHEDULE
SECTION 5	TITLE AND RISK OF LOSS
SECTION 6	INTERNATIONAL SALES
SECTION 7	REPRESENTATIONS
SECTION 8	INSPECTION, TEST AND ACCEPTANCE
SECTION 9	WARRANTY
SECTION 10	TERM AND TERMINATION
SECTION 11	LICENSED SOFTWARE
SECTION 12	NO RIGHTS IN TRADEMARKS
SECTION 13	OTHER INTELLECTUAL PROPERTY
SECTION 14	INJUNCTION
SECTION 15	PROPRIETARY RIGHTS INDEMNIFICATION
SECTION 16	INDEMNIFICATION AND LIMITATION OF LIABILITY
SECTION 17	FORCE MAJEURE
SECTION 18	NOTICES
SECTION 19	AMENDMENTS AND CHANGES
SECTION 20	ASSIGNMENT AND SUBCONTRACTING
SECTION 21	INDEPENDENT CONTRACTOR
SECTION 22	PUBLIC RELEASE OF INFORMATION
SECTION 23	MISCELLANEOUS
SECTION 24	ARBITRATION

EXHIBITS

EXHIBIT A	PRICES
EXHIBIT B	SCHEDULE
EXHIBIT C	SOFTWARE LICENSE
EXHIBIT D	FEATURE GROUP B/1 800 950 XXX SPECIFICATION

EQUIPMENT PURCHASE AGREEMENT

This Equipment Purchase Agreement (the "Agreement"), effective as of the 20th day of December, 1995 (the "Agreement Date"), is entered into by and between GCI Communication Corporation, a corporation organized and existing under the laws of Alaska (hereinafter referred to as "GCI" or "Buyer"), and Scientific-Atlanta, Inc., a corporation organized and existing under the laws of the State of Georgia (hereinafter referred to as "S-A").

WITNESSETH:

WHEREAS, S-A is engaged in the design and manufacture of satellite communication equipment and the related software which resides therein; and

WHEREAS, Buyer is a financially responsible and independent business organization engaged in the sale, installation and service of products similar to those manufactured by S-A, and desires to purchase from S-A the satellite communication equipment and license from S-A the related software which resides therein; and

WHEREAS, S-A is willing to sell such equipment and deliver such software to Buyer under the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants set forth in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the

parties hereto agree as follows:

## 1. Definitions

"Acceptance" is defined as the satisfactory resolution of all hardware and software Specification deficiencies by S-A as identified by GCI. GCI shall notify S-A of any deficiencies within thirty (30) days of receipt of the last contract deliverable. Satisfaction of the list of deficiencies will be the sole determinant of final payment. Notwithstanding any other remedies for latent defects, this list maybe amended by mutual agreement of both parties.

"Agreement Date" is used as defined in the preamble.

"Equipment" means the items set forth on Exhibit A hereto, but expressly excluding the Licensed software.

"Extreme Environment Mount" is defined as Model No. 8009AE. This mount constitutes S-A's standard 11 Meter Mount and Actuators when used in conjunction with S-A's standard 9.15 Meter Reflector.

"Licensed Software" is used herein as defined in the Software License.

"Remote Terminals" shall mean, collectively and as a combined operation, the Equipment purchased by the Buyer and the Licensed software used thereon, functioning as a DAMA satellite communications terminal.

"Proprietary Documentation" means any user manuals, training materials, installation, repair or maintenance manuals, drawings, schematics or any related documents provided by S-A to the Buyer.

"Prices" means the prices applicable to the Equipment set forth in Exhibit A as adjusted from time to time in accordance with this Agreement.

"Proprietary Information" shall mean any and all information, whether or not in tangible form, of a confidential, proprietary or secret nature belonging to, or licensed by S-A which is material to S-A and not generally known by the public, other than Trade Secrets.

"Software License" means a Software License substantially in the form of Exhibit C hereto.

"Specifications" shall mean the specifications as defined in the "GCI ALASKA RURAL DEMONSTRATION PROJECT EQUIPMENT SUPPLY AND SERVICES AGREEMENT ", dated June 21, 1994.

"Term" is used as defined in Section 10.1.

"Trademarks" shall mean the trademarks, trade names and logotypes used by S-A to identify or in connection with the Equipment from time to time, including without limitation, "Scientific-Atlanta" and "SkyRelay (TM)".

"Trade Secrets" shall mean any and all information, whether or not in tangible form, belonging to S-A or licensed by it including, but not limited to, technical or non-technical data, formulae, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, marketing plans, and lists of actual or potential customers or suppliers which derive economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from their disclosure or use and are the subjects of efforts that are reasonable under the circumstances to maintain their secrecy. Specifically included in the definition of Trade Secrets, but not by way of limitation, are (a) marketing information obtained or derived during the term hereof on existing and anticipated markets of S-A; (b) pricing, product costs, product cost structures (ie.,, breakdown of cost among materials, labor and overhead), and bills of materials for current or anticipated product; (c) information on S-A's program strategies, product features and performance for products under design or anticipated for design; and (d) specific limitations and actual or perceived deficiencies in existing or planned products and technologies of S-A

"DAMA" shall mean "demand assigned multiple access."

## 2. Scope of the Agreement

The equipment specified in Exhibit A will be delivered in accordance with Section 4 "Delivery Schedule". During the first thirty (30) days of the Term, the Buyer may adjust the equipment quantities down by not more than ten percent (10%). During the Term, the Buyer may order additional Equipment by submitting a purchase order to S-A requesting delivery not sooner than ninety 90 days nor

longer than one hundred eighty (180) days from the date thereof or as mutually agreed to by S-A and GCI. S-A will sell and deliver such Equipment on or before the requested delivery date. S-A shall convey the Equipment free and clear of all liens, claims and encumbrances.

Any terms, conditions or provisions in any purchase order received from the Buyer inconsistent with this Agreement shall be deemed null and void unless an authorized representative of S-A signs a document that contains such different or additional provisions and conspicuously states an intention to amend the terms and conditions of this Agreement.

Any Licensed Software residing in Equipment delivered to Buyer is subject to the Software License as set forth in Section 11. S-A shall place into escrow all source code for all software and firmware supplied to GCI as part of the DAMA network; to include all future revisions. All initial escrow costs and maintenance costs will be the responsibility of GCI.

The performance of each of S-A and the Buyer under this Agreement shall comply with all applicable federal, state and local laws, regulations and ordinances.

Buyer agrees that it shall not purchase any equipment which, in the opinion of S-A, are competitive with the Equipment during the term of this Agreement unless prior written consent of the S-A is first obtained.

The equipment described in Exhibit A comprises two projects, a DAMA network expansion and the purchase and installation of six, 9.15M antennas. Termination of one project will not automatically imply termination of the other.

### 3. Price and Payment

The prices for the Equipment and Services are listed in Exhibit A. The total price for all Equipment and Services is: \$7,688,447 (Contract Price), increased or decreased by any amendment or change order made in accordance with the Terms of this contract.

.1 The price shall be paid in United States Dollar currency in accordance Section 3.2 below:

.2 Payment milestones are mutually agreed to be as follows:

Upon Contract Signature	\$1,013,603
Each subsequent calendar month for six months (due upon the day of the month this agreement is signed)	\$984,813
At successful completion of 9.15M install and testing.	\$106,417
Final payment upon Acceptance	\$659,549*

\* - When S-A meets each of the seven equipment delivery milestones, for the months of February through July, 1996 for (equipment excluding the 9.15M antenna systems), as set forth in Exhibit B, Buyer agrees to pay an incentive of \$47,111 for each monthly milestone met. This amount would be added to the subsequent mid month payment. Each time such payment is made the final payment of \$659,549 shown above would be reduced by the corresponding amount. If; at the time of delivery compliance with a milestone, the previous months' delivery has still not been met, the incentive payment will not be applicable.

.3 Any amounts not paid when due shall bear interest at the rate of 1-1/2% per month from the date such payment was due until the date payment is received.

.4 The Prices include all costs for the performance by S-A of its responsibilities in accordance with the provisions of this Agreement but do not include any amounts for duties, customs, shipping, federal, state or local taxes imposed on the sale or use of such items or on the basis of the amounts paid or the value of the items or services delivered or located at the installation sites or on the basis of gross receipts (collectively, the "Shipping Charges and Taxes"). The Buyer shall reimburse S-A for any of the Shipping Charges and Taxes that S-A is required to pay. The Buyer shall not be responsible for taxes on S-A's income or gross receipts from its overall business activities.

.5 The Statement of Work (SOW) for the installation of the 9.15 Meter antenna installation at GCI's sites located at Barrow, Bethel, Dillingham, King Salmon, Kotzebue, and Nome, Alaska is outlined below.

GCI will be responsible for providing the following:

- Design and installation of the foundations.
- Staging of antenna at the build site.
- Provide forklift and crane as necessary.
- Provide power to the outdoor antenna controller.
- Provide a shelter and power for the indoor controller.

Provide test equipment for performing Antenna Tests  
Install the RF.

S-A will be responsible for providing the following:

Provide 2 installation teams,  
Will install the antennas and mounts.  
Provide a list of required test equipment.  
Perform antenna patterns to demonstrate that the antenna patterns meet Code of Federal Regulations 47, Part 25 ss. 25.209, dated, October 1995.

Installation Sites and Schedule:- The installation window for a given site may be changed by mutual agreement

	Site	Earliest Start Date	Latest Start Date
1	Barrow	June 12th, 1996	July 3rd, 1996
2	Bethel	June 24th, 1996	July 24th, 1996
3	Dillingham	July 3rd, 1996	August 14th, 1996
4	King Salmon	June 12th, 1996	July 3rd, 1996
5	Kotzebue	June 24th, 1996	July 24th, 1996
6	Nome	July 3rd, 1996	August 14th, 1996

#### 4. Delivery Schedule

The Buyer and S-A mutually agree to delivery schedule milestones for equipment. The delivery schedule is attached to this Agreement as Exhibit B.

Feature Group B/1800950 software specification are as defined in Exhibit D.

#### 5. Title and Risk of Loss

Title and risk of loss to all Equipment sold by S-A shall pass to the Buyer upon delivery by S-A to a common carrier for shipment to the Buyer.

#### 6. International Sales

In no event shall the Buyer export any Equipment without the prior written consent of S-A. If Buyer exports any Equipment outside the United States, or such Equipment is re-exported from a foreign destination, the Buyer shall insure that the distribution and export/re-export of the Equipment is in compliance with all laws, regulations, orders, or other restrictions of the U.S. Export Administration regulations. Neither the Buyer, nor any of its subsidiaries, will export or re-export any technical data, process, product, or service, directly or indirectly, to any country for which the United States government or any agency thereof requires an export license or other governmental approval without first obtaining such license or approval.

#### 7. Representations

.1 The Buyer represents and warrants to S-A that (a) all information, technical drawings, blueprints summaries and data of every kind provided by the Buyer and its agents to S-A is in all material respects accurate and correct as of the Agreement Date, and (b) no information is known to the Buyer which, if disclosed to S-A, would have a material impact on the technical requirements of and Specifications relating to the Equipment and the Licensed Software.

.2 The Buyer covenants and agrees to cooperate with S-A by (i) providing S-A access to the Buyer's premises, (ii) making Buyer's technical personnel available to S-A on a timely basis, (iii) providing additional information to S-A from time to time at S-A's request, and (iv) taking such further actions as S-A may reasonably request in connection with the efforts of S-A to fulfill its obligations under this Agreement.

.3 The Buyer acknowledges and agrees that in order to preserve S-A's image for high quality Equipment and thereby enhance its own sales, and in consideration for S-A's making available to the Buyer the Equipment at favorable prices, the Buyer agrees that it shall not engage in any activities or sell or offer for sale any product which in S-A's reasonable opinion would be competitive with the Equipment without S-A's former written approval.

#### 8. Inspection, Test and Acceptance

.1 S-A shall test and inspect the Equipment during production in accordance with S-A's standard procedures.

.2 GCI shall notify S-A of any Specification deficiencies within thirty

(30) days of receipt of the last deliverable milestone as defined in Exhibit B. Satisfactory resolution of the list of hardware and software deficiencies will be the sole determinant of final payment. S-A shall investigate such claims within fifteen (15) days of S-A's receipt of the Buyer's written explanation and remedy any failure of such Equipment to comply with the Specifications within thirty (30) days of the completion of S-A's investigation. If the Buyer does not, within ten (10) days of the expiration of the foregoing thirty (30) day period, indicate in writing that it believes the Equipment does not comply with the Specifications, the Buyer shall be deemed to have Accepted the applicable Equipment. Any dispute between the parties shall be resolved either by (i) mutual agreement or (ii) in accordance with the arbitration procedures set forth in this Agreement.

## 9. Warranty

.1 Notwithstanding the Acceptance terms stated above, S-A warrants that the Equipment will comply with the Specifications, and will be free from defects in materials and workmanship for a period of one (1) year after date of Acceptance (the "Warranty Period").

.2 Except as provided in the Software License, S-A extends no representations or warranties with respect to the Licensed Software.

.3 With respect to the Equipment, during the Warranty Period, S-A will, following written notice of any breach of warranty from the Buyer, at S-A's option, either (i) repair or replace any nonconforming Equipment at Buyer's site or at the site where the Equipment is otherwise located or (ii) request the Buyer to ship any nonconforming Equipment to S-A, and S-A will either repair or replace and return to the Buyer such nonconforming Equipment. Title to nonconforming Equipment being shipped to S-A shall pass to S-A when delivered to the shipping carrier, and title to the repaired or replacement Equipment shall pass to the Buyer when delivered by S-A to the shipping carrier for return to the Buyer. If any Equipment is shipped to S-A or S-A dispatches its personnel to a Buyer's site and the applicable Equipment is determined either to comply with the Specifications or to have been damaged or misused other than through the fault of S-A, the Buyer shall pay S-A's normal charges in connection therewith.

.4 S-A MAKES NO WARRANTIES OTHER THAN THE EXPRESS WARRANTIES IN THIS SECTION AND IN THE SOFTWARE LICENSE AND NONE SHALL BE IMPLIED. THERE IS NO WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR NONINFRINGEMENT PROVIDED HEREUNDER. THE ENTIRE OBLIGATION OF S-A FOR EQUIPMENT OR LICENSED SOFTWARE MALFUNCTIONS OR DEFECTIVE INSTALLATIONS AFTER ACCEPTANCE IS AS EXPRESSLY STATED IN THIS SECTION OR IN THE SOFTWARE LICENSE.

## 10. Terms and Termination

.1 The "Term" of this Agreement shall commence on the Agreement Date, and, unless sooner terminated pursuant to Sections 10.2 or 10.3 below, shall end upon completion of obligations of the parties.

.2 The non-defaulting party may terminate this Agreement immediately upon written notice of the occurrence of any of the following events:

a. Either party shall default in any of its material obligations hereunder and fail to cure the default within fifteen (15) days, or as mutually agreed to by both parties, after the non defaulting party has given written notice of such default, such termination to be effective as of the day of such notice. Written notice of cure shall be delivered to non-defaulting party within fifteen (15) days of notice of default: or

b. Either party shall become insolvent or shall seek protection in bankruptcy or the appointment of a receiver or a petition in bankruptcy or seeking the appointment of a receiver shall be filed against such party and such petition shall not be dismissed within thirty (30) days of its filing, such termination shall be effective as of the date of such notice.

.3 The Buyer shall further have the right to terminate this Agreement for convenience, through March 1, 1996. The parties agree that S-A has no means to determine actual cost impact and therefore the parties agree that the costs associated with this termination for convenience shall be liquidated as follows:

December 1st, 1995	10%
January 1st, 1996	20%
February 1st, 1996	30%
March 1st, 1996	40%

where % is defined as the percentage of the price of the canceled portion of the agreement.

The liquidated termination costs shall be due S-A within 30 days of date of notice of termination by the Buyer.

In the event of Termination of the agreement and payment of the appropriate liquidation costs detailed above, GCI would subsequently have the right to repurchase some or all of the canceled equipment. A percentage of the liquidated costs previously paid by GCI as a result of termination would be credited to GCI as follows:

If reordered by:

March 31st, 1996	50%
April 1st - May 31st, 1996	35%
June 1st - July 31st, 1996	30%
August 1st- Sept. 30th, 1996	25%
Oct. 1st - Dec. 31st, 1996	20%

Said credit will be applied to the repurchased products on a prorated basis.

.4 Except as set forth in subsection 10.3, immediately above, the termination or expiration of this Agreement by either party shall not affect the rights and obligations of the parties that have vested prior to the effective date of such termination with respect to orders accepted by S-A. Final settlement for such orders shall be on the same basis as though the Agreement were continuing, and any obligations of one party to the other with respect to such orders shall remain in full force and effect until fully paid or discharged. In addition to the foregoing, the provisions of Sections 6, 7, 9, 10, 11, 12, 13, 14, 15, 21, 22 and 23 shall survive the termination of this Agreement.

#### 11. Licensed Software

All copies of the Licensed Software residing in the Equipment purchased by the Buyer under this Agreement shall remain the property of S-A and Buyer shall be required to execute the Software License, the terms and conditions of which are incorporated herein by reference and made a part hereof. In the event, however, that terms of this Agreement conflict with terms of the Software License, the terms of this Agreement shall prevail over the Software License.

a. S-A grants to Buyer during the Term of this Agreement a royalty-free, non-exclusive license to use the Trademarks in connection with the promotion and sale of the Equipment as provided for herein. Buyer shall not use or incorporate the Trademarks on any other products or in or as part of a trade name, corporate name, or business name. Buyer acknowledges that considerable time and money has been expended to create the goodwill associated with the Trademarks. Buyer shall always act in a manner that would maintain the quality and goodwill associated with the Trademarks. Nothing contained herein shall give Buyer any interest or right in the Trademarks, except as is expressly granted herein.

b. Buyer further agrees that it will not in any manner represent that it has ownership of the Trademarks and that it will not register or attempt to register any Trademarks under the laws of any jurisdiction, and will not at any time do, or cause to be done, any act or thing contesting, or in any way impairing or tending to impair, any part of S-A's right, title, and interest in the Trademarks, whether or not they are registered in the jurisdictions in which Buyer is located or does business; provided, however, that Buyer may register Trademarks where expressly required by law, solely for the purpose of establishing its distributorship status. Buyer shall promptly notify S-A of any unauthorized use or infringement of S-A's Trademarks, licenses or rights thereto.

c. Buyer agrees not to obscure, alter, modify or remove from the Equipment any of the Trademarks or other product identification.

#### 12. No Rights in Trademarks

S-A grants to Buyer during the Term of this Agreement a royalty-free, non-exclusive license to use the Trademarks in connection with the promotion and sale of the Equipment as provided for herein. Buyer shall not use or incorporate the Trademarks on any other products or in or as part of a trade name, corporate name, or business name. Buyer acknowledges that considerable time and money has been expended to create the goodwill associated with the Trademarks. Buyer will always act in a manner that would maintain the quality and goodwill associated with the Trademarks. Nothing contained herein shall give Buyer any interest or right in the Trademarks, except as is expressly granted herein.

Buyer further agrees that it will not in any manner represent that it has ownership of the Trademarks and that it will not register or attempt to register any Trademarks under the laws of any jurisdiction, and will not at any time do, or cause to be done, any act or thing contesting, or in any way impairing or tending to impair, any part of S-A's right, title, and interest in the Trademarks, whether or not they are registered in the jurisdictions in which Buyer is located or does business; provided, however, that Buyer may register Trademarks where expressly required by law, solely for the purpose of establishing its distributorship status. Buyer shall promptly notify S-A of any unauthorized use or infringement of S-A's Trademarks, licenses or rights thereto.

Buyer agrees not to obscure, alter, modify or remove from the Equipment any of the Trademarks or other product identification..

### 13. Other Intellectual Property

.1 The Buyer acknowledges that as an integral part of S-A's business, S-A has developed, at a considerable investment of time and expense, Trade Secrets and Proprietary Information, and acknowledges that S-A has a legitimate business interest in protecting the Trade Secrets and Proprietary Information. Buyer acknowledges that it and its employees will be entrusted with such Trade Secrets and Proprietary Information. Pursuant therewith, the Buyer agrees to that it will treat as confidential and will not, without the prior written approval of S-A, use (other than in the performance of its duties hereunder), publish, disclose, copyright or authorize anyone else to use, publish, disclose or copyright, (a) any information that constitutes Trade Secrets either during the term hereof or subsequent thereto; or (b) any information that constitutes Proprietary Information either during the term hereof or for two (2) years after expiration or termination, with or without cause.

.2 All records, notes, files, drawings, documents, plans and like items, and all copies thereof, relating to or containing or disclosing Trade Secrets or Proprietary Information of S-A which are made or kept by the Buyer or which are disclosed to or come into the possession of the Buyer, shall be and remain the sole and exclusive property of S-A and shall be returned to S-A upon expiration or termination of this Agreement.

.3 The Buyer further agrees that it will require each of its shareholders, officers, directors and employees who act on its behalf with respect to this Agreement to be bound by the requirements of this Agreement and that, upon request of S-A, the Buyer will provide evidence of such requirement to S-A.

### 14. Injunction

The Buyer agrees that its (or anyone acting on its behalf) actual or threatened breach of the provisions of Sections 10, 11 or 12 shall constitute irreparable harm to S-A, and S-A, in addition to all other rights, shall be entitled to seek an injunction restraining the Buyer or such person therefrom. Nothing herein shall be construed as prohibiting S-A from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages from the Buyer or such person. This provision shall remain in full force and effect in the event the Buyer or such person should claim that S A violated any of the terms of this Agreement. In such event, the Buyer or such person agrees to pursue such claim against S-A independently of the covenants set forth in this section.

### 15. Proprietary Rights Indemnification

.1 Indemnification. S-A shall settle, at its sole cost, or defend and pay costs and damages finally awarded in any suit against the Buyer to the extent based upon a finding that the design, construction or use of the Equipment, including Licensed Software (either separately or in combination), furnished under this Agreement, as furnished and used in accordance with S-A instructions, infringes a patent, trademark, copyright or other intellectual property right of a third party (except infringement which is directly caused by incorporating a specific design or modification at the Buyer's request). S-A shall not indemnify the Buyer's for that portion of any final award that is based on revenue derived from use of the Equipment and that is in excess of the maximum liability of S-A provided in Section 15.5 below.

.2 Procedures. In the event of any allegation of infringement of the type described in Section 15.1 or a claim or suit based thereon (the "Allegation"), the Buyer shall promptly notify S-A of such Allegation in writing. S-A shall promptly commence efforts to settle or to defend against such Allegation and the Buyer shall reasonably cooperate with S-A at the expense of S-A in such settlement or defense.

.3 Injunction. In the event that the use of the Equipment delivered under this Agreement is enjoined or, in the discretion of S-A, is likely to be enjoined, S-A shall do one or more of the following, at S-A's option:

(a) obtain for the Buyer the right to use the infringing item at no cost to the Buyer;

(b) modify the infringing item so that it becomes noninfringing while remaining in compliance with the Specifications in all material respects;

(c) replace the item with a noninfringing item which is in compliance with the Specifications in all material respects; or

(d) if (a), (b) or (c) cannot be effected by S-A's reasonable and diligent efforts, and further subject to the Notice of Refund Option, below, refund the amount paid by the Buyer for the applicable Equipment, less depreciation calculated on a straight-line basis over a five (5) year period, provided that the payment of any such refund shall not become due until return by the Buyer of the applicable Equipment.

(e) Notice of Refund Option. In the event S-A shall elect to exercise the provisions of subsection 15.3(d), above, S-A shall give Buyer 90 days written notice of such election. Buyer shall have the option, during such 90 day period, to negotiate on its own behalf a license or other agreement with the Plaintiff so that such item is no longer infringing. In the event Buyer is successful, S-A shall under Section 15.1 above, pay on behalf of Buyer any royalties and other costs related to such settlement, including attorney's fees, up to the amount set forth in Section 15.5, below.

.4 Combinations and Modifications. Notwithstanding any other provision of this section, S-A shall have no liability for any infringement arising from (i) use of delivered items in combination with other items, unless S-A sold, made or specifically recommended them all as a combination, or the specific combination would be necessary for the use in the normal course of events in connection with the Equipment sold hereunder, or (ii) modification of items after delivery, unless S-A made or specifically recommended the modification, or the modification constitutes normal repair, replacement or implementation of S-A provided options and enhancements for the Equipment sold hereunder.

.5 Limitation. Notwithstanding any other provision of this Agreement to the contrary, this Section 15 states the entire liability of S-A and the sole and exclusive remedy of the Buyer for any alleged infringement of a third party's intellectual property right arising out of the sale or use of the Equipment supplied under this Agreement or a process practiced by such item, and S-A shall not be liable under this Section 15 in the aggregate for any amount exceeding the total price of the Equipment purchased hereunder.

## 16. Indemnification and Limitation of Liability

.1 The Buyer agrees to indemnify and hold S-A and its officers, directors and employees harmless from any loss, damage, liability and expense on account of bodily injuries or physical damage to tangible property, including the property of S-A, arising from any occurrence caused by a negligent or willful act or omission of the Buyer or any employee or agent of the Buyer (other than S-A), or of an independent contractor of the Buyer (other than S-A), which indemnity shall survive this Agreement.

.2 S-A agrees to indemnify and hold the Buyer and its officers, directors and employees harmless from any loss, damage, liability and expense on account of bodily injuries or physical damage to tangible property, including the property of the Buyer, arising from any occurrence caused by a negligent or willful act or omission of S-A, or any employee or agent of S-A or of any subcontractor or independent contractor of S-A, which indemnity shall survive this Agreement.

.3 UNDER NO CIRCUMSTANCES SHALL S-A BE RESPONSIBLE FOR INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL, PUNITIVE, OR EXEMPLARY DAMAGES ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER RELATED AGREEMENTS OR ANY ACTS OR OMISSIONS ASSOCIATED THEREWITH OR RELATING TO THE USE OF ANY EQUIPMENT, LICENSED SOFTWARE OR SERVICES FURNISHED, WHETHER SUCH CLAIM IS BASED ON BREACH OF WARRANTY, CONTRACT, TORT OR OTHER LEGAL THEORY AND REGARDLESS OF THE CAUSES OF SUCH LOSS OR DAMAGES OR WHETHER ANY OTHER REMEDY PROVIDED HEREIN FAILS, NOR SHALL S-A'S TOTAL LIABILITY EXCEED AN AMOUNT EQUAL TO THE TOTAL PURCHASE PRICE PAID BY THE BUYER TO S-A UNDER THIS AGREEMENT, MEASURED AS OF THE DATE SUCH LIABILITY OF S-A SHALL FIRST EXIST.

## 17. Force Majeure

S-A shall not be responsible for delays caused by conditions beyond the reasonable control of S-A, including without limitation such conditions as acts of God, civil insurrections, wars, sabotage, fires, floods, sun outages, atmospheric and externally caused interference, accidents, labor disputes, acts or requirements of governmental authorities or governmental laws, ordinances, rules and regulations, transportation delays, unusually severe weather, or other similar or different conditions beyond the reasonable control of S-A including, without limitation, limitations and restrictions imposed by third parties. In the event of delay due to any such condition, any performance obligation shall be adjusted equitably. Any orders in purchase orders to the Buyer which contains a penalty clause or liquidated damage clause accepted by the Buyer shall be wholly at Buyer's risk unless S-A has given prior written consent to such clause.

## 18. Notices

All notices given pursuant to this Agreement shall be in writing and either delivered in person or by telegram, telex or facsimile transmission or mailed by certified mail, return receipt requested, postage prepaid, to each party at the following address or such other address as such party may direct by similar notice to the other:

To S-A:                   Scientific-Atlanta, Inc.  
4356 Communications Drive  
Norcross, GA 30093  
ATTN: Bob Roseman  
Telephone: (770) 903 6684  
Facsimile: (770) 903 5524

To Buyer:               GCI Communication Corp.  
2550 Denali Street Suite 1000  
Anchorage AK USA 99503  
ATTN: Jimmy R Sipes  
Telephone: (907) 265-5557  
Facsimile: (907) 265-5673

Any notice given pursuant to this Agreement shall be deemed to have been given upon receipt.

## 19. Amendments and Changes

This Agreement may not be amended, modified or waived in any material respect except in a written amendment signed by authorized representatives of both parties.

## 20. Assignment and Subcontracting

.1 This Agreement will be bring upon, inure to the benefit of, and be enforceable by, the parties hereto and their respective legal representatives, successors and assigns; provided, however, that neither this Agreement nor any rights hereunder may be assigned by either party without the prior written consent of the other party, except that this Agreement may be assigned to a parent or associated corporation or to an entity that acquires all or substantially all of the capital stock, business, or assets of a party hereto and agrees in writing to assume the rights and obligations.

.2 S-A may engage one or more subcontractors to perform any or all of the obligations of S-A hereunder. Any such assignment or subcontracting shall not, unless the parties otherwise agree in writing, relieve either party hereto from any obligations hereunder.

## 21. Independent Contractor

Each party hereto is an independent contractor and shall not be deemed the agent or employee of the other party hereto. The Buyer acknowledges that the Specifications and the other matters set forth herein are the only limitations and restrictions on the source quality and performance of the Equipment hereunder.

## 22. Public Release of Information

Neither party may issue any press release or circular or otherwise disclose the existence or terms of this Agreement or the relationship contemplated hereby without the prior written approval of the other party unless required by an APUC, FCC or other governmental reporting requirement.

## 23. Miscellaneous

.1 This Agreement expresses the entire understanding of the parties

with reference to the subject matter hereof, and supersedes any prior or contemporaneous representations, understandings and agreements, whether oral or written, and no representations or agreements modifying or supplementing the terms of this Agreement shall be valid unless in writing and signed by the parties hereto.

.2 This Agreement shall be interpreted in accordance with and governed by the laws of the State of Georgia, excluding its rules or principles regarding conflicts of law.

.3 Except as set forth in Sections 10.3 and 24, the enumeration herein of the rights and remedies of the parties is not intended to be exclusive, and such rights and remedies are in addition to and not by way of limitation of any other rights or remedies that either party may have under applicable law.

.4 No act, failure or delay by either party hereto shall constitute a waiver of any of such party's rights and remedies. No single or partial waiver by either party hereto of any provision of this Agreement, or of any breach or default hereunder, or of any right or remedy which such party may have, shall operate as a waiver of any other provision, breach, default, right or remedy or of the same provision, breach, default, right or remedy on a future occasion.

.5 If any provision of this Agreement shall be prohibited or invalid under applicable law, such provision shall be invalid only to such extent, without invalidating the remainder of this Agreement.

.6 This Agreement may be executed in any number of counterparts, and by S-A and the Buyer in separate counterparts, each of which shall be an original, but all of which shall together constitute one and the same Agreement.

.7 The captions contained in this Agreement are for convenience only, are without substantive meaning and should not be construed to modify, enlarge, or restrict any provision.

#### 24. Arbitration

.1 Except as otherwise provided in the Software License, any controversy or claim between or among the parties, including but not limited to those arising out of or relating to this Agreement or any agreements or instruments relating hereto or delivered in connection herewith and any claim based on or arising from an alleged tort, shall if incapable of resolution by mutual agreement in good faith, be determined by arbitration as provided in this Section 24.

.2 The arbitration shall be conducted in accordance with the United States Arbitration Act (Title 9, U. S. Code), notwithstanding any choice of law provision in this Agreement, and under the Commercial Arbitration Rules of the American Arbitration Association ("AAA"). The arbitration shall be conducted in the City of Seattle, Washington. The arbitrator shall give effect to statutes of limitation in determining any claim. Any controversy concerning whether an issue is arbitrable shall be determined by the arbitrator. The decision of the arbitrator shall be final and binding on the parties. Judgment upon the arbitration award may be entered in any court having jurisdiction. In rendering any decision or making findings of fact the arbitrator shall apply the express intentions of the parties set forth in this Agreement and the laws of the State of Georgia, including without limitation any applicable statutes, regulations and binding judicial decisions, as such would be applied by the courts of the State of Georgia and the United States District Court for the Northern District of Georgia.

.3 In connection with any arbitration having an amount in controversy of less than \$1,000,000, such arbitration shall be conducted by a single arbitrator, chosen by the AAA. The AAA shall be guided by any applicable rules with respect to the choosing of an arbitrator for arbitrations conducted pursuant to the Commercial Arbitration Rules of the AAA, and, in addition, thereto, (i) the AAA shall attempt to appoint an arbitrator having a technical background, where available, consistent with the technical issues and procedures which are the subject matter of this Agreement and (ii) the AAA shall prefer an arbitrator who is an attorney in good standing and licensed to practice law within the State of Georgia. In connection with any arbitration where the amount in controversy is equal to or greater than \$1,000,000, the arbitration shall be conducted of a panel of three (3) or more arbitrators chosen by the AAA, giving preference to those factors identified in subsections (i) and (ii) in the foregoing sentence.

4 Notwithstanding any of the foregoing provisions, nothing contained in this Section 24 shall prohibit either party from seeking injunctive relief in any court having jurisdiction thereof and each party consents to such jurisdiction.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective authorized representatives as of the date first above written.

GCI Communication Corp:

Scientific-Atlanta, Inc.:

By: /s/ Ron Duncan

By:/s/ David A. Berger

Ron Duncan  
(Typed Name)

David A. Berger  
(Typed Name)

President  
(Title)

President-Networks Division  
(Title)

December 20, 1995  
(Date)

December 28, 1995  
(Date)

<TABLE>

Exhibit A - Prices

<CAPTION>

-----					
GCI					
C-BAND 3.6 METER ANTENNA REMOTE					
DAMA STATIONS					
ITEM	DESCRIPTION	QTY	MFR OR EQUIV.	PRICE (U.S.\$)	
-----					
<S>	<C>	<C>	<C>	<C>	
I.	EQUIPMENT				
	This quote is excluding the following items:				
	1- ISDN Interface and Equipment				
	2- Single unit LNB				
	3- Shipping				
	4- Integration				
	5- Transceiver IFL				
1.	3.6-Meter Non-Deiced Antenna (51 Sites) consisting of:				
a.	Non-motorizable mount	1	S-A		
b.	Non heated panels	1	S-A		
c.	Spars and feed boom	1	S-A		
d.	GCI Mount pipe	1	S-A		
e.	Cross-pol heated feed	1	S-A		
f.	Raven protection kit	1	S-A		
g.	Feed boom electric deice kit	1	S-A		
	3.6-Meter Non-Deiced Antenna Unit Price			\$10,561	
	3.6-Meter Non-Deiced Antenna Total Price (Qty-51)			\$538,611	
2.	Model 7890B Tranceiver subsystem (55 Sites) consisting of:				
	Note: Excludes IFL & Mounting Hardware				
a.	Model 7890 C-Band 20 watt Outdoor RF Unit (5.85-6.425 GHz)	1	S-A		
b.	Model CLNA-35-60-N Low Noise Amplifier	1	EF DATA		
c.	Model 7792B Tranceiver Indoor Unit, -48VDC	1	S-A		
d.	Block Downconverter (3.625-4.2 GHz)	1	S-A		
e.	Temperature Sensor Remote Assy. (P/N 482439)	1	S-A		
	Model 7890B Tranceiver Unit Price			\$20,572	
	Model 7890B Tranceiver Unit Price (Qty-55)			\$1,131,460	
3.	Baseband Equipment consisting of:				
a.	Model 7800 DAMA Eight channel chassis -48 VDC Multi Transponder IF Input/Output	86	S-A	\$688,000	
b.	Model 7802 Channel Unit, Voice and Data, 128kbps Fax Relay option, Switchless	550	S-A	\$2,722,500	
c.	Remote Signaling Channel Unit, Switchless	56	S-A	\$252,000	
d.	Remote Signaling Channel Unit, Switchless				

e.	System Spares	6	S-A	
	DAMA Standby Power Supply for 7800 Chassis, -48 VDC, Panel Mount	62	S-A	\$458,986
	Subtotal:			\$5,791,557
4.	Monitor & Control Subsystem consisting of:			
a.	Alarm/Status Sense inputs (28 points)	53	S-A	
b.	Outdoor Temperature Meter	53	S-A	
c.	Indoor Temperature Meter	53	S-A	
d.	Power Module Temperature Meter	53	S-A	
e.	DC Current Meter	53	S-A	
f.	DC Voltage Meter	53	S-A	
g.	(3) Temperature Probes	53	S-A	
h.	RSCU/Modern/FMT Port enhancement	53	S-A	
i.	Modem addition to 4.h	53	S-A	
	Subtotal;			\$426,650
5.	Optional 2 ft. Mount Pipe Extension	51	S-A	\$ 42,330
6.	Optional Elevation Drill Drive Adapter	3	S-A	\$ 6,905
	FOB ATLANTA PRICE:			\$6,267,442
II.	SERVICES			
1.	Freight and Insurance (Customer Responsibility)	0	Lot	
2.	Site Survey	0	Lot	
3.	Civil Works (Customer Responsibility)	0	Lot	
4.	Installation, Test & Commissioning	0	Lot	
5.	Training Programs	0	Lot	
6.	Program Management & Engineering Services	1	Lot	\$218,047
7.	Feature Group B, 1800950 Development	1	Lot	\$25,000
8.	64Kbps PCM Development	1	Lot	\$85,000
	TOTAL DAMA EXPANSION NETWORK			\$6,595,489
	9 METER ANTENNA PROJECT			
1.	Model 8009A 9.15 M Antenna	6		
	Reflector, motorized polarization, non deiced S-A Extreme Mount, galvanized and painted S-A Foundation Kit, 120 deg. S-A 4 port C-Band Linear Feed S-A Extreme Environment Radome/Raven Protection Kit S-A Motorized Single Speed actuators, 120* Azimuth S-A Travel, 208 VAC Transmit Waveguide Kit S-A Lightning Protection Kit S-A Work Platform and Ladder Kit S-A			
2.	Antenna Controls Subsystem:	6		
	Model 8861 Antenna Motor Controller S-A Model 8860-2 Adaptrack Indoor Unit S-A AZ/EI Kits, 208 VAC S-A Feed Kits 208 VAC/60 HZ Phase 3 S-A Installation Kits S-A			
	Deice Control System	5	S-A	
	Main Reflector, Feed and Sub-Reflector Electric De-Ice	5	S-A	
	Hardware Subtotal:			\$856,258
3.	Installation	6		\$236,700
	Note: i) GCI to provide test equipment ii) GCI to install the RF system prior to antenna testing			
	TOTAL 9M ANTENNA PROJECT			\$1,092,958
	TOTAL CONTRACT DAMA EXPANSION AND 9M ANTENNA PROJECTS			\$7,688,447

</TABLE>  
<TABLE>  
<CAPTION>

I.EQUIPMENT			QTY	1-Jan	1-Feb	1-Mar	1-Apr	1-May	15-May	1-Jun	15-Jun
1-Jul	1-Aug										
96	-96	-96		-96	-96	-96	-96	-96	-96	-96	-
<S>			<C>		<C>	<C>	<C>	<C>	<C>	<C>	
<C>											
14	1	3.6 Meter non-Deiced Antenna, consisting of:	51		1			18		18	
		a. Non-motorized mount									
		b. Non heated panels									
		c. Spars and feed boom									
		d. GCI mount pipe									
		e. Cross-pol heated feed									
		f. Raven protection									
		g. Feed boom electric deice kit									
	2	Model 7890B Transceiver Subsystem, consisting of:	55				19	18		18	
		a. Model 6610 C-band 20 W ORU									
		b. Model CLNA-35-60-N LNA									
		c. Model 7792B Transceiver IDU, -48 VDC									
		d. Block Downconverter									
		e. IFL and Hardware including									
		- ORU TX and RX Coaxial Cabling, 40' -									
		ORU power and Control									
		Cabling, 40' - OD Temp Sensor Cabling,									
		25' - ORU/LNA/LNB/Feed Cabling - Mounting									
		Hardware									
	3	Baseband Equipment, consisting of:									
		a. Model 7800 DAMA Eight channel chassis, -48 VDC	86		8	8	19	18	17	16	
		Multi Transponder IF Input/Output									
100		b. Model 7802 Channel Unit, Voice and Data, 128	550		30	30	140	150		100	
		kb/s,Fax Relay option, Switchless									
		c. Remote Signaling Channel Unit, Switchless	62		4	4	20	18		16	
		d. DAMA Standby Power Supply for 7800 chassis,	62		4	3	19	18		18	
		-48 VDC, Panel Mount									

I. EQUIPMENT			QTY	1-Jan	1-Feb	1-Mar	1-Apr	1-May	15-May	1-Jun	15-Jun
1-Jul	1-Aug										
96	-96	-96		-96	-96	-96	-96	-96	-96	-96	-
<S>			<C>		<C>	<C>	<C>	<C>	<C>	<C>	
<C>											
	4	Monitor & Control Subsystem consisting of:	53				19	18		16	
		a. Alarm/Status Sense Inputs (28 points)									
		b. Outdoor Temperature Meter									
		c. Indoor Temperature Meter									
		d. Power Module Temperature Meter									
		e. DC Current Meter									
		f. DC Voltage									
		g. (3) Temperature Probes									
	5	Feature Group-B Software/Hardware							lot		
	6	1-800-950-XXXX Software/Hardware							lot		
	7	9.15 Meter Antenna	6								
		a. Reflector, motorized polarization, non-deiced							2	2	2
		b. Extreme Mount, 120 azimuth, galvanized and							2	2	2
		painted									
		c. Foundation Kit, 120							2	2	2
		d. 4 port C-band Linear Feed							2	2	2
		e. Motorized Single Speed Actuators							2	2	2
		120 Azimuth travel, 208 VAC, 60 Hz									
		f. Model 8861 Antenna Motor Controller							2	2	2
		g. Model 8860-2 Adaptrack Indoor Unit, -48 VDC			2	2	2				
		primary input power									
		h. Antenna Control Cable and Installation Kits							2	2	2
		i. Lightning Protection Kit							2	2	2
		j. Work Platform and Ladder Kit							2	2	2
		k. Transmit Waveguide Interface Kit							2	2	2
		l. Feed Deice							2	2	2
		m. Extreme Environment Radome/Raven Protection Kit							2	2	2

</TABLE>

Exhibit C - Software License

SOFTWARE LICENSE AGREEMENT

SCIENTIFIC-ATLANTA

END USER SOFTWARE LICENSE AGREEMENT FOR USE  
WITH DESIGNATED EQUIPMENT

Customer: GCI Communication Corporation  
Address: 2550 Denali St, Anchorage. AK. 99503-2781

Scientific-Atlanta, Inc. ("S-A") by its acceptance agrees to grant to Customer, and Customer accepts on the following terms and conditions a license to the identified Licensed Software for use only with the Designated Equipment set out below.

This Agreement covers all Software provided by S-A to GCI for the purpose of operating the S-A DAMA Network equipment, purchased by GCI from S-A pursuant the Equipment Purchase Agreement of even date.

1. LICENSE GRANT

- 1.1 "Licensed Software" means a computer program, including any modifications, updates or additions which may be supplied by S-A to Customer, in object code or executable form in any medium, such as magnetic tape, disks, or optical media; and related materials such as flow charts, logic diagrams, manuals, and other documentation which are provided to Customer by S-A with or for use in Designated Equipment. Licensed Software may reside within Designated Equipment at the time of delivery to Customer in which case identification of such equipment shall also constitute identification of the corresponding software; or it may be provided separately for installation on Designated Equipment.
- 1.2 Subject to these terms and conditions, S-A grants to Customer, subject to the limitations herein, a personal, nonexclusive, nontransferable license to use Licensed Software in and for the Designated Equipment and not otherwise. This license may be assigned to any bona fide successor in interest to Designated Equipment who first agrees in writing to be bound by the terms of this Agreement. Should the Licensed Software include a unique implementation of a security algorithm, Customer shall have the exclusive right to use such unique Customer security algorithm implementation in and for use with the Designated Equipment and not otherwise.
- 1.3 Customer may make one (1) copy of Licensed Software (but not including read-only memories or similar devices) for archival purposes only and shall reproduce and attach all copyright and proprietary notices. Customer shall not otherwise copy or allow to be copied Licensed Software except to install Licensed Software on the Designated Equipment. Customer agrees that S-A shall have the right to have an independent accounting firm conduct an audit at Customer's premises during normal business hours to verify the number of copies of Licensed Software in use by Customer.
- 1.4 Customer shall not make any modifications to Licensed Software or remove any proprietary notices of S-A or third parties found in or on the Licensed Software. Customer agrees not to reverse engineer, decompile, or reverse assemble Licensed Software except to the extent that such prohibition may be unenforceable under applicable law.
- 1.5 Licensed Software is and shall remain the exclusive property of S-A. No license other than that specifically stated herein is granted to Customer, and Customer shall have no right to sublicense Licensed Software nor any right under any patent, trademark, copyright, trade secret or other intellectual property of S-A other than that granted by this Agreement.

2. PROTECTION AND SECURITY

- 2.1 Customer agrees not to disclose, release, or make available in any form any portion of Licensed Software to any person other than Customer's own employees or contractors. Customer represents that its employees and contractors having access to Licensed Software are or shall be party to written agreements acknowledging a duty to protect Customer's confidential materials, including the Licensed Software.
- 2.2 Customer shall keep Licensed Software (including archival copies, if any), in a secure environment and shall take all steps reasonably necessary to protect Licensed Software or any part thereof from unauthorized disclosure or release. Customer may not export or reexport the Licensed Software in any form except in compliance with all

applicable laws and regulations.

- 2.3 Customer expressly agrees that a breach of this Agreement will cause irreparable harm to S-A and that S-A shall have the right to obtain injunctive relief against any unauthorized use, disclosure, copying or transfer of any part of Licensed Software. Licensed Software may contain software from third parties who are intended to be third party beneficiaries of this Agreement.

### 3. WARRANTY AND LIABILITY

- 3.1 S-A warrants that Licensed Software, as provided, shall conform to the Specifications as that term is defined in the Equipment Purchase Agreement of even date or if not covered by such Specification, the published specification of S-A. During the first one (1) year after the date of delivery of Licensed Software, S-A shall use reasonable commercial efforts to correct errors detected in Licensed Software after receiving notification of such errors from Customer. This paragraph sets forth the entire obligation of S-A with respect to Licensed Software and in no event shall S-A be liable to Customer for loss of profit, indirect, special, or consequential damages arising out of its provision of the Licensed Software to Customer under tort, contract, or any other legal theory. In no event shall S-A be liable to Customer for any damages, however based, in excess of ten thousand United States dollars (US\$10,000.00).

S-A MAKES NO OTHER WARRANTIES, WHETHER EXPRESS OR IMPLIED WITH RESPECT TO ANY PRODUCTS OR SERVICES PROVIDED UNDER THIS AGREEMENT INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OTHER THAN COMPLIANCE WITH THE SPECIFICATIONS S-A DOES NOT WARRANT THAT THE FUNCTIONS CONTAINED IN Licensed Software WILL MEET THE CUSTOMER'S REQUIREMENTS, OR THAT THE OPERATION OF Licensed Software WILL BE UNINTERRUPTED OR ERROR-FREE. S-A MAKES NO WARRANTY OF NONINFRINGEMENT, EXPRESS OR IMPLIED. ANY THIRD PARTY SOFTWARE SUPPLIED WITH OR INCORPORATED IN Licensed Software IS PROVIDED "AS-IS" WITHOUT WARRANTIES OF ANY KIND. IF ANY ADDITIONAL WARRANTIES ARE SUPPLIED BY A THIRD PARTY, SUCH WARRANTIES WILL BE OFFERED DIRECTLY BY SUCH THIRD PARTY TO Customer.

- 3.3 Customer acknowledges its responsibility to use all reasonable methods to prove out and thoroughly test the operation of and output from Licensed Software prior to its use in Customer's operations.
- 3.4 Unless otherwise provided in a separate writing, and subject only to the warranty of this Section, S-A is under no obligation to provide Customer with any modifications, updates, additions or revisions to Licensed Software, nor to maintain Licensed Software in any manner.
- 3.5 In the event that any modifications are made to Licensed Software, any and all warranty and other obligations of S-A shall immediately cease with respect to such software.

### 4. INDEMNIFICATION

- 4.1 S-A shall provide defense and indemnification to the Customer under terms set forth in Section 15 of the Equipment Purchase Agreement of even date herewith.

### 5. TERM AND TERMINATION

This Agreement shall continue indefinitely unless terminated by one of the parties. This Agreement may be terminated by Customer upon thirty (30) days' notice to S-A and by S-A upon breach of any term of this Agreement, which breach is not cured within thirty (30) days after notice by S-A, or should Customer be adjudged a bankrupt or become a party to a similar proceeding for the benefit of its creditors. Immediately after such termination, Customer will deliver to S-A Licensed Software and any and all copies and modifications thereof (except copies which reside within the Designated Equipment and which shall be erased) and will, if requested, provide S-A with its written certification that it has retained no copies.

### 6. TAXES

Except for taxes based on S-A's income, S-A shall not be responsible for any federal, state or local taxes based upon Customer's purchase, possession or use of Licensed Software or upon any charges payable or services performed hereunder.

### 7. APPLICABLE LAW, INTEGRATION AND MODIFICATION

- 7.1 This Agreement shall be construed and enforced in accordance with the laws of the State of Georgia, United States of America, not including any conflicts of laws provisions thereof. The UN Convention on Contracts for the Sale of Goods shall not apply.

- 7.2 This Agreement comprises the full and final understanding between S-A

and Customer, and merges and supersedes any and all other agreements, understandings or representations, written or oral, with respect to the subject matter hereof. It may not be modified except by a writing signed by authorized representatives of both S-A and Customer, and referring specifically to this Agreement.

7.3 Any attempt by Customer to assign this Agreement shall be void unless the assignment is incidental to the sale of the Designated Equipment.

7.4 Waiver by any party of the breach of a provision of this Agreement by the other party shall not be construed as a continuing waiver of such provision or waiver of any other breach of any other provision of this Agreement.

AGREED:	ACCEPTED AND APPROVED:
CUSTOMER	SCIENTIFIC-ATLANTA, INC.
/s/Ron Duncan	/s/Gregory Taylor
By	By
Ron Duncan	Greg Taylor
Printed Name	Printed Name
President	VP Operations,
Title	Systems Integ
	Title
December 20, 1995	December 28, 1995
Date	Date

Exhibit D - Feature Group B/ 1 800 950 XXX Specification

S-A DAMA Features for FGB  
and 800 950 1077  
Dec. 12, 1995, Rev. 4

FGB (Feature Group B)

FGB is a trunk class offered by a Local Exchange Carrier (LEC) to an Inter Exchange Carrier (IXC) before the advent of FGD equal access trunking was available. In such a non equal access LEC office FGC signaling also exists but historically is only grandfathered to AT&T as they were the original and only IXC. (There have been exceptions in Alaska where GCI has received FGC from a LEC for payphone access and 800 number lookup). FGB can coexist with FGD when that service is available. There are two types of FGB signaling; one with ANI and one without. FGB with ANI is a NECA offering without any additional charges over and above FGB without ANI. The following will be a description of how it functions and what S-A will have to incorporate into the DAMA product to provide this FGB requirement for GCI. Drawings are also included showing the signaling protocol exchanges for both types.

S-A shall design the DAMA product for the following two FGB trunking signaling protocol. GCI's FGB Carrier Identification Code (CIC) is 1077. FGB access NXX is 950 so the access number is 950 1077. There will be a new file to be downloaded to the CUs called the "Parameter File". The CIC will be placed in the new downloadable file. Format of the new file is TBD. FGB with ANI and FGB without ANI will be selectable from the same field in the parameter screen where FGC, FGD, IMT, and PBX are currently selected. The new entries will be FGBANI and FGBNOANI. FGB with ANI and FGB without ANI and IMT protocols will reside within the same state machine FGB###.BIN The first described is FGB with ANI.

FGB with ANI

Customer phone number is 907 265 5650  
Customer dials GCI FGB Access number 950 1077  
Customer wants to call 1+213+554+1212

LEC DAMA  
Seize -----

-----Wink

KP+950+1077+ST -----

-----Off hook seizure  
ANI Request

KP+0+265+5650+ST -----

-----400 Hz Dial tone

-----  
Customer then enters the called number as 1+213+554+1212 from their DTMF

phone. (No MF tones or rotary phones)

The customer with local LEC line will dial 950 1077. The LEC, at the LEC GCI FGB trunk, will then send an off hook seizure to the DAMA channel unit. The DAMA channel unit will then send an approximate 200 ms off hook wink to the LEC when the DAMA is ready to receive digits in MF. The LEC will spill KP9501077ST important digression -- In most all cases the LEC when asked will suppress all digits of the called number and just spill KP ST. This shortens post dial delay. The DAMA must be able to just recognize KP ST for this trunk type). The DAMA then returns an off hook seizure to the LEC. The LEC recognizes this as the request for ANI and then sends the ANI as KP 0 2655650 ST. This ends the LEC trunking signalling protocol, (with the exception of ultimate on hook disconnect). The DAMA then shall return a single frequency 400 Hz dial tone. (If it hasn't been observed already this signalling protocol is identical to FGC originating previously designed for DAMA). The similarity ends however at this point where the DAMA returns dial tone. The originator of the call who first dialed 950 1077 to access GCI DAMA (who will continue the signalling addressing) must now at the DAMA dial tone enter the 1+10 digit called number. This 10 digit destination number must replace the previous called number 9501077, if spilled, with the new 10 digit called number for the purpose of call routing and completion. The ANI will be used for billing. The DAMA channel unit must have the filed 907 NPA for purpose of completing the ANI with the prefacing of the 907 to the seven digit ANI spill. Presently the DAMA NMS has ANI validation to the extent that if an ANI is to be turned off for non payment it is entered into the system to be blocked. If an ANI is to route normal it is not entered. S-A shall provide the capability to reverse this based on a CU basis so that an ANI must be entered to be allowed to route and that if no ANI is present in the NMS database then it will block the call and go to recording.

Next will be described the second scenario of FGB without ANI.

FGB without ANI

Customer phone number is 907 265 5650 Customer dials GCI FGB Access number 950 1077 Customer wants to call 1+213+554+1212 Customer has GCI authorization code number 123456

LEC DAMA  
Seize -----  
-----Wink  
KP+950+1077+ST-----  
-----Off hook seizure  
400 Hz Dial tone

-----  
Customer then enters a 6 digit authorization code and the called number as 123456 +1+213+554+1212 from their DTMF phone. (No MF tones or rotary phones)

The customer with local LEC line will dial 950 1077. The LEC, at the LEC GCI FGB trunk, will then send an off hook seizure to the DAMA channel unit. The DAMA channel unit will then send an approximate 200 ms off hook wink to the LEC when the DAMA is ready to receive digits in MF. The LEC will spill KP9501077ST Important digression -- In most all cases the LEC when asked will suppress all digits of the called number and just spill KP ST. This shortens post dial delay. The DAMA must be able to just recognize KP ST for this trunk type). The DAMA then returns an off hook seizure to the LEC along with single frequency 400 Hz. dial tone. This ends the LEC trunking signalling protocol, (with the exception of ultimate on hook disconnect). The user, in continuing the addressing signalling, must enter at the tone a 6 digit authorization code and then the 1 + 10 digit called number from their DTMF phone. The authorization code will replace the ANI for billing purposes only but will not replace the ANI for any other purpose such as FGD repeat. Where FGB does not provide an actual ANI the NS will use the telephone number entered in the routing table of the originating CU as the ANI for FGC and FGD repeat. This scheme is the same as what FGC and FGD do for an IMT originating call which has no ANI. If no telephone number is used an ANI of KP+ST will be output by the FGC or FGD repeat terminating trunk. This 6 digit authcode (Called the Hometown authcode feature by GCI Mktg when going to non equal access areas) must be validated in the NMS in a database of 6 digit authcodes stored. S-A shall provide memory for up to 20 thousand 6 digit authorization codes.

Bellcore standards documents are available for FGB signalling and function.

Compatibility Information for Feature Group B Switched Access Service - TR-NPL-000175 Issue 1, July 1985 \$16.50.

Feature Group B FSD 20-24-0300 -- TR-TSY-000698 Issue 1, June 1989 \$30.00; Rev 1, July 1990

\$N/A.

This feature can be best described as 800 950 1077 "peel out". S-A shall provide the following set of feature requirements. In the case where an originating DAMA FGC or FGD channel unit receives the GCI 800 950 1077 number, regardless of whether the channel unit trunk group is an 800 query or route as is one, the DAMA NMS or channel unit will recognize this number and "peel it out" and keep it temporarily within the originating channel unit for the following additional call processing. All LEC trunking signalling to DAMA channel unit has already taken place once the 800 950 1077 and ANI have been received. Once the 800 950 1077 number is received and recognized S-A shall design the DAMA product so that the channel unit will return a single frequency 400Hz. dial tone. Then the user, from a DTMF phone, will dial a 0+10 digit destination number. Then the DAMA channel unit will return a "Bong tone" to the user followed by a recording that says "Enter your GCI calling card number now". Then the customer, from their DTMF phone, will enter a 14 digit GCI Big Dipper calling card number. The 14 digit GCI Big Dipper calling card number will replace the ANI sent to the NS for billing purposes. Then the return link will send all this information to the NMS. The NMS will validate the 14 digit number. If validated then the call will route and terminate to a destination channel unit based on the 0+10 digit called number. At the same time a recording to the originator will say "Thank you for using GCI". S-A shall provide memory for up to 100,000 14 digit calling card numbers. In the event where the customer originated the call from a rotary phone S-A shall provide for the following. At the point where the DAMA channel unit has returned the single frequency 400 Hz. dial tone and the customer cannot enter the DTMF 0+10 number as they are at a rotary phone there needs to be incorporated a default timer value where the call can be routed to the operator trunking should no DTMF digits be received before the expiration of the timer. This timer needs to be programmable within the range of 1 second to 15 seconds. If no DTMF digits are received within the programmed default range then the call will be routed as a 0- FGD repeat call to the terminating channel unit designated for 0- operator calls. That is the FGD repeat trunk group will repeat the originating ANI and insert 0- as the called number. This will allow an operator to handle the call verbally.

EQUIPMENT PURCHASE

AGREEMENT

between

GCI Communication Corporation

and

Scientific-Atlanta, Inc.

EQUIPMENT PURCHASE AGREEMENT

TABLE OF CONTENTS

SECTION 1	DEFINITIONS
SECTION 2	SCOPE OF THE AGREEMENT
SECTION 3	PRICE AND PAYMENT
SECTION 4	DELIVERY SCHEDULE
SECTION 5	TITLE AND RISK OF LOSS
SECTION 6	INTERNATIONAL SALES
SECTION 7	REPRESENTATIONS
SECTION 8	INSPECTION, TEST AND ACCEPTANCE
SECTION 9	WARRANTY
SECTION 10	TERM AND TERMINATION
SECTION 11	LICENSED SOFTWARE
SECTION 12	NO RIGHTS IN TRADEMARKS
SECTION 13	OTHER INTELLECTUAL PROPERTY
SECTION 14	INJUNCTION
SECTION 15	PROPRIETARY RIGHTS INDEMNIFICATION
SECTION 16	INDEMNIFICATION AND LIMITATION OF LIABILITY
SECTION 17	FORCE MAJEURE
SECTION 18	NOTICES
SECTION 19	AMENDMENTS AND CHANGES
SECTION 20	ASSIGNMENT AND SUBCONTRACTING
SECTION 21	INDEPENDENT CONTRACTOR
SECTION 22	PUBLIC RELEASE OF INFORMATION
SECTION 23	MISCELLANEOUS
SECTION 24	ARBITRATION

EXHIBITS

EXHIBIT A	PRICES
EXHIBIT B	SCHEDULE
EXHIBIT C	SOFTWARE LICENSE
EXHIBIT D	FEATURE GROUP B/1 800 950 XXX SPECIFICATION

EQUIPMENT PURCHASE AGREEMENT

This Equipment Purchase Agreement (the "Agreement"), effective as of the 20th day of December, 1995 (the "Agreement Date"), is entered into by and between GCI Communication Corporation, a corporation organized and existing under the laws of Alaska (hereinafter referred to as "GCI" or "Buyer"), and Scientific-Atlanta, Inc., a corporation organized and existing under the laws of the State of Georgia (hereinafter referred to as "S-A").

WITNESSETH:

WHEREAS, S-A is engaged in the design and manufacture of satellite communication equipment and the related software which resides therein; and

WHEREAS, Buyer is a financially responsible and independent business organization engaged in the sale, installation and service of products similar to those manufactured by S-A, and desires to purchase from S-A the satellite communication equipment and license from S-A the related software which resides therein; and

WHEREAS, S-A is willing to sell such equipment and deliver such software to Buyer under the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants set forth in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the

parties hereto agree as follows:

## 1. Definitions

"Acceptance" is defined as the satisfactory resolution of all hardware and software Specification deficiencies by S-A as identified by GCI. GCI shall notify S-A of any deficiencies within thirty (30) days of receipt of the last contract deliverable. Satisfaction of the list of deficiencies will be the sole determinant of final payment. Notwithstanding any other remedies for latent defects, this list maybe amended by mutual agreement of both parties.

"Agreement Date" is used as defined in the preamble.

"Equipment" means the items set forth on Exhibit A hereto, but expressly excluding the Licensed software.

"Extreme Environment Mount" is defined as Model No. 8009AE. This mount constitutes S-A's standard 11 Meter Mount and Actuators when used in conjunction with S-A's standard 9.15 Meter Reflector.

"Licensed Software" is used herein as defined in the Software License.

"Remote Terminals" shall mean, collectively and as a combined operation, the Equipment purchased by the Buyer and the Licensed software used thereon, functioning as a DAMA satellite communications terminal.

"Proprietary Documentation" means any user manuals, training materials, installation, repair or maintenance manuals, drawings, schematics or any related documents provided by S-A to the Buyer.

"Prices" means the prices applicable to the Equipment set forth in Exhibit A as adjusted from time to time in accordance with this Agreement.

"Proprietary Information" shall mean any and all information, whether or not in tangible form, of a confidential, proprietary or secret nature belonging to, or licensed by S-A which is material to S-A and not generally known by the public, other than Trade Secrets.

"Software License" means a Software License substantially in the form of Exhibit C hereto.

"Specifications" shall mean the specifications as defined in the "GCI ALASKA RURAL DEMONSTRATION PROJECT EQUIPMENT SUPPLY AND SERVICES AGREEMENT ", dated June 21, 1994.

"Term" is used as defined in Section 10.1.

"Trademarks" shall mean the trademarks, trade names and logotypes used by S-A to identify or in connection with the Equipment from time to time, including without limitation, "Scientific-Atlanta" and "SkyRelay (TM)".

"Trade Secrets" shall mean any and all information, whether or not in tangible form, belonging to S-A or licensed by it including, but not limited to, technical or non-technical data, formulae, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, marketing plans, and lists of actual or potential customers or suppliers which derive economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from their disclosure or use and are the subjects of efforts that are reasonable under the circumstances to maintain their secrecy. Specifically included in the definition of Trade Secrets, but not by way of limitation, are (a) marketing information obtained or derived during the term hereof on existing and anticipated markets of S-A; (b) pricing, product costs, product cost structures (ie.,, breakdown of cost among materials, labor and overhead), and bills of materials for current or anticipated product; (c) information on S-A's program strategies, product features and performance for products under design or anticipated for design; and (d) specific limitations and actual or perceived deficiencies in existing or planned products and technologies of S-A

"DAMA" shall mean "demand assigned multiple access."

## 2. Scope of the Agreement

The equipment specified in Exhibit A will be delivered in accordance with Section 4 "Delivery Schedule". During the first thirty (30) days of the Term, the Buyer may adjust the equipment quantities down by not more than ten percent (10%). During the Term, the Buyer may order additional Equipment by submitting a purchase order to S-A requesting delivery not sooner than ninety 90 days nor

longer than one hundred eighty (180) days from the date thereof or as mutually agreed to by S-A and GCI. S-A will sell and deliver such Equipment on or before the requested delivery date. S-A shall convey the Equipment free and clear of all liens, claims and encumbrances.

Any terms, conditions or provisions in any purchase order received from the Buyer inconsistent with this Agreement shall be deemed null and void unless an authorized representative of S-A signs a document that contains such different or additional provisions and conspicuously states an intention to amend the terms and conditions of this Agreement.

Any Licensed Software residing in Equipment delivered to Buyer is subject to the Software License as set forth in Section 11. S-A shall place into escrow all source code for all software and firmware supplied to GCI as part of the DAMA network; to include all future revisions. All initial escrow costs and maintenance costs will be the responsibility of GCI.

The performance of each of S-A and the Buyer under this Agreement shall comply with all applicable federal, state and local laws, regulations and ordinances.

Buyer agrees that it shall not purchase any equipment which, in the opinion of S-A, are competitive with the Equipment during the term of this Agreement unless prior written consent of the S-A is first obtained.

The equipment described in Exhibit A comprises two projects, a DAMA network expansion and the purchase and installation of six, 9.15M antennas. Termination of one project will not automatically imply termination of the other.

### 3. Price and Payment

The prices for the Equipment and Services are listed in Exhibit A. The total price for all Equipment and Services is: \$7,688,447 (Contract Price), increased or decreased by any amendment or change order made in accordance with the Terms of this contract.

.1 The price shall be paid in United States Dollar currency in accordance Section 3.2 below:

.2 Payment milestones are mutually agreed to be as follows:

Upon Contract Signature	\$1,013,603
Each subsequent calendar month for six months (due upon the day of the month this agreement is signed)	\$984,813
At successful completion of 9.15M install and testing.	\$106,417
Final payment upon Acceptance	\$659,549*

\* - When S-A meets each of the seven equipment delivery milestones, for the months of February through July, 1996 for (equipment excluding the 9.15M antenna systems), as set forth in Exhibit B, Buyer agrees to pay an incentive of \$47,111 for each monthly milestone met. This amount would be added to the subsequent mid month payment. Each time such payment is made the final payment of \$659,549 shown above would be reduced by the corresponding amount. If; at the time of delivery compliance with a milestone, the previous months' delivery has still not been met, the incentive payment will not be applicable.

.3 Any amounts not paid when due shall bear interest at the rate of 1-1/2% per month from the date such payment was due until the date payment is received.

.4 The Prices include all costs for the performance by S-A of its responsibilities in accordance with the provisions of this Agreement but do not include any amounts for duties, customs, shipping, federal, state or local taxes imposed on the sale or use of such items or on the basis of the amounts paid or the value of the items or services delivered or located at the installation sites or on the basis of gross receipts (collectively, the "Shipping Charges and Taxes"). The Buyer shall reimburse S-A for any of the Shipping Charges and Taxes that S-A is required to pay. The Buyer shall not be responsible for taxes on S-A's income or gross receipts from its overall business activities.

.5 The Statement of Work (SOW) for the installation of the 9.15 Meter antenna installation at GCI's sites located at Barrow, Bethel, Dillingham, King Salmon, Kotzebue, and Nome, Alaska is outlined below.

GCI will be responsible for providing the following:

- Design and installation of the foundations.
- Staging of antenna at the build site.
- Provide forklift and crane as necessary.
- Provide power to the outdoor antenna controller.
- Provide a shelter and power for the indoor controller.

Provide test equipment for performing Antenna Tests  
Install the RF.

S-A will be responsible for providing the following:

Provide 2 installation teams,  
Will install the antennas and mounts.  
Provide a list of required test equipment.  
Perform antenna patterns to demonstrate that the antenna patterns meet Code of Federal Regulations 47, Part 25 ss. 25.209, dated, October 1995.

Installation Sites and Schedule:- The installation window for a given site may be changed by mutual agreement

	Site	Earliest Start Date	Latest Start Date
1	Barrow	June 12th, 1996	July 3rd, 1996
2	Bethel	June 24th, 1996	July 24th, 1996
3	Dillingham	July 3rd, 1996	August 14th, 1996
4	King Salmon	June 12th, 1996	July 3rd, 1996
5	Kotzebue	June 24th, 1996	July 24th, 1996
6	Nome	July 3rd, 1996	August 14th, 1996

#### 4. Delivery Schedule

The Buyer and S-A mutually agree to delivery schedule milestones for equipment. The delivery schedule is attached to this Agreement as Exhibit B.

Feature Group B/1800950 software specification are as defined in Exhibit D.

#### 5. Title and Risk of Loss

Title and risk of loss to all Equipment sold by S-A shall pass to the Buyer upon delivery by S-A to a common carrier for shipment to the Buyer.

#### 6. International Sales

In no event shall the Buyer export any Equipment without the prior written consent of S-A. If Buyer exports any Equipment outside the United States, or such Equipment is re-exported from a foreign destination, the Buyer shall insure that the distribution and export/re-export of the Equipment is in compliance with all laws, regulations, orders, or other restrictions of the U.S. Export Administration regulations. Neither the Buyer, nor any of its subsidiaries, will export or re-export any technical data, process, product, or service, directly or indirectly, to any country for which the United States government or any agency thereof requires an export license or other governmental approval without first obtaining such license or approval.

#### 7. Representations

.1 The Buyer represents and warrants to S-A that (a) all information, technical drawings, blueprints summaries and data of every kind provided by the Buyer and its agents to S-A is in all material respects accurate and correct as of the Agreement Date, and (b) no information is known to the Buyer which, if disclosed to S-A, would have a material impact on the technical requirements of and Specifications relating to the Equipment and the Licensed Software.

.2 The Buyer covenants and agrees to cooperate with S-A by (i) providing S-A access to the Buyer's premises, (ii) making Buyer's technical personnel available to S-A on a timely basis, (iii) providing additional information to S-A from time to time at S-A's request, and (iv) taking such further actions as S-A may reasonably request in connection with the efforts of S-A to fulfill its obligations under this Agreement.

.3 The Buyer acknowledges and agrees that in order to preserve S-A's image for high quality Equipment and thereby enhance its own sales, and in consideration for S-A's making available to the Buyer the Equipment at favorable prices, the Buyer agrees that it shall not engage in any activities or sell or offer for sale any product which in S-A's reasonable opinion would be competitive with the Equipment without S-A's former written approval.

#### 8. Inspection, Test and Acceptance

.1 S-A shall test and inspect the Equipment during production in accordance with S-A's standard procedures.

.2 GCI shall notify S-A of any Specification deficiencies within thirty

(30) days of receipt of the last deliverable milestone as defined in Exhibit B. Satisfactory resolution of the list of hardware and software deficiencies will be the sole determinant of final payment. S-A shall investigate such claims within fifteen (15) days of S-A's receipt of the Buyer's written explanation and remedy any failure of such Equipment to comply with the Specifications within thirty (30) days of the completion of S-A's investigation. If the Buyer does not, within ten (10) days of the expiration of the foregoing thirty (30) day period, indicate in writing that it believes the Equipment does not comply with the Specifications, the Buyer shall be deemed to have Accepted the applicable Equipment. Any dispute between the parties shall be resolved either by (i) mutual agreement or (ii) in accordance with the arbitration procedures set forth in this Agreement.

## 9. Warranty

.1 Notwithstanding the Acceptance terms stated above, S-A warrants that the Equipment will comply with the Specifications, and will be free from defects in materials and workmanship for a period of one (1) year after date of Acceptance (the "Warranty Period").

.2 Except as provided in the Software License, S-A extends no representations or warranties with respect to the Licensed Software.

.3 With respect to the Equipment, during the Warranty Period, S-A will, following written notice of any breach of warranty from the Buyer, at S-A's option, either (i) repair or replace any nonconforming Equipment at Buyer's site or at the site where the Equipment is otherwise located or (ii) request the Buyer to ship any nonconforming Equipment to S-A, and S-A will either repair or replace and return to the Buyer such nonconforming Equipment. Title to nonconforming Equipment being shipped to S-A shall pass to S-A when delivered to the shipping carrier, and title to the repaired or replacement Equipment shall pass to the Buyer when delivered by S-A to the shipping carrier for return to the Buyer. If any Equipment is shipped to S-A or S-A dispatches its personnel to a Buyer's site and the applicable Equipment is determined either to comply with the Specifications or to have been damaged or misused other than through the fault of S-A, the Buyer shall pay S-A's normal charges in connection therewith.

.4 S-A MAKES NO WARRANTIES OTHER THAN THE EXPRESS WARRANTIES IN THIS SECTION AND IN THE SOFTWARE LICENSE AND NONE SHALL BE IMPLIED. THERE IS NO WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR NONINFRINGEMENT PROVIDED HEREUNDER. THE ENTIRE OBLIGATION OF S-A FOR EQUIPMENT OR LICENSED SOFTWARE MALFUNCTIONS OR DEFECTIVE INSTALLATIONS AFTER ACCEPTANCE IS AS EXPRESSLY STATED IN THIS SECTION OR IN THE SOFTWARE LICENSE.

## 10. Terms and Termination

.1 The "Term" of this Agreement shall commence on the Agreement Date, and, unless sooner terminated pursuant to Sections 10.2 or 10.3 below, shall end upon completion of obligations of the parties.

.2 The non-defaulting party may terminate this Agreement immediately upon written notice of the occurrence of any of the following events:

a. Either party shall default in any of its material obligations hereunder and fail to cure the default within fifteen (15) days, or as mutually agreed to by both parties, after the non defaulting party has given written notice of such default, such termination to be effective as of the day of such notice. Written notice of cure shall be delivered to non-defaulting party within fifteen (15) days of notice of default: or

b. Either party shall become insolvent or shall seek protection in bankruptcy or the appointment of a receiver or a petition in bankruptcy or seeking the appointment of a receiver shall be filed against such party and such petition shall not be dismissed within thirty (30) days of its filing, such termination shall be effective as of the date of such notice.

.3 The Buyer shall further have the right to terminate this Agreement for convenience, through March 1, 1996. The parties agree that S-A has no means to determine actual cost impact and therefore the parties agree that the costs associated with this termination for convenience shall be liquidated as follows:

December 1st, 1995	10%
January 1st, 1996	20%
February 1st, 1996	30%
March 1st, 1996	40%

where % is defined as the percentage of the price of the canceled portion of the agreement.

The liquidated termination costs shall be due S-A within 30 days of date of notice of termination by the Buyer.

In the event of Termination of the agreement and payment of the appropriate liquidation costs detailed above, GCI would subsequently have the right to repurchase some or all of the canceled equipment. A percentage of the liquidated costs previously paid by GCI as a result of termination would be credited to GCI as follows:

If reordered by:

March 31st, 1996	50%
April 1st - May 31st, 1996	35%
June 1st - July 31st, 1996	30%
August 1st- Sept. 30th, 1996	25%
Oct. 1st - Dec. 31st, 1996	20%

Said credit will be applied to the repurchased products on a prorated basis.

.4 Except as set forth in subsection 10.3, immediately above, the termination or expiration of this Agreement by either party shall not affect the rights and obligations of the parties that have vested prior to the effective date of such termination with respect to orders accepted by S-A. Final settlement for such orders shall be on the same basis as though the Agreement were continuing, and any obligations of one party to the other with respect to such orders shall remain in full force and effect until fully paid or discharged. In addition to the foregoing, the provisions of Sections 6, 7, 9, 10, 11, 12, 13, 14, 15, 21, 22 and 23 shall survive the termination of this Agreement.

#### 11. Licensed Software

All copies of the Licensed Software residing in the Equipment purchased by the Buyer under this Agreement shall remain the property of S-A and Buyer shall be required to execute the Software License, the terms and conditions of which are incorporated herein by reference and made a part hereof. In the event, however, that terms of this Agreement conflict with terms of the Software License, the terms of this Agreement shall prevail over the Software License.

a. S-A grants to Buyer during the Term of this Agreement a royalty-free, non-exclusive license to use the Trademarks in connection with the promotion and sale of the Equipment as provided for herein. Buyer shall not use or incorporate the Trademarks on any other products or in or as part of a trade name, corporate name, or business name. Buyer acknowledges that considerable time and money has been expended to create the goodwill associated with the Trademarks. Buyer shall always act in a manner that would maintain the quality and goodwill associated with the Trademarks. Nothing contained herein shall give Buyer any interest or right in the Trademarks, except as is expressly granted herein.

b. Buyer further agrees that it will not in any manner represent that it has ownership of the Trademarks and that it will not register or attempt to register any Trademarks under the laws of any jurisdiction, and will not at any time do, or cause to be done, any act or thing contesting, or in any way impairing or tending to impair, any part of S-A's right, title, and interest in the Trademarks, whether or not they are registered in the jurisdictions in which Buyer is located or does business; provided, however, that Buyer may register Trademarks where expressly required by law, solely for the purpose of establishing its distributorship status. Buyer shall promptly notify S-A of any unauthorized use or infringement of S-A's Trademarks, licenses or rights thereto.

c. Buyer agrees not to obscure, alter, modify or remove from the Equipment any of the Trademarks or other product identification.

#### 12. No Rights in Trademarks

S-A grants to Buyer during the Term of this Agreement a royalty-free, non-exclusive license to use the Trademarks in connection with the promotion and sale of the Equipment as provided for herein. Buyer shall not use or incorporate the Trademarks on any other products or in or as part of a trade name, corporate name, or business name. Buyer acknowledges that considerable time and money has been expended to create the goodwill associated with the Trademarks. Buyer will always act in a manner that would maintain the quality and goodwill associated with the Trademarks. Nothing contained herein shall give Buyer any interest or right in the Trademarks, except as is expressly granted herein.

Buyer further agrees that it will not in any manner represent that it has ownership of the Trademarks and that it will not register or attempt to register any Trademarks under the laws of any jurisdiction, and will not at any time do, or cause to be done, any act or thing contesting, or in any way impairing or tending to impair, any part of S-A's right, title, and interest in the Trademarks, whether or not they are registered in the jurisdictions in which Buyer is located or does business; provided, however, that Buyer may register Trademarks where expressly required by law, solely for the purpose of establishing its distributorship status. Buyer shall promptly notify S-A of any unauthorized use or infringement of S-A's Trademarks, licenses or rights thereto.

Buyer agrees not to obscure, alter, modify or remove from the Equipment any of the Trademarks or other product identification..

### 13. Other Intellectual Property

.1 The Buyer acknowledges that as an integral part of S-A's business, S-A has developed, at a considerable investment of time and expense, Trade Secrets and Proprietary Information, and acknowledges that S-A has a legitimate business interest in protecting the Trade Secrets and Proprietary Information. Buyer acknowledges that it and its employees will be entrusted with such Trade Secrets and Proprietary Information. Pursuant therewith, the Buyer agrees to that it will treat as confidential and will not, without the prior written approval of S-A, use (other than in the performance of its duties hereunder), publish, disclose, copyright or authorize anyone else to use, publish, disclose or copyright, (a) any information that constitutes Trade Secrets either during the term hereof or subsequent thereto; or (b) any information that constitutes Proprietary Information either during the term hereof or for two (2) years after expiration or termination, with or without cause.

.2 All records, notes, files, drawings, documents, plans and like items, and all copies thereof, relating to or containing or disclosing Trade Secrets or Proprietary Information of S-A which are made or kept by the Buyer or which are disclosed to or come into the possession of the Buyer, shall be and remain the sole and exclusive property of S-A and shall be returned to S-A upon expiration or termination of this Agreement.

.3 The Buyer further agrees that it will require each of its shareholders, officers, directors and employees who act on its behalf with respect to this Agreement to be bound by the requirements of this Agreement and that, upon request of S-A, the Buyer will provide evidence of such requirement to S-A.

### 14. Injunction

The Buyer agrees that its (or anyone acting on its behalf) actual or threatened breach of the provisions of Sections 10, 11 or 12 shall constitute irreparable harm to S-A, and S-A, in addition to all other rights, shall be entitled to seek an injunction restraining the Buyer or such person therefrom. Nothing herein shall be construed as prohibiting S-A from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages from the Buyer or such person. This provision shall remain in full force and effect in the event the Buyer or such person should claim that S A violated any of the terms of this Agreement. In such event, the Buyer or such person agrees to pursue such claim against S-A independently of the covenants set forth in this section.

### 15. Proprietary Rights Indemnification

.1 Indemnification. S-A shall settle, at its sole cost, or defend and pay costs and damages finally awarded in any suit against the Buyer to the extent based upon a finding that the design, construction or use of the Equipment, including Licensed Software (either separately or in combination), furnished under this Agreement, as furnished and used in accordance with S-A instructions, infringes a patent, trademark, copyright or other intellectual property right of a third party (except infringement which is directly caused by incorporating a specific design or modification at the Buyer's request). S-A shall not indemnify the Buyer's for that portion of any final award that is based on revenue derived from use of the Equipment and that is in excess of the maximum liability of S-A provided in Section 15.5 below.

.2 Procedures. In the event of any allegation of infringement of the type described in Section 15.1 or a claim or suit based thereon (the "Allegation"), the Buyer shall promptly notify S-A of such Allegation in writing. S-A shall promptly commence efforts to settle or to defend against such Allegation and the Buyer shall reasonably cooperate with S-A at the expense of S-A in such settlement or defense.

.3 Injunction. In the event that the use of the Equipment delivered under this Agreement is enjoined or, in the discretion of S-A, is likely to be enjoined, S-A shall do one or more of the following, at S-A's option:

(a) obtain for the Buyer the right to use the infringing item at no cost to the Buyer;

(b) modify the infringing item so that it becomes noninfringing while remaining in compliance with the Specifications in all material respects;

(c) replace the item with a noninfringing item which is in compliance with the Specifications in all material respects; or

(d) if (a), (b) or (c) cannot be effected by S-A's reasonable and diligent efforts, and further subject to the Notice of Refund Option, below, refund the amount paid by the Buyer for the applicable Equipment, less depreciation calculated on a straight-line basis over a five (5) year period, provided that the payment of any such refund shall not become due until return by the Buyer of the applicable Equipment.

(e) Notice of Refund Option. In the event S-A shall elect to exercise the provisions of subsection 15.3(d), above, S-A shall give Buyer 90 days written notice of such election. Buyer shall have the option, during such 90 day period, to negotiate on its own behalf a license or other agreement with the Plaintiff so that such item is no longer infringing. In the event Buyer is successful, S-A shall under Section 15.1 above, pay on behalf of Buyer any royalties and other costs related to such settlement, including attorney's fees, up to the amount set forth in Section 15.5, below.

.4 Combinations and Modifications. Notwithstanding any other provision of this section, S-A shall have no liability for any infringement arising from (i) use of delivered items in combination with other items, unless S-A sold, made or specifically recommended them all as a combination, or the specific combination would be necessary for the use in the normal course of events in connection with the Equipment sold hereunder, or (ii) modification of items after delivery, unless S-A made or specifically recommended the modification, or the modification constitutes normal repair, replacement or implementation of S-A provided options and enhancements for the Equipment sold hereunder.

.5 Limitation. Notwithstanding any other provision of this Agreement to the contrary, this Section 15 states the entire liability of S-A and the sole and exclusive remedy of the Buyer for any alleged infringement of a third party's intellectual property right arising out of the sale or use of the Equipment supplied under this Agreement or a process practiced by such item, and S-A shall not be liable under this Section 15 in the aggregate for any amount exceeding the total price of the Equipment purchased hereunder.

## 16. Indemnification and Limitation of Liability

.1 The Buyer agrees to indemnify and hold S-A and its officers, directors and employees harmless from any loss, damage, liability and expense on account of bodily injuries or physical damage to tangible property, including the property of S-A, arising from any occurrence caused by a negligent or willful act or omission of the Buyer or any employee or agent of the Buyer (other than S-A), or of an independent contractor of the Buyer (other than S-A), which indemnity shall survive this Agreement.

.2 S-A agrees to indemnify and hold the Buyer and its officers, directors and employees harmless from any loss, damage, liability and expense on account of bodily injuries or physical damage to tangible property, including the property of the Buyer, arising from any occurrence caused by a negligent or willful act or omission of S-A, or any employee or agent of S-A or of any subcontractor or independent contractor of S-A, which indemnity shall survive this Agreement.

.3 UNDER NO CIRCUMSTANCES SHALL S-A BE RESPONSIBLE FOR INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL, PUNITIVE, OR EXEMPLARY DAMAGES ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER RELATED AGREEMENTS OR ANY ACTS OR OMISSIONS ASSOCIATED THEREWITH OR RELATING TO THE USE OF ANY EQUIPMENT, LICENSED SOFTWARE OR SERVICES FURNISHED, WHETHER SUCH CLAIM IS BASED ON BREACH OF WARRANTY, CONTRACT, TORT OR OTHER LEGAL THEORY AND REGARDLESS OF THE CAUSES OF SUCH LOSS OR DAMAGES OR WHETHER ANY OTHER REMEDY PROVIDED HEREIN FAILS, NOR SHALL S-A'S TOTAL LIABILITY EXCEED AN AMOUNT EQUAL TO THE TOTAL PURCHASE PRICE PAID BY THE BUYER TO S-A UNDER THIS AGREEMENT, MEASURED AS OF THE DATE SUCH LIABILITY OF S-A SHALL FIRST EXIST.

## 17. Force Majeure

S-A shall not be responsible for delays caused by conditions beyond the reasonable control of S-A, including without limitation such conditions as acts of God, civil insurrections, wars, sabotage, fires, floods, sun outages, atmospheric and externally caused interference, accidents, labor disputes, acts or requirements of governmental authorities or governmental laws, ordinances, rules and regulations, transportation delays, unusually severe weather, or other similar or different conditions beyond the reasonable control of S-A including, without limitation, limitations and restrictions imposed by third parties. In the event of delay due to any such condition, any performance obligation shall be adjusted equitably. Any orders in purchase orders to the Buyer which contains a penalty clause or liquidated damage clause accepted by the Buyer shall be wholly at Buyer's risk unless S-A has given prior written consent to such clause.

## 18. Notices

All notices given pursuant to this Agreement shall be in writing and either delivered in person or by telegram, telex or facsimile transmission or mailed by certified mail, return receipt requested, postage prepaid, to each party at the following address or such other address as such party may direct by similar notice to the other:

To S-A:                   Scientific-Atlanta, Inc.  
4356 Communications Drive  
Norcross, GA 30093  
ATTN: Bob Roseman  
Telephone: (770) 903 6684  
Facsimile: (770) 903 5524

To Buyer:               GCI Communication Corp.  
2550 Denali Street Suite 1000  
Anchorage AK USA 99503  
ATTN: Jimmy R Sipes  
Telephone: (907) 265-5557  
Facsimile: (907) 265-5673

Any notice given pursuant to this Agreement shall be deemed to have been given upon receipt.

## 19. Amendments and Changes

This Agreement may not be amended, modified or waived in any material respect except in a written amendment signed by authorized representatives of both parties.

## 20. Assignment and Subcontracting

.1 This Agreement will be bring upon, inure to the benefit of, and be enforceable by, the parties hereto and their respective legal representatives, successors and assigns; provided, however, that neither this Agreement nor any rights hereunder may be assigned by either party without the prior written consent of the other party, except that this Agreement may be assigned to a parent or associated corporation or to an entity that acquires all or substantially all of the capital stock, business, or assets of a party hereto and agrees in writing to assume the rights and obligations.

.2 S-A may engage one or more subcontractors to perform any or all of the obligations of S-A hereunder. Any such assignment or subcontracting shall not, unless the parties otherwise agree in writing, relieve either party hereto from any obligations hereunder.

## 21. Independent Contractor

Each party hereto is an independent contractor and shall not be deemed the agent or employee of the other party hereto. The Buyer acknowledges that the Specifications and the other matters set forth herein are the only limitations and restrictions on the source quality and performance of the Equipment hereunder.

## 22. Public Release of Information

Neither party may issue any press release or circular or otherwise disclose the existence or terms of this Agreement or the relationship contemplated hereby without the prior written approval of the other party unless required by an APUC, FCC or other governmental reporting requirement.

## 23. Miscellaneous

.1 This Agreement expresses the entire understanding of the parties

with reference to the subject matter hereof, and supersedes any prior or contemporaneous representations, understandings and agreements, whether oral or written, and no representations or agreements modifying or supplementing the terms of this Agreement shall be valid unless in writing and signed by the parties hereto.

.2 This Agreement shall be interpreted in accordance with and governed by the laws of the State of Georgia, excluding its rules or principles regarding conflicts of law.

.3 Except as set forth in Sections 10.3 and 24, the enumeration herein of the rights and remedies of the parties is not intended to be exclusive, and such rights and remedies are in addition to and not by way of limitation of any other rights or remedies that either party may have under applicable law.

.4 No act, failure or delay by either party hereto shall constitute a waiver of any of such party's rights and remedies. No single or partial waiver by either party hereto of any provision of this Agreement, or of any breach or default hereunder, or of any right or remedy which such party may have, shall operate as a waiver of any other provision, breach, default, right or remedy or of the same provision, breach, default, right or remedy on a future occasion.

.5 If any provision of this Agreement shall be prohibited or invalid under applicable law, such provision shall be invalid only to such extent, without invalidating the remainder of this Agreement.

.6 This Agreement may be executed in any number of counterparts, and by S-A and the Buyer in separate counterparts, each of which shall be an original, but all of which shall together constitute one and the same Agreement.

.7 The captions contained in this Agreement are for convenience only, are without substantive meaning and should not be construed to modify, enlarge, or restrict any provision.

#### 24. Arbitration

.1 Except as otherwise provided in the Software License, any controversy or claim between or among the parties, including but not limited to those arising out of or relating to this Agreement or any agreements or instruments relating hereto or delivered in connection herewith and any claim based on or arising from an alleged tort, shall if incapable of resolution by mutual agreement in good faith, be determined by arbitration as provided in this Section 24.

.2 The arbitration shall be conducted in accordance with the United States Arbitration Act (Title 9, U. S. Code), notwithstanding any choice of law provision in this Agreement, and under the Commercial Arbitration Rules of the American Arbitration Association ("AAA"). The arbitration shall be conducted in the City of Seattle, Washington. The arbitrator shall give effect to statutes of limitation in determining any claim. Any controversy concerning whether an issue is arbitrable shall be determined by the arbitrator. The decision of the arbitrator shall be final and binding on the parties. Judgment upon the arbitration award may be entered in any court having jurisdiction. In rendering any decision or making findings of fact the arbitrator shall apply the express intentions of the parties set forth in this Agreement and the laws of the State of Georgia, including without limitation any applicable statutes, regulations and binding judicial decisions, as such would be applied by the courts of the State of Georgia and the United States District Court for the Northern District of Georgia.

.3 In connection with any arbitration having an amount in controversy of less than \$1,000,000, such arbitration shall be conducted by a single arbitrator, chosen by the AAA. The AAA shall be guided by any applicable rules with respect to the choosing of an arbitrator for arbitrations conducted pursuant to the Commercial Arbitration Rules of the AAA, and, in addition, thereto, (i) the AAA shall attempt to appoint an arbitrator having a technical background, where available, consistent with the technical issues and procedures which are the subject matter of this Agreement and (ii) the AAA shall prefer an arbitrator who is an attorney in good standing and licensed to practice law within the State of Georgia. In connection with any arbitration where the amount in controversy is equal to or greater than \$1,000,000, the arbitration shall be conducted of a panel of three (3) or more arbitrators chosen by the AAA, giving preference to those factors identified in subsections (i) and (ii) in the foregoing sentence.

4 Notwithstanding any of the foregoing provisions, nothing contained in this Section 24 shall prohibit either party from seeking injunctive relief in any court having jurisdiction thereof and each party consents to such jurisdiction.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective authorized representatives as of the date first above written.

GCI Communication Corp:

Scientific-Atlanta, Inc.:

By: /s/ Ron Duncan

By:/s/ David A. Berger

Ron Duncan  
(Typed Name)

David A. Berger  
(Typed Name)

President  
(Title)

President-Networks Division  
(Title)

December 20, 1995  
(Date)

December 28, 1995  
(Date)

<TABLE>

Exhibit A - Prices

<CAPTION>

-----					
GCI					
C-BAND 3.6 METER ANTENNA REMOTE					
DAMA STATIONS					
ITEM	DESCRIPTION	QTY	MFR OR EQUIV.	PRICE (U.S.\$)	
-----					
<S>	<C>	<C>	<C>	<C>	
I.	EQUIPMENT				
	This quote is excluding the following items:				
	1- ISDN Interface and Equipment				
	2- Single unit LNB				
	3- Shipping				
	4- Integration				
	5- Transceiver IFL				
1.	3.6-Meter Non-Deiced Antenna (51 Sites) consisting of:				
a.	Non-motorizable mount	1	S-A		
b.	Non heated panels	1	S-A		
c.	Spars and feed boom	1	S-A		
d.	GCI Mount pipe	1	S-A		
e.	Cross-pol heated feed	1	S-A		
f.	Raven protection kit	1	S-A		
g.	Feed boom electric deice kit	1	S-A		
	3.6-Meter Non-Deiced Antenna Unit Price			\$10,561	
	3.6-Meter Non-Deiced Antenna Total Price (Qty-51)			\$538,611	
2.	Model 7890B Tranceiver subsystem (55 Sites) consisting of:				
	Note: Excludes IFL & Mounting Hardware				
a.	Model 7890 C-Band 20 watt Outdoor RF Unit (5.85-6.425 GHz)	1	S-A		
b.	Model CLNA-35-60-N Low Noise Amplifier	1	EF DATA		
c.	Model 7792B Tranceiver Indoor Unit, -48VDC	1	S-A		
d.	Block Downconverter (3.625-4.2 GHz)	1	S-A		
e.	Temperature Sensor Remote Assy. (P/N 482439)	1	S-A		
	Model 7890B Tranceiver Unit Price			\$20,572	
	Model 7890B Tranceiver Unit Price (Qty-55)			\$1,131,460	
3.	Baseband Equipment consisting of:				
a.	Model 7800 DAMA Eight channel chassis -48 VDC Multi Transponder IF Input/Output	86	S-A	\$688,000	
b.	Model 7802 Channel Unit, Voice and Data, 128kbps Fax Relay option, Switchless	550	S-A	\$2,722,500	
c.	Remote Signaling Channel Unit, Switchless	56	S-A	\$252,000	
d.	Remote Signaling Channel Unit, Switchless				

e.	System Spares	6	S-A	
	DAMA Standby Power Supply for 7800 Chassis, -48 VDC, Panel Mount	62	S-A	\$458,986
	Subtotal:			\$5,791,557
4.	Monitor & Control Subsystem consisting of:			
a.	Alarm/Status Sense inputs (28 points)	53	S-A	
b.	Outdoor Temperature Meter	53	S-A	
c.	Indoor Temperature Meter	53	S-A	
d.	Power Module Temperature Meter	53	S-A	
e.	DC Current Meter	53	S-A	
f.	DC Voltage Meter	53	S-A	
g.	(3) Temperature Probes	53	S-A	
h.	RSCU/Modern/FMT Port enhancement	53	S-A	
i.	Modem addition to 4.h	53	S-A	
	Subtotal;			\$426,650
5.	Optional 2 ft. Mount Pipe Extension	51	S-A	\$ 42,330
6.	Optional Elevation Drill Drive Adapter	3	S-A	\$ 6,905
	FOB ATLANTA PRICE:			\$6,267,442
II.	SERVICES			
1.	Freight and Insurance (Customer Responsibility)	0	Lot	
2.	Site Survey	0	Lot	
3.	Civil Works (Customer Responsibility)	0	Lot	
4.	Installation, Test & Commissioning	0	Lot	
5.	Training Programs	0	Lot	
6.	Program Management & Engineering Services	1	Lot	\$218,047
7.	Feature Group B, 1800950 Development	1	Lot	\$25,000
8.	64Kbps PCM Development	1	Lot	\$85,000
	TOTAL DAMA EXPANSION NETWORK			\$6,595,489
	9 METER ANTENNA PROJECT			
1.	Model 8009A 9.15 M Antenna	6		
	Reflector, motorized polarization, non deiced S-A Extreme Mount, galvanized and painted S-A Foundation Kit, 120 deg. S-A 4 port C-Band Linear Feed S-A Extreme Environment Radome/Raven Protection Kit S-A Motorized Single Speed actuators, 120* Azimuth S-A Travel, 208 VAC Transmit Waveguide Kit S-A Lightning Protection Kit S-A Work Platform and Ladder Kit S-A			
2.	Antenna Controls Subsystem:	6		
	Model 8861 Antenna Motor Controller S-A Model 8860-2 Adaptrack Indoor Unit S-A AZ/EI Kits, 208 VAC S-A Feed Kits 208 VAC/60 HZ Phase 3 S-A Installation Kits S-A			
	Deice Control System	5	S-A	
	Main Reflector, Feed and Sub-Reflector Electric De-Ice	5	S-A	
	Hardware Subtotal:			\$856,258
3.	Installation	6		\$236,700
	Note: i) GCI to provide test equipment ii) GCI to install the RF system prior to antenna testing			
	TOTAL 9M ANTENNA PROJECT			\$1,092,958
	TOTAL CONTRACT DAMA EXPANSION AND 9M ANTENNA PROJECTS			\$7,688,447

</TABLE>  
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<CAPTION>

I.EQUIPMENT			QTY	1-Jan	1-Feb	1-Mar	1-Apr	1-May	15-May	1-Jun	15-Jun
1-Jul	1-Aug										
96	-96	-96		-96	-96	-96	-96	-96	-96	-96	-
<S>			<C>		<C>	<C>	<C>	<C>	<C>	<C>	
<C>											
14	1	3.6 Meter non-Deiced Antenna, consisting of:	51		1			18		18	
		a. Non-motorized mount									
		b. Non heated panels									
		c. Spars and feed boom									
		d. GCI mount pipe									
		e. Cross-pol heated feed									
		f. Raven protection									
		g. Feed boom electric deice kit									
	2	Model 7890B Transceiver Subsystem, consisting of:	55				19	18		18	
		a. Model 6610 C-band 20 W ORU									
		b. Model CLNA-35-60-N LNA									
		c. Model 7792B Transceiver IDU, -48 VDC									
		d. Block Downconverter									
		e. IFL and Hardware including									
		- ORU TX and RX Coaxial Cabling, 40' -									
		ORU power and Control									
		Cabling, 40' - OD Temp Sensor Cabling,									
		25' - ORU/LNA/LNB/Feed Cabling - Mounting									
		Hardware									
	3	Baseband Equipment, consisting of:									
		a. Model 7800 DAMA Eight channel chassis, -48 VDC	86		8	8	19	18	17	16	
		Multi Transponder IF Input/Output									
100		b. Model 7802 Channel Unit, Voice and Data, 128	550		30	30	140	150		100	
		kb/s,Fax Relay option, Switchless									
		c. Remote Signaling Channel Unit, Switchless	62		4	4	20	18		16	
		d. DAMA Standby Power Supply for 7800 chassis,	62		4	3	19	18		18	
		-48 VDC, Panel Mount									

I. EQUIPMENT			QTY	1-Jan	1-Feb	1-Mar	1-Apr	1-May	15-May	1-Jun	15-Jun
1-Jul	1-Aug										
96	-96	-96		-96	-96	-96	-96	-96	-96	-96	-
<S>			<C>		<C>	<C>	<C>	<C>	<C>	<C>	
<C>											
	4	Monitor & Control Subsystem consisting of:	53				19	18		16	
		a. Alarm/Status Sense Inputs (28 points)									
		b. Outdoor Temperature Meter									
		c. Indoor Temperature Meter									
		d. Power Module Temperature Meter									
		e. DC Current Meter									
		f. DC Voltage									
		g. (3) Temperature Probes									
	5	Feature Group-B Software/Hardware							lot		
	6	1-800-950-XXXX Software/Hardware							lot		
	7	9.15 Meter Antenna	6								
		a. Reflector, motorized polarization, non-deiced							2	2	2
		b. Extreme Mount, 120 azimuth, galvanized and							2	2	2
		painted									
		c. Foundation Kit, 120							2	2	2
		d. 4 port C-band Linear Feed							2	2	2
		e. Motorized Single Speed Actuators							2	2	2
		120 Azimuth travel, 208 VAC, 60 Hz									
		f. Model 8861 Antenna Motor Controller							2	2	2
		g. Model 8860-2 Adaptrack Indoor Unit, -48 VDC			2	2	2				
		primary input power									
		h. Antenna Control Cable and Installation Kits							2	2	2
		i. Lightning Protection Kit							2	2	2
		j. Work Platform and Ladder Kit							2	2	2
		k. Transmit Waveguide Interface Kit							2	2	2
		l. Feed Deice							2	2	2
		m. Extreme Environment Radome/Raven Protection Kit							2	2	2

</TABLE>

Exhibit C - Software License

SOFTWARE LICENSE AGREEMENT

SCIENTIFIC-ATLANTA

END USER SOFTWARE LICENSE AGREEMENT FOR USE  
WITH DESIGNATED EQUIPMENT

Customer: GCI Communication Corporation  
Address: 2550 Denali St, Anchorage. AK. 99503-2781

Scientific-Atlanta, Inc. ("S-A") by its acceptance agrees to grant to Customer, and Customer accepts on the following terms and conditions a license to the identified Licensed Software for use only with the Designated Equipment set out below.

This Agreement covers all Software provided by S-A to GCI for the purpose of operating the S-A DAMA Network equipment, purchased by GCI from S-A pursuant the Equipment Purchase Agreement of even date.

1. LICENSE GRANT

- 1.1 "Licensed Software" means a computer program, including any modifications, updates or additions which may be supplied by S-A to Customer, in object code or executable form in any medium, such as magnetic tape, disks, or optical media; and related materials such as flow charts, logic diagrams, manuals, and other documentation which are provided to Customer by S-A with or for use in Designated Equipment. Licensed Software may reside within Designated Equipment at the time of delivery to Customer in which case identification of such equipment shall also constitute identification of the corresponding software; or it may be provided separately for installation on Designated Equipment.
- 1.2 Subject to these terms and conditions, S-A grants to Customer, subject to the limitations herein, a personal, nonexclusive, nontransferable license to use Licensed Software in and for the Designated Equipment and not otherwise. This license may be assigned to any bona fide successor in interest to Designated Equipment who first agrees in writing to be bound by the terms of this Agreement. Should the Licensed Software include a unique implementation of a security algorithm, Customer shall have the exclusive right to use such unique Customer security algorithm implementation in and for use with the Designated Equipment and not otherwise.
- 1.3 Customer may make one (1) copy of Licensed Software (but not including read-only memories or similar devices) for archival purposes only and shall reproduce and attach all copyright and proprietary notices. Customer shall not otherwise copy or allow to be copied Licensed Software except to install Licensed Software on the Designated Equipment. Customer agrees that S-A shall have the right to have an independent accounting firm conduct an audit at Customer's premises during normal business hours to verify the number of copies of Licensed Software in use by Customer.
- 1.4 Customer shall not make any modifications to Licensed Software or remove any proprietary notices of S-A or third parties found in or on the Licensed Software. Customer agrees not to reverse engineer, decompile, or reverse assemble Licensed Software except to the extent that such prohibition may be unenforceable under applicable law.
- 1.5 Licensed Software is and shall remain the exclusive property of S-A. No license other than that specifically stated herein is granted to Customer, and Customer shall have no right to sublicense Licensed Software nor any right under any patent, trademark, copyright, trade secret or other intellectual property of S-A other than that granted by this Agreement.

2. PROTECTION AND SECURITY

- 2.1 Customer agrees not to disclose, release, or make available in any form any portion of Licensed Software to any person other than Customer's own employees or contractors. Customer represents that its employees and contractors having access to Licensed Software are or shall be party to written agreements acknowledging a duty to protect Customer's confidential materials, including the Licensed Software.
- 2.2 Customer shall keep Licensed Software (including archival copies, if any), in a secure environment and shall take all steps reasonably necessary to protect Licensed Software or any part thereof from unauthorized disclosure or release. Customer may not export or reexport the Licensed Software in any form except in compliance with all

applicable laws and regulations.

- 2.3 Customer expressly agrees that a breach of this Agreement will cause irreparable harm to S-A and that S-A shall have the right to obtain injunctive relief against any unauthorized use, disclosure, copying or transfer of any part of Licensed Software. Licensed Software may contain software from third parties who are intended to be third party beneficiaries of this Agreement.

### 3. WARRANTY AND LIABILITY

- 3.1 S-A warrants that Licensed Software, as provided, shall conform to the Specifications as that term is defined in the Equipment Purchase Agreement of even date or if not covered by such Specification, the published specification of S-A. During the first one (1) year after the date of delivery of Licensed Software, S-A shall use reasonable commercial efforts to correct errors detected in Licensed Software after receiving notification of such errors from Customer. This paragraph sets forth the entire obligation of S-A with respect to Licensed Software and in no event shall S-A be liable to Customer for loss of profit, indirect, special, or consequential damages arising out of its provision of the Licensed Software to Customer under tort, contract, or any other legal theory. In no event shall S-A be liable to Customer for any damages, however based, in excess of ten thousand United States dollars (US\$10,000.00).

S-A MAKES NO OTHER WARRANTIES, WHETHER EXPRESS OR IMPLIED WITH RESPECT TO ANY PRODUCTS OR SERVICES PROVIDED UNDER THIS AGREEMENT INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OTHER THAN COMPLIANCE WITH THE SPECIFICATIONS S-A DOES NOT WARRANT THAT THE FUNCTIONS CONTAINED IN Licensed Software WILL MEET THE CUSTOMER'S REQUIREMENTS, OR THAT THE OPERATION OF Licensed Software WILL BE UNINTERRUPTED OR ERROR-FREE. S-A MAKES NO WARRANTY OF NONINFRINGEMENT, EXPRESS OR IMPLIED. ANY THIRD PARTY SOFTWARE SUPPLIED WITH OR INCORPORATED IN Licensed Software IS PROVIDED "AS-IS" WITHOUT WARRANTIES OF ANY KIND. IF ANY ADDITIONAL WARRANTIES ARE SUPPLIED BY A THIRD PARTY, SUCH WARRANTIES WILL BE OFFERED DIRECTLY BY SUCH THIRD PARTY TO Customer.

- 3.3 Customer acknowledges its responsibility to use all reasonable methods to prove out and thoroughly test the operation of and output from Licensed Software prior to its use in Customer's operations.
- 3.4 Unless otherwise provided in a separate writing, and subject only to the warranty of this Section, S-A is under no obligation to provide Customer with any modifications, updates, additions or revisions to Licensed Software, nor to maintain Licensed Software in any manner.
- 3.5 In the event that any modifications are made to Licensed Software, any and all warranty and other obligations of S-A shall immediately cease with respect to such software.

### 4. INDEMNIFICATION

- 4.1 S-A shall provide defense and indemnification to the Customer under terms set forth in Section 15 of the Equipment Purchase Agreement of even date herewith.

### 5. TERM AND TERMINATION

This Agreement shall continue indefinitely unless terminated by one of the parties. This Agreement may be terminated by Customer upon thirty (30) days' notice to S-A and by S-A upon breach of any term of this Agreement, which breach is not cured within thirty (30) days after notice by S-A, or should Customer be adjudged a bankrupt or become a party to a similar proceeding for the benefit of its creditors. Immediately after such termination, Customer will deliver to S-A Licensed Software and any and all copies and modifications thereof (except copies which reside within the Designated Equipment and which shall be erased) and will, if requested, provide S-A with its written certification that it has retained no copies.

### 6. TAXES

Except for taxes based on S-A's income, S-A shall not be responsible for any federal, state or local taxes based upon Customer's purchase, possession or use of Licensed Software or upon any charges payable or services performed hereunder.

### 7. APPLICABLE LAW, INTEGRATION AND MODIFICATION

- 7.1 This Agreement shall be construed and enforced in accordance with the laws of the State of Georgia, United States of America, not including any conflicts of laws provisions thereof. The UN Convention on Contracts for the Sale of Goods shall not apply.

- 7.2 This Agreement comprises the full and final understanding between S-A

and Customer, and merges and supersedes any and all other agreements, understandings or representations, written or oral, with respect to the subject matter hereof. It may not be modified except by a writing signed by authorized representatives of both S-A and Customer, and referring specifically to this Agreement.

7.3 Any attempt by Customer to assign this Agreement shall be void unless the assignment is incidental to the sale of the Designated Equipment.

7.4 Waiver by any party of the breach of a provision of this Agreement by the other party shall not be construed as a continuing waiver of such provision or waiver of any other breach of any other provision of this Agreement.

AGREED:	ACCEPTED AND APPROVED:
CUSTOMER	SCIENTIFIC-ATLANTA, INC.
/s/Ron Duncan	/s/Gregory Taylor
By	By
Ron Duncan	Greg Taylor
Printed Name	Printed Name
President	VP Operations,
Title	Systems Integ
	Title
December 20, 1995	December 28, 1995
Date	Date

Exhibit D - Feature Group B/ 1 800 950 XXX Specification

S-A DAMA Features for FGB  
and 800 950 1077  
Dec. 12, 1995, Rev. 4

FGB (Feature Group B)

FGB is a trunk class offered by a Local Exchange Carrier (LEC) to an Inter Exchange Carrier (IXC) before the advent of FGD equal access trunking was available. In such a non equal access LEC office FGC signaling also exists but historically is only grandfathered to AT&T as they were the original and only IXC. (There have been exceptions in Alaska where GCI has received FGC from a LEC for payphone access and 800 number lookup). FGB can coexist with FGD when that service is available. There are two types of FGB signaling; one with ANI and one without. FGB with ANI is a NECA offering without any additional charges over and above FGB without ANI. The following will be a description of how it functions and what S-A will have to incorporate into the DAMA product to provide this FGB requirement for GCI. Drawings are also included showing the signaling protocol exchanges for both types.

S-A shall design the DAMA product for the following two FGB trunking signaling protocol. GCI's FGB Carrier Identification Code (CIC) is 1077. FGB access NXX is 950 so the access number is 950 1077. There will be a new file to be downloaded to the CUs called the "Parameter File". The CIC will be placed in the new downloadable file. Format of the new file is TBD. FGB with ANI and FGB without ANI will be selectable from the same field in the parameter screen where FGC, FGD, IMT, and PBX are currently selected. The new entries will be FGBANI and FGBNOANI. FGB with ANI and FGB without ANI and IMT protocols will reside within the same state machine FGB###.BIN The first described is FGB with ANI.

FGB with ANI

Customer phone number is 907 265 5650  
Customer dials GCI FGB Access number 950 1077  
Customer wants to call 1+213+554+1212

LEC DAMA  
Seize -----

-----Wink

KP+950+1077+ST -----

-----Off hook seizure  
ANI Request

KP+0+265+5650+ST -----

-----400 Hz Dial tone

-----  
Customer then enters the called number as 1+213+554+1212 from their DTMF

phone. (No MF tones or rotary phones)

The customer with local LEC line will dial 950 1077. The LEC, at the LEC GCI FGB trunk, will then send an off hook seizure to the DAMA channel unit. The DAMA channel unit will then send an approximate 200 ms off hook wink to the LEC when the DAMA is ready to receive digits in MF. The LEC will spill KP9501077ST important digression -- In most all cases the LEC when asked will suppress all digits of the called number and just spill KP ST. This shortens post dial delay. The DAMA must be able to just recognize KP ST for this trunk type). The DAMA then returns an off hook seizure to the LEC. The LEC recognizes this as the request for ANI and then sends the ANI as KP 0 2655650 ST. This ends the LEC trunking signalling protocol, (with the exception of ultimate on hook disconnect). The DAMA then shall return a single frequency 400 Hz dial tone. (If it hasn't been observed already this signalling protocol is identical to FGC originating previously designed for DAMA). The similarity ends however at this point where the DAMA returns dial tone. The originator of the call who first dialed 950 1077 to access GCI DAMA (who will continue the signalling addressing) must now at the DAMA dial tone enter the 1+10 digit called number. This 10 digit destination number must replace the previous called number 9501077, if spilled, with the new 10 digit called number for the purpose of call routing and completion. The ANI will be used for billing. The DAMA channel unit must have the filed 907 NPA for purpose of completing the ANI with the prefacing of the 907 to the seven digit ANI spill. Presently the DAMA NMS has ANI validation to the extent that if an ANI is to be turned off for non payment it is entered into the system to be blocked. If an ANI is to route normal it is not entered. S-A shall provide the capability to reverse this based on a CU basis so that an ANI must be entered to be allowed to route and that if no ANI is present in the NMS database then it will block the call and go to recording.

Next will be described the second scenario of FGB without ANI.

FGB without ANI

Customer phone number is 907 265 5650 Customer dials GCI FGB Access number 950 1077 Customer wants to call 1+213+554+1212 Customer has GCI authorization code number 123456

LEC DAMA  
Seize -----  
-----Wink  
KP+950+1077+ST-----  
-----Off hook seizure  
400 Hz Dial tone

Customer then enters a 6 digit authorization code and the called number as 123456 +1+213+554+1212 from their DTMF phone. (No MF tones or rotary phones)

The customer with local LEC line will dial 950 1077. The LEC, at the LEC GCI FGB trunk, will then send an off hook seizure to the DAMA channel unit. The DAMA channel unit will then send an approximate 200 ms off hook wink to the LEC when the DAMA is ready to receive digits in MF. The LEC will spill KP9501077ST Important digression -- In most all cases the LEC when asked will suppress all digits of the called number and just spill KP ST. This shortens post dial delay. The DAMA must be able to just recognize KP ST for this trunk type). The DAMA then returns an off hook seizure to the LEC along with single frequency 400 Hz. dial tone. This ends the LEC trunking signalling protocol, (with the exception of ultimate on hook disconnect). The user, in continuing the addressing signalling, must enter at the tone a 6 digit authorization code and then the 1 + 10 digit called number from their DTMF phone. The authorization code will replace the ANI for billing purposes only but will not replace the ANI for any other purpose such as FGD repeat. Where FGB does not provide an actual ANI the NS will use the telephone number entered in the routing table of the originating CU as the ANI for FGC and FGD repeat. This scheme is the same as what FGC and FGD do for an IMT originating call which has no ANI. If no telephone number is used an ANI of KP+ST will be output by the FGC or FGD repeat terminating trunk. This 6 digit authcode (Called the Hometown authcode feature by GCI Mktg when going to non equal access areas) must be validated in the NMS in a database of 6 digit authcodes stored. S-A shall provide memory for up to 20 thousand 6 digit authorization codes.

Bellcore standards documents are available for FGB signalling and function.

Compatibility Information for Feature Group B Switched Access Service - TR-NPL-000175 Issue 1, July 1985 \$16.50.

Feature Group B FSD 20-24-0300 -- TR-TSY-000698 Issue 1, June 1989 \$30.00; Rev 1, July 1990

\$N/A.

This feature can be best described as 800 950 1077 "peel out". S-A shall provide the following set of feature requirements. In the case where an originating DAMA FGC or FGD channel unit receives the GCI 800 950 1077 number, regardless of whether the channel unit trunk group is an 800 query or route as is one, the DAMA NMS or channel unit will recognize this number and "peel it out" and keep it temporarily within the originating channel unit for the following additional call processing. All LEC trunking signalling to DAMA channel unit has already taken place once the 800 950 1077 and ANI have been received. Once the 800 950 1077 number is received and recognized S-A shall design the DAMA product so that the channel unit will return a single frequency 400Hz. dial tone. Then the user, from a DTMF phone, will dial a 0+10 digit destination number. Then the DAMA channel unit will return a "Bong tone" to the user followed by a recording that says "Enter your GCI calling card number now". Then the customer, from their DTMF phone, will enter a 14 digit GCI Big Dipper calling card number. The 14 digit GCI Big Dipper calling card number will replace the ANI sent to the NS for billing purposes. Then the return link will send all this information to the NMS. The NMS will validate the 14 digit number. If validated then the call will route and terminate to a destination channel unit based on the 0+10 digit called number. At the same time a recording to the originator will say "Thank you for using GCI". S-A shall provide memory for up to 100,000 14 digit calling card numbers. In the event where the customer originated the call from a rotary phone S-A shall provide for the following. At the point where the DAMA channel unit has returned the single frequency 400 Hz. dial tone and the customer cannot enter the DTMF 0+10 number as they are at a rotary phone there needs to be incorporated a default timer value where the call can be routed to the operator trunking should no DTMF digits be received before the expiration of the timer. This timer needs to be programmable within the range of 1 second to 15 seconds. If no DTMF digits are received within the programmed default range then the call will be routed as a 0- FGD repeat call to the terminating channel unit designated for 0- operator calls. That is the FGD repeat trunk group will repeat the originating ANI and insert 0- as the called number. This will allow an operator to handle the call verbally.

EQUIPMENT PURCHASE

AGREEMENT

between

GCI Communication Corporation

and

Scientific-Atlanta, Inc.

EQUIPMENT PURCHASE AGREEMENT

TABLE OF CONTENTS

SECTION 1	DEFINITIONS
SECTION 2	SCOPE OF THE AGREEMENT
SECTION 3	PRICE AND PAYMENT
SECTION 4	DELIVERY SCHEDULE
SECTION 5	TITLE AND RISK OF LOSS
SECTION 6	INTERNATIONAL SALES
SECTION 7	REPRESENTATIONS
SECTION 8	INSPECTION, TEST AND ACCEPTANCE
SECTION 9	WARRANTY
SECTION 10	TERM AND TERMINATION
SECTION 11	LICENSED SOFTWARE
SECTION 12	NO RIGHTS IN TRADEMARKS
SECTION 13	OTHER INTELLECTUAL PROPERTY
SECTION 14	INJUNCTION
SECTION 15	PROPRIETARY RIGHTS INDEMNIFICATION
SECTION 16	INDEMNIFICATION AND LIMITATION OF LIABILITY
SECTION 17	FORCE MAJEURE
SECTION 18	NOTICES
SECTION 19	AMENDMENTS AND CHANGES
SECTION 20	ASSIGNMENT AND SUBCONTRACTING
SECTION 21	INDEPENDENT CONTRACTOR
SECTION 22	PUBLIC RELEASE OF INFORMATION
SECTION 23	MISCELLANEOUS
SECTION 24	ARBITRATION

EXHIBITS

EXHIBIT A	PRICES
EXHIBIT B	SCHEDULE
EXHIBIT C	SOFTWARE LICENSE
EXHIBIT D	FEATURE GROUP B/1 800 950 XXX SPECIFICATION

EQUIPMENT PURCHASE AGREEMENT

This Equipment Purchase Agreement (the "Agreement"), effective as of the 20th day of December, 1995 (the "Agreement Date"), is entered into by and between GCI Communication Corporation, a corporation organized and existing under the laws of Alaska (hereinafter referred to as "GCI" or "Buyer"), and Scientific-Atlanta, Inc., a corporation organized and existing under the laws of the State of Georgia (hereinafter referred to as "S-A").

WITNESSETH:

WHEREAS, S-A is engaged in the design and manufacture of satellite communication equipment and the related software which resides therein; and

WHEREAS, Buyer is a financially responsible and independent business organization engaged in the sale, installation and service of products similar to those manufactured by S-A, and desires to purchase from S-A the satellite communication equipment and license from S-A the related software which resides therein; and

WHEREAS, S-A is willing to sell such equipment and deliver such software to Buyer under the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants set forth in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the

parties hereto agree as follows:

## 1. Definitions

"Acceptance" is defined as the satisfactory resolution of all hardware and software Specification deficiencies by S-A as identified by GCI. GCI shall notify S-A of any deficiencies within thirty (30) days of receipt of the last contract deliverable. Satisfaction of the list of deficiencies will be the sole determinant of final payment. Notwithstanding any other remedies for latent defects, this list maybe amended by mutual agreement of both parties.

"Agreement Date" is used as defined in the preamble.

"Equipment" means the items set forth on Exhibit A hereto, but expressly excluding the Licensed software.

"Extreme Environment Mount" is defined as Model No. 8009AE. This mount constitutes S-A's standard 11 Meter Mount and Actuators when used in conjunction with S-A's standard 9.15 Meter Reflector.

"Licensed Software" is used herein as defined in the Software License.

"Remote Terminals" shall mean, collectively and as a combined operation, the Equipment purchased by the Buyer and the Licensed software used thereon, functioning as a DAMA satellite communications terminal.

"Proprietary Documentation" means any user manuals, training materials, installation, repair or maintenance manuals, drawings, schematics or any related documents provided by S-A to the Buyer.

"Prices" means the prices applicable to the Equipment set forth in Exhibit A as adjusted from time to time in accordance with this Agreement.

"Proprietary Information" shall mean any and all information, whether or not in tangible form, of a confidential, proprietary or secret nature belonging to, or licensed by S-A which is material to S-A and not generally known by the public, other than Trade Secrets.

"Software License" means a Software License substantially in the form of Exhibit C hereto.

"Specifications" shall mean the specifications as defined in the "GCI ALASKA RURAL DEMONSTRATION PROJECT EQUIPMENT SUPPLY AND SERVICES AGREEMENT ", dated June 21, 1994.

"Term" is used as defined in Section 10.1.

"Trademarks" shall mean the trademarks, trade names and logotypes used by S-A to identify or in connection with the Equipment from time to time, including without limitation, "Scientific-Atlanta" and "SkyRelay (TM)".

"Trade Secrets" shall mean any and all information, whether or not in tangible form, belonging to S-A or licensed by it including, but not limited to, technical or non-technical data, formulae, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, marketing plans, and lists of actual or potential customers or suppliers which derive economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from their disclosure or use and are the subjects of efforts that are reasonable under the circumstances to maintain their secrecy. Specifically included in the definition of Trade Secrets, but not by way of limitation, are (a) marketing information obtained or derived during the term hereof on existing and anticipated markets of S-A; (b) pricing, product costs, product cost structures (ie.,, breakdown of cost among materials, labor and overhead), and bills of materials for current or anticipated product; (c) information on S-A's program strategies, product features and performance for products under design or anticipated for design; and (d) specific limitations and actual or perceived deficiencies in existing or planned products and technologies of S-A

"DAMA" shall mean "demand assigned multiple access."

## 2. Scope of the Agreement

The equipment specified in Exhibit A will be delivered in accordance with Section 4 "Delivery Schedule". During the first thirty (30) days of the Term, the Buyer may adjust the equipment quantities down by not more than ten percent (10%). During the Term, the Buyer may order additional Equipment by submitting a purchase order to S-A requesting delivery not sooner than ninety 90 days nor

longer than one hundred eighty (180) days from the date thereof or as mutually agreed to by S-A and GCI. S-A will sell and deliver such Equipment on or before the requested delivery date. S-A shall convey the Equipment free and clear of all liens, claims and encumbrances.

Any terms, conditions or provisions in any purchase order received from the Buyer inconsistent with this Agreement shall be deemed null and void unless an authorized representative of S-A signs a document that contains such different or additional provisions and conspicuously states an intention to amend the terms and conditions of this Agreement.

Any Licensed Software residing in Equipment delivered to Buyer is subject to the Software License as set forth in Section 11. S-A shall place into escrow all source code for all software and firmware supplied to GCI as part of the DAMA network; to include all future revisions. All initial escrow costs and maintenance costs will be the responsibility of GCI.

The performance of each of S-A and the Buyer under this Agreement shall comply with all applicable federal, state and local laws, regulations and ordinances.

Buyer agrees that it shall not purchase any equipment which, in the opinion of S-A, are competitive with the Equipment during the term of this Agreement unless prior written consent of the S-A is first obtained.

The equipment described in Exhibit A comprises two projects, a DAMA network expansion and the purchase and installation of six, 9.15M antennas. Termination of one project will not automatically imply termination of the other.

### 3. Price and Payment

The prices for the Equipment and Services are listed in Exhibit A. The total price for all Equipment and Services is: \$7,688,447 (Contract Price), increased or decreased by any amendment or change order made in accordance with the Terms of this contract.

.1 The price shall be paid in United States Dollar currency in accordance Section 3.2 below:

.2 Payment milestones are mutually agreed to be as follows:

Upon Contract Signature	\$1,013,603
Each subsequent calendar month for six months (due upon the day of the month this agreement is signed)	\$984,813
At successful completion of 9.15M install and testing.	\$106,417
Final payment upon Acceptance	\$659,549*

\* - When S-A meets each of the seven equipment delivery milestones, for the months of February through July, 1996 for (equipment excluding the 9.15M antenna systems), as set forth in Exhibit B, Buyer agrees to pay an incentive of \$47,111 for each monthly milestone met. This amount would be added to the subsequent mid month payment. Each time such payment is made the final payment of \$659,549 shown above would be reduced by the corresponding amount. If; at the time of delivery compliance with a milestone, the previous months' delivery has still not been met, the incentive payment will not be applicable.

.3 Any amounts not paid when due shall bear interest at the rate of 1-1/2% per month from the date such payment was due until the date payment is received.

.4 The Prices include all costs for the performance by S-A of its responsibilities in accordance with the provisions of this Agreement but do not include any amounts for duties, customs, shipping, federal, state or local taxes imposed on the sale or use of such items or on the basis of the amounts paid or the value of the items or services delivered or located at the installation sites or on the basis of gross receipts (collectively, the "Shipping Charges and Taxes"). The Buyer shall reimburse S-A for any of the Shipping Charges and Taxes that S-A is required to pay. The Buyer shall not be responsible for taxes on S-A's income or gross receipts from its overall business activities.

.5 The Statement of Work (SOW) for the installation of the 9.15 Meter antenna installation at GCI's sites located at Barrow, Bethel, Dillingham, King Salmon, Kotzebue, and Nome, Alaska is outlined below.

GCI will be responsible for providing the following:

- Design and installation of the foundations.
- Staging of antenna at the build site.
- Provide forklift and crane as necessary.
- Provide power to the outdoor antenna controller.
- Provide a shelter and power for the indoor controller.

Provide test equipment for performing Antenna Tests  
Install the RF.

S-A will be responsible for providing the following:

Provide 2 installation teams,  
Will install the antennas and mounts.  
Provide a list of required test equipment.  
Perform antenna patterns to demonstrate that the antenna patterns meet Code of Federal Regulations 47, Part 25 ss. 25.209, dated, October 1995.

Installation Sites and Schedule:- The installation window for a given site may be changed by mutual agreement

	Site	Earliest Start Date	Latest Start Date
1	Barrow	June 12th, 1996	July 3rd, 1996
2	Bethel	June 24th, 1996	July 24th, 1996
3	Dillingham	July 3rd, 1996	August 14th, 1996
4	King Salmon	June 12th, 1996	July 3rd, 1996
5	Kotzebue	June 24th, 1996	July 24th, 1996
6	Nome	July 3rd, 1996	August 14th, 1996

#### 4. Delivery Schedule

The Buyer and S-A mutually agree to delivery schedule milestones for equipment. The delivery schedule is attached to this Agreement as Exhibit B.

Feature Group B/1800950 software specification are as defined in Exhibit D.

#### 5. Title and Risk of Loss

Title and risk of loss to all Equipment sold by S-A shall pass to the Buyer upon delivery by S-A to a common carrier for shipment to the Buyer.

#### 6. International Sales

In no event shall the Buyer export any Equipment without the prior written consent of S-A. If Buyer exports any Equipment outside the United States, or such Equipment is re-exported from a foreign destination, the Buyer shall insure that the distribution and export/re-export of the Equipment is in compliance with all laws, regulations, orders, or other restrictions of the U.S. Export Administration regulations. Neither the Buyer, nor any of its subsidiaries, will export or re-export any technical data, process, product, or service, directly or indirectly, to any country for which the United States government or any agency thereof requires an export license or other governmental approval without first obtaining such license or approval.

#### 7. Representations

.1 The Buyer represents and warrants to S-A that (a) all information, technical drawings, blueprints summaries and data of every kind provided by the Buyer and its agents to S-A is in all material respects accurate and correct as of the Agreement Date, and (b) no information is known to the Buyer which, if disclosed to S-A, would have a material impact on the technical requirements of and Specifications relating to the Equipment and the Licensed Software.

.2 The Buyer covenants and agrees to cooperate with S-A by (i) providing S-A access to the Buyer's premises, (ii) making Buyer's technical personnel available to S-A on a timely basis, (iii) providing additional information to S-A from time to time at S-A's request, and (iv) taking such further actions as S-A may reasonably request in connection with the efforts of S-A to fulfill its obligations under this Agreement.

.3 The Buyer acknowledges and agrees that in order to preserve S-A's image for high quality Equipment and thereby enhance its own sales, and in consideration for S-A's making available to the Buyer the Equipment at favorable prices, the Buyer agrees that it shall not engage in any activities or sell or offer for sale any product which in S-A's reasonable opinion would be competitive with the Equipment without S-A's former written approval.

#### 8. Inspection, Test and Acceptance

.1 S-A shall test and inspect the Equipment during production in accordance with S-A's standard procedures.

.2 GCI shall notify S-A of any Specification deficiencies within thirty

(30) days of receipt of the last deliverable milestone as defined in Exhibit B. Satisfactory resolution of the list of hardware and software deficiencies will be the sole determinant of final payment. S-A shall investigate such claims within fifteen (15) days of S-A's receipt of the Buyer's written explanation and remedy any failure of such Equipment to comply with the Specifications within thirty (30) days of the completion of S-A's investigation. If the Buyer does not, within ten (10) days of the expiration of the foregoing thirty (30) day period, indicate in writing that it believes the Equipment does not comply with the Specifications, the Buyer shall be deemed to have Accepted the applicable Equipment. Any dispute between the parties shall be resolved either by (i) mutual agreement or (ii) in accordance with the arbitration procedures set forth in this Agreement.

## 9. Warranty

.1 Notwithstanding the Acceptance terms stated above, S-A warrants that the Equipment will comply with the Specifications, and will be free from defects in materials and workmanship for a period of one (1) year after date of Acceptance (the "Warranty Period").

.2 Except as provided in the Software License, S-A extends no representations or warranties with respect to the Licensed Software.

.3 With respect to the Equipment, during the Warranty Period, S-A will, following written notice of any breach of warranty from the Buyer, at S-A's option, either (i) repair or replace any nonconforming Equipment at Buyer's site or at the site where the Equipment is otherwise located or (ii) request the Buyer to ship any nonconforming Equipment to S-A, and S-A will either repair or replace and return to the Buyer such nonconforming Equipment. Title to nonconforming Equipment being shipped to S-A shall pass to S-A when delivered to the shipping carrier, and title to the repaired or replacement Equipment shall pass to the Buyer when delivered by S-A to the shipping carrier for return to the Buyer. If any Equipment is shipped to S-A or S-A dispatches its personnel to a Buyer's site and the applicable Equipment is determined either to comply with the Specifications or to have been damaged or misused other than through the fault of S-A, the Buyer shall pay S-A's normal charges in connection therewith.

.4 S-A MAKES NO WARRANTIES OTHER THAN THE EXPRESS WARRANTIES IN THIS SECTION AND IN THE SOFTWARE LICENSE AND NONE SHALL BE IMPLIED. THERE IS NO WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR NONINFRINGEMENT PROVIDED HEREUNDER. THE ENTIRE OBLIGATION OF S-A FOR EQUIPMENT OR LICENSED SOFTWARE MALFUNCTIONS OR DEFECTIVE INSTALLATIONS AFTER ACCEPTANCE IS AS EXPRESSLY STATED IN THIS SECTION OR IN THE SOFTWARE LICENSE.

## 10. Terms and Termination

.1 The "Term" of this Agreement shall commence on the Agreement Date, and, unless sooner terminated pursuant to Sections 10.2 or 10.3 below, shall end upon completion of obligations of the parties.

.2 The non-defaulting party may terminate this Agreement immediately upon written notice of the occurrence of any of the following events:

a. Either party shall default in any of its material obligations hereunder and fail to cure the default within fifteen (15) days, or as mutually agreed to by both parties, after the non defaulting party has given written notice of such default, such termination to be effective as of the day of such notice. Written notice of cure shall be delivered to non-defaulting party within fifteen (15) days of notice of default: or

b. Either party shall become insolvent or shall seek protection in bankruptcy or the appointment of a receiver or a petition in bankruptcy or seeking the appointment of a receiver shall be filed against such party and such petition shall not be dismissed within thirty (30) days of its filing, such termination shall be effective as of the date of such notice.

.3 The Buyer shall further have the right to terminate this Agreement for convenience, through March 1, 1996. The parties agree that S-A has no means to determine actual cost impact and therefore the parties agree that the costs associated with this termination for convenience shall be liquidated as follows:

December 1st, 1995	10%
January 1st, 1996	20%
February 1st, 1996	30%
March 1st, 1996	40%

where % is defined as the percentage of the price of the canceled portion of the agreement.

The liquidated termination costs shall be due S-A within 30 days of date of notice of termination by the Buyer.

In the event of Termination of the agreement and payment of the appropriate liquidation costs detailed above, GCI would subsequently have the right to repurchase some or all of the canceled equipment. A percentage of the liquidated costs previously paid by GCI as a result of termination would be credited to GCI as follows:

If reordered by:

March 31st, 1996	50%
April 1st - May 31st, 1996	35%
June 1st - July 31st, 1996	30%
August 1st- Sept. 30th, 1996	25%
Oct. 1st - Dec. 31st, 1996	20%

Said credit will be applied to the repurchased products on a prorated basis.

.4 Except as set forth in subsection 10.3, immediately above, the termination or expiration of this Agreement by either party shall not affect the rights and obligations of the parties that have vested prior to the effective date of such termination with respect to orders accepted by S-A. Final settlement for such orders shall be on the same basis as though the Agreement were continuing, and any obligations of one party to the other with respect to such orders shall remain in full force and effect until fully paid or discharged. In addition to the foregoing, the provisions of Sections 6, 7, 9, 10, 11, 12, 13, 14, 15, 21, 22 and 23 shall survive the termination of this Agreement.

#### 11. Licensed Software

All copies of the Licensed Software residing in the Equipment purchased by the Buyer under this Agreement shall remain the property of S-A and Buyer shall be required to execute the Software License, the terms and conditions of which are incorporated herein by reference and made a part hereof. In the event, however, that terms of this Agreement conflict with terms of the Software License, the terms of this Agreement shall prevail over the Software License.

a. S-A grants to Buyer during the Term of this Agreement a royalty-free, non-exclusive license to use the Trademarks in connection with the promotion and sale of the Equipment as provided for herein. Buyer shall not use or incorporate the Trademarks on any other products or in or as part of a trade name, corporate name, or business name. Buyer acknowledges that considerable time and money has been expended to create the goodwill associated with the Trademarks. Buyer shall always act in a manner that would maintain the quality and goodwill associated with the Trademarks. Nothing contained herein shall give Buyer any interest or right in the Trademarks, except as is expressly granted herein.

b. Buyer further agrees that it will not in any manner represent that it has ownership of the Trademarks and that it will not register or attempt to register any Trademarks under the laws of any jurisdiction, and will not at any time do, or cause to be done, any act or thing contesting, or in any way impairing or tending to impair, any part of S-A's right, title, and interest in the Trademarks, whether or not they are registered in the jurisdictions in which Buyer is located or does business; provided, however, that Buyer may register Trademarks where expressly required by law, solely for the purpose of establishing its distributorship status. Buyer shall promptly notify S-A of any unauthorized use or infringement of S-A's Trademarks, licenses or rights thereto.

c. Buyer agrees not to obscure, alter, modify or remove from the Equipment any of the Trademarks or other product identification.

#### 12. No Rights in Trademarks

S-A grants to Buyer during the Term of this Agreement a royalty-free, non-exclusive license to use the Trademarks in connection with the promotion and sale of the Equipment as provided for herein. Buyer shall not use or incorporate the Trademarks on any other products or in or as part of a trade name, corporate name, or business name. Buyer acknowledges that considerable time and money has been expended to create the goodwill associated with the Trademarks. Buyer will always act in a manner that would maintain the quality and goodwill associated with the Trademarks. Nothing contained herein shall give Buyer any interest or right in the Trademarks, except as is expressly granted herein.

Buyer further agrees that it will not in any manner represent that it has ownership of the Trademarks and that it will not register or attempt to register any Trademarks under the laws of any jurisdiction, and will not at any time do, or cause to be done, any act or thing contesting, or in any way impairing or tending to impair, any part of S-A's right, title, and interest in the Trademarks, whether or not they are registered in the jurisdictions in which Buyer is located or does business; provided, however, that Buyer may register Trademarks where expressly required by law, solely for the purpose of establishing its distributorship status. Buyer shall promptly notify S-A of any unauthorized use or infringement of S-A's Trademarks, licenses or rights thereto.

Buyer agrees not to obscure, alter, modify or remove from the Equipment any of the Trademarks or other product identification..

### 13. Other Intellectual Property

.1 The Buyer acknowledges that as an integral part of S-A's business, S-A has developed, at a considerable investment of time and expense, Trade Secrets and Proprietary Information, and acknowledges that S-A has a legitimate business interest in protecting the Trade Secrets and Proprietary Information. Buyer acknowledges that it and its employees will be entrusted with such Trade Secrets and Proprietary Information. Pursuant therewith, the Buyer agrees to that it will treat as confidential and will not, without the prior written approval of S-A, use (other than in the performance of its duties hereunder), publish, disclose, copyright or authorize anyone else to use, publish, disclose or copyright, (a) any information that constitutes Trade Secrets either during the term hereof or subsequent thereto; or (b) any information that constitutes Proprietary Information either during the term hereof or for two (2) years after expiration or termination, with or without cause.

.2 All records, notes, files, drawings, documents, plans and like items, and all copies thereof, relating to or containing or disclosing Trade Secrets or Proprietary Information of S-A which are made or kept by the Buyer or which are disclosed to or come into the possession of the Buyer, shall be and remain the sole and exclusive property of S-A and shall be returned to S-A upon expiration or termination of this Agreement.

.3 The Buyer further agrees that it will require each of its shareholders, officers, directors and employees who act on its behalf with respect to this Agreement to be bound by the requirements of this Agreement and that, upon request of S-A, the Buyer will provide evidence of such requirement to S-A.

### 14. Injunction

The Buyer agrees that its (or anyone acting on its behalf) actual or threatened breach of the provisions of Sections 10, 11 or 12 shall constitute irreparable harm to S-A, and S-A, in addition to all other rights, shall be entitled to seek an injunction restraining the Buyer or such person therefrom. Nothing herein shall be construed as prohibiting S-A from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages from the Buyer or such person. This provision shall remain in full force and effect in the event the Buyer or such person should claim that S A violated any of the terms of this Agreement. In such event, the Buyer or such person agrees to pursue such claim against S-A independently of the covenants set forth in this section.

### 15. Proprietary Rights Indemnification

.1 Indemnification. S-A shall settle, at its sole cost, or defend and pay costs and damages finally awarded in any suit against the Buyer to the extent based upon a finding that the design, construction or use of the Equipment, including Licensed Software (either separately or in combination), furnished under this Agreement, as furnished and used in accordance with S-A instructions, infringes a patent, trademark, copyright or other intellectual property right of a third party (except infringement which is directly caused by incorporating a specific design or modification at the Buyer's request). S-A shall not indemnify the Buyer's for that portion of any final award that is based on revenue derived from use of the Equipment and that is in excess of the maximum liability of S-A provided in Section 15.5 below.

.2 Procedures. In the event of any allegation of infringement of the type described in Section 15.1 or a claim or suit based thereon (the "Allegation"), the Buyer shall promptly notify S-A of such Allegation in writing. S-A shall promptly commence efforts to settle or to defend against such Allegation and the Buyer shall reasonably cooperate with S-A at the expense of S-A in such settlement or defense.

.3 Injunction. In the event that the use of the Equipment delivered under this Agreement is enjoined or, in the discretion of S-A, is likely to be enjoined, S-A shall do one or more of the following, at S-A's option:

(a) obtain for the Buyer the right to use the infringing item at no cost to the Buyer;

(b) modify the infringing item so that it becomes noninfringing while remaining in compliance with the Specifications in all material respects;

(c) replace the item with a noninfringing item which is in compliance with the Specifications in all material respects; or

(d) if (a), (b) or (c) cannot be effected by S-A's reasonable and diligent efforts, and further subject to the Notice of Refund Option, below, refund the amount paid by the Buyer for the applicable Equipment, less depreciation calculated on a straight-line basis over a five (5) year period, provided that the payment of any such refund shall not become due until return by the Buyer of the applicable Equipment.

(e) Notice of Refund Option. In the event S-A shall elect to exercise the provisions of subsection 15.3(d), above, S-A shall give Buyer 90 days written notice of such election. Buyer shall have the option, during such 90 day period, to negotiate on its own behalf a license or other agreement with the Plaintiff so that such item is no longer infringing. In the event Buyer is successful, S-A shall under Section 15.1 above, pay on behalf of Buyer any royalties and other costs related to such settlement, including attorney's fees, up to the amount set forth in Section 15.5, below.

.4 Combinations and Modifications. Notwithstanding any other provision of this section, S-A shall have no liability for any infringement arising from (i) use of delivered items in combination with other items, unless S-A sold, made or specifically recommended them all as a combination, or the specific combination would be necessary for the use in the normal course of events in connection with the Equipment sold hereunder, or (ii) modification of items after delivery, unless S-A made or specifically recommended the modification, or the modification constitutes normal repair, replacement or implementation of S-A provided options and enhancements for the Equipment sold hereunder.

.5 Limitation. Notwithstanding any other provision of this Agreement to the contrary, this Section 15 states the entire liability of S-A and the sole and exclusive remedy of the Buyer for any alleged infringement of a third party's intellectual property right arising out of the sale or use of the Equipment supplied under this Agreement or a process practiced by such item, and S-A shall not be liable under this Section 15 in the aggregate for any amount exceeding the total price of the Equipment purchased hereunder.

## 16. Indemnification and Limitation of Liability

.1 The Buyer agrees to indemnify and hold S-A and its officers, directors and employees harmless from any loss, damage, liability and expense on account of bodily injuries or physical damage to tangible property, including the property of S-A, arising from any occurrence caused by a negligent or willful act or omission of the Buyer or any employee or agent of the Buyer (other than S-A), or of an independent contractor of the Buyer (other than S-A), which indemnity shall survive this Agreement.

.2 S-A agrees to indemnify and hold the Buyer and its officers, directors and employees harmless from any loss, damage, liability and expense on account of bodily injuries or physical damage to tangible property, including the property of the Buyer, arising from any occurrence caused by a negligent or willful act or omission of S-A, or any employee or agent of S-A or of any subcontractor or independent contractor of S-A, which indemnity shall survive this Agreement.

.3 UNDER NO CIRCUMSTANCES SHALL S-A BE RESPONSIBLE FOR INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL, PUNITIVE, OR EXEMPLARY DAMAGES ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER RELATED AGREEMENTS OR ANY ACTS OR OMISSIONS ASSOCIATED THEREWITH OR RELATING TO THE USE OF ANY EQUIPMENT, LICENSED SOFTWARE OR SERVICES FURNISHED, WHETHER SUCH CLAIM IS BASED ON BREACH OF WARRANTY, CONTRACT, TORT OR OTHER LEGAL THEORY AND REGARDLESS OF THE CAUSES OF SUCH LOSS OR DAMAGES OR WHETHER ANY OTHER REMEDY PROVIDED HEREIN FAILS, NOR SHALL S-A'S TOTAL LIABILITY EXCEED AN AMOUNT EQUAL TO THE TOTAL PURCHASE PRICE PAID BY THE BUYER TO S-A UNDER THIS AGREEMENT, MEASURED AS OF THE DATE SUCH LIABILITY OF S-A SHALL FIRST EXIST.

## 17. Force Majeure

S-A shall not be responsible for delays caused by conditions beyond the reasonable control of S-A, including without limitation such conditions as acts of God, civil insurrections, wars, sabotage, fires, floods, sun outages, atmospheric and externally caused interference, accidents, labor disputes, acts or requirements of governmental authorities or governmental laws, ordinances, rules and regulations, transportation delays, unusually severe weather, or other similar or different conditions beyond the reasonable control of S-A including, without limitation, limitations and restrictions imposed by third parties. In the event of delay due to any such condition, any performance obligation shall be adjusted equitably. Any orders in purchase orders to the Buyer which contains a penalty clause or liquidated damage clause accepted by the Buyer shall be wholly at Buyer's risk unless S-A has given prior written consent to such clause.

## 18. Notices

All notices given pursuant to this Agreement shall be in writing and either delivered in person or by telegram, telex or facsimile transmission or mailed by certified mail, return receipt requested, postage prepaid, to each party at the following address or such other address as such party may direct by similar notice to the other:

To S-A:                   Scientific-Atlanta, Inc.  
4356 Communications Drive  
Norcross, GA 30093  
ATTN: Bob Roseman  
Telephone: (770) 903 6684  
Facsimile: (770) 903 5524

To Buyer:                GCI Communication Corp.  
2550 Denali Street Suite 1000  
Anchorage AK USA 99503  
ATTN: Jimmy R Sipes  
Telephone: (907) 265-5557  
Facsimile: (907) 265-5673

Any notice given pursuant to this Agreement shall be deemed to have been given upon receipt.

## 19. Amendments and Changes

This Agreement may not be amended, modified or waived in any material respect except in a written amendment signed by authorized representatives of both parties.

## 20. Assignment and Subcontracting

.1 This Agreement will be bring upon, inure to the benefit of, and be enforceable by, the parties hereto and their respective legal representatives, successors and assigns; provided, however, that neither this Agreement nor any rights hereunder may be assigned by either party without the prior written consent of the other party, except that this Agreement may be assigned to a parent or associated corporation or to an entity that acquires all or substantially all of the capital stock, business, or assets of a party hereto and agrees in writing to assume the rights and obligations.

.2 S-A may engage one or more subcontractors to perform any or all of the obligations of S-A hereunder. Any such assignment or subcontracting shall not, unless the parties otherwise agree in writing, relieve either party hereto from any obligations hereunder.

## 21. Independent Contractor

Each party hereto is an independent contractor and shall not be deemed the agent or employee of the other party hereto. The Buyer acknowledges that the Specifications and the other matters set forth herein are the only limitations and restrictions on the source quality and performance of the Equipment hereunder.

## 22. Public Release of Information

Neither party may issue any press release or circular or otherwise disclose the existence or terms of this Agreement or the relationship contemplated hereby without the prior written approval of the other party unless required by an APUC, FCC or other governmental reporting requirement.

## 23. Miscellaneous

.1 This Agreement expresses the entire understanding of the parties

with reference to the subject matter hereof, and supersedes any prior or contemporaneous representations, understandings and agreements, whether oral or written, and no representations or agreements modifying or supplementing the terms of this Agreement shall be valid unless in writing and signed by the parties hereto.

.2 This Agreement shall be interpreted in accordance with and governed by the laws of the State of Georgia, excluding its rules or principles regarding conflicts of law.

.3 Except as set forth in Sections 10.3 and 24, the enumeration herein of the rights and remedies of the parties is not intended to be exclusive, and such rights and remedies are in addition to and not by way of limitation of any other rights or remedies that either party may have under applicable law.

.4 No act, failure or delay by either party hereto shall constitute a waiver of any of such party's rights and remedies. No single or partial waiver by either party hereto of any provision of this Agreement, or of any breach or default hereunder, or of any right or remedy which such party may have, shall operate as a waiver of any other provision, breach, default, right or remedy or of the same provision, breach, default, right or remedy on a future occasion.

.5 If any provision of this Agreement shall be prohibited or invalid under applicable law, such provision shall be invalid only to such extent, without invalidating the remainder of this Agreement.

.6 This Agreement may be executed in any number of counterparts, and by S-A and the Buyer in separate counterparts, each of which shall be an original, but all of which shall together constitute one and the same Agreement.

.7 The captions contained in this Agreement are for convenience only, are without substantive meaning and should not be construed to modify, enlarge, or restrict any provision.

#### 24. Arbitration

.1 Except as otherwise provided in the Software License, any controversy or claim between or among the parties, including but not limited to those arising out of or relating to this Agreement or any agreements or instruments relating hereto or delivered in connection herewith and any claim based on or arising from an alleged tort, shall if incapable of resolution by mutual agreement in good faith, be determined by arbitration as provided in this Section 24.

.2 The arbitration shall be conducted in accordance with the United States Arbitration Act (Title 9, U. S. Code), notwithstanding any choice of law provision in this Agreement, and under the Commercial Arbitration Rules of the American Arbitration Association ("AAA"). The arbitration shall be conducted in the City of Seattle, Washington. The arbitrator shall give effect to statutes of limitation in determining any claim. Any controversy concerning whether an issue is arbitrable shall be determined by the arbitrator. The decision of the arbitrator shall be final and binding on the parties. Judgment upon the arbitration award may be entered in any court having jurisdiction. In rendering any decision or making findings of fact the arbitrator shall apply the express intentions of the parties set forth in this Agreement and the laws of the State of Georgia, including without limitation any applicable statutes, regulations and binding judicial decisions, as such would be applied by the courts of the State of Georgia and the United States District Court for the Northern District of Georgia.

.3 In connection with any arbitration having an amount in controversy of less than \$1,000,000, such arbitration shall be conducted by a single arbitrator, chosen by the AAA. The AAA shall be guided by any applicable rules with respect to the choosing of an arbitrator for arbitrations conducted pursuant to the Commercial Arbitration Rules of the AAA, and, in addition, thereto, (i) the AAA shall attempt to appoint an arbitrator having a technical background, where available, consistent with the technical issues and procedures which are the subject matter of this Agreement and (ii) the AAA shall prefer an arbitrator who is an attorney in good standing and licensed to practice law within the State of Georgia. In connection with any arbitration where the amount in controversy is equal to or greater than \$1,000,000, the arbitration shall be conducted of a panel of three (3) or more arbitrators chosen by the AAA, giving preference to those factors identified in subsections (i) and (ii) in the foregoing sentence.

4 Notwithstanding any of the foregoing provisions, nothing contained in this Section 24 shall prohibit either party from seeking injunctive relief in any court having jurisdiction thereof and each party consents to such jurisdiction.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective authorized representatives as of the date first above written.

GCI Communication Corp:

Scientific-Atlanta, Inc.:

By: /s/ Ron Duncan

By:/s/ David A. Berger

Ron Duncan  
(Typed Name)

David A. Berger  
(Typed Name)

President  
(Title)

President-Networks Division  
(Title)

December 20, 1995  
(Date)

December 28, 1995  
(Date)

<TABLE>

Exhibit A - Prices

<CAPTION>

ITEM	DESCRIPTION	QTY	MFR OR EQUIV.	PRICE (U.S.\$)
-----				
	GCI C-BAND 3.6 METER ANTENNA REMOTE DAMA STATIONS			
<S>	<C>	<C>	<C>	<C>
I.	EQUIPMENT			
	This quote is excluding the following items:			
	1- ISDN Interface and Equipment			
	2- Single unit LNB			
	3- Shipping			
	4- Integration			
	5- Transceiver IFL			
1.	3.6-Meter Non-Deiced Antenna (51 Sites) consisting of:			
a.	Non-motorizable mount	1	S-A	
b.	Non heated panels	1	S-A	
c.	Spars and feed boom	1	S-A	
d.	GCI Mount pipe	1	S-A	
e.	Cross-pol heated feed	1	S-A	
f.	Raven protection kit	1	S-A	
g.	Feed boom electric deice kit	1	S-A	
	3.6-Meter Non-Deiced Antenna Unit Price			\$10,561
	3.6-Meter Non-Deiced Antenna Total Price (Qty-51)			\$538,611
2.	Model 7890B Tranceiver subsystem (55 Sites) consisting of:			
	Note: Excludes IFL & Mounting Hardware			
a.	Model 7890 C-Band 20 watt Outdoor RF Unit (5.85-6.425 GHz)	1	S-A	
b.	Model CLNA-35-60-N Low Noise Amplifier	1	EF DATA	
c.	Model 7792B Tranceiver Indoor Unit, -48VDC	1	S-A	
d.	Block Downconverter (3.625-4.2 GHz)	1	S-A	
e.	Temperature Sensor Remote Assy. (P/N 482439)	1	S-A	
	Model 7890B Tranceiver Unit Price			\$20,572
	Model 7890B Tranceiver Unit Price (Qty-55)			\$1,131,460
3.	Baseband Equipment consisting of:			
a.	Model 7800 DAMA Eight channel chassis -48 VDC Multi Transponder IF Input/Output	86	S-A	\$688,000
b.	Model 7802 Channel Unit, Voice and Data, 128kbps Fax Relay option, Switchless	550	S-A	\$2,722,500
c.	Remote Signaling Channel Unit, Switchless	56	S-A	\$252,000
d.	Remote Signaling Channel Unit, Switchless			

e.	System Spares	6	S-A	
	DAMA Standby Power Supply for 7800 Chassis, -48 VDC, Panel Mount	62	S-A	\$458,986
	Subtotal:			\$5,791,557
4.	Monitor & Control Subsystem consisting of:			
a.	Alarm/Status Sense inputs (28 points)	53	S-A	
b.	Outdoor Temperature Meter	53	S-A	
c.	Indoor Temperature Meter	53	S-A	
d.	Power Module Temperature Meter	53	S-A	
e.	DC Current Meter	53	S-A	
f.	DC Voltage Meter	53	S-A	
g.	(3) Temperature Probes	53	S-A	
h.	RSCU/Modern/FMT Port enhancement	53	S-A	
i.	Modem addition to 4.h	53	S-A	
	Subtotal;			\$426,650
5.	Optional 2 ft. Mount Pipe Extension	51	S-A	\$ 42,330
6.	Optional Elevation Drill Drive Adapter	3	S-A	\$ 6,905
	FOB ATLANTA PRICE:			\$6,267,442
II.	SERVICES			
1.	Freight and Insurance (Customer Responsibility)	0	Lot	
2.	Site Survey	0	Lot	
3.	Civil Works (Customer Responsibility)	0	Lot	
4.	Installation, Test & Commissioning	0	Lot	
5.	Training Programs	0	Lot	
6.	Program Management & Engineering Services	1	Lot	\$218,047
7.	Feature Group B, 1800950 Development	1	Lot	\$25,000
8.	64Kbps PCM Development	1	Lot	\$85,000
	TOTAL DAMA EXPANSION NETWORK			\$6,595,489
	9 METER ANTENNA PROJECT			
1.	Model 8009A 9.15 M Antenna	6		
	Reflector, motorized polarization, non deiced S-A Extreme Mount, galvanized and painted S-A Foundation Kit, 120 deg. S-A 4 port C-Band Linear Feed S-A Extreme Environment Radome/Raven Protection Kit S-A Motorized Single Speed actuators, 120* Azimuth S-A Travel, 208 VAC Transmit Waveguide Kit S-A Lightning Protection Kit S-A Work Platform and Ladder Kit S-A			
2.	Antenna Controls Subsystem:	6		
	Model 8861 Antenna Motor Controller S-A Model 8860-2 Adaptrack Indoor Unit S-A AZ/EI Kits, 208 VAC S-A Feed Kits 208 VAC/60 HZ Phase 3 S-A Installation Kits S-A			
	Deice Control System	5	S-A	
	Main Reflector, Feed and Sub-Reflector Electric De-Ice	5	S-A	
	Hardware Subtotal:			\$856,258
3.	Installation	6		\$236,700
	Note: i) GCI to provide test equipment ii) GCI to install the RF system prior to antenna testing			
	TOTAL 9M ANTENNA PROJECT			\$1,092,958
	TOTAL CONTRACT DAMA EXPANSION AND 9M ANTENNA PROJECTS			\$7,688,447

</TABLE>  
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I.EQUIPMENT			QTY	1-Jan	1-Feb	1-Mar	1-Apr	1-May	15-May	1-Jun	15-Jun
1-Jul	1-Aug										
96	-96	-96		-96	-96	-96	-96	-96	-96	-96	-
<S>			<C>		<C>	<C>	<C>	<C>	<C>	<C>	
<C>											
14	1	3.6 Meter non-Deiced Antenna, consisting of:	51		1			18		18	
		a. Non-motorized mount									
		b. Non heated panels									
		c. Spars and feed boom									
		d. GCI mount pipe									
		e. Cross-pol heated feed									
		f. Raven protection									
		g. Feed boom electric deice kit									
	2	Model 7890B Transceiver Subsystem, consisting of:	55				19	18		18	
		a. Model 6610 C-band 20 W ORU									
		b. Model CLNA-35-60-N LNA									
		c. Model 7792B Transceiver IDU, -48 VDC									
		d. Block Downconverter									
		e. IFL and Hardware including									
		- ORU TX and RX Coaxial Cabling, 40' -									
		ORU power and Control									
		Cabling, 40' - OD Temp Sensor Cabling,									
		25' - ORU/LNA/LNB/Feed Cabling - Mounting									
		Hardware									
	3	Baseband Equipment, consisting of:									
		a. Model 7800 DAMA Eight channel chassis, -48 VDC	86		8	8	19	18	17	16	
		Multi Transponder IF Input/Output									
		b. Model 7802 Channel Unit, Voice and Data, 128	550		30	30	140	150		100	
100		kb/s,Fax Relay option, Switchless									
		c. Remote Signaling Channel Unit, Switchless	62		4	4	20	18		16	
		d. DAMA Standby Power Supply for 7800 chassis,	62		4	3	19	18		18	
		-48 VDC, Panel Mount									

I. EQUIPMENT			QTY	1-Jan	1-Feb	1-Mar	1-Apr	1-May	15-May	1-Jun	15-Jun
1-Jul	1-Aug										
96	-96	-96		-96	-96	-96	-96	-96	-96	-96	-
<S>			<C>		<C>	<C>	<C>	<C>	<C>	<C>	
<C>											
	4	Monitor & Control Subsystem consisting of:	53				19	18		16	
		a. Alarm/Status Sense Inputs (28 points)									
		b. Outdoor Temperature Meter									
		c. Indoor Temperature Meter									
		d. Power Module Temperature Meter									
		e. DC Current Meter									
		f. DC Voltage									
		g. (3) Temperature Probes									
	5	Feature Group-B Software/Hardware							lot		
	6	1-800-950-XXXX Software/Hardware							lot		
	7	9.15 Meter Antenna	6								
		a. Reflector, motorized polarization, non-deiced							2	2	2
		b. Extreme Mount, 120 azimuth, galvanized and							2	2	2
		painted									
		c. Foundation Kit, 120							2	2	2
		d. 4 port C-band Linear Feed							2	2	2
		e. Motorized Single Speed Actuators							2	2	2
		120 Azimuth travel, 208 VAC, 60 Hz									
		f. Model 8861 Antenna Motor Controller							2	2	2
		g. Model 8860-2 Adaptrack Indoor Unit, -48 VDC			2	2	2				
		primary input power									
		h. Antenna Control Cable and Installation Kits							2	2	2
		i. Lightning Protection Kit							2	2	2
		j. Work Platform and Ladder Kit							2	2	2
		k. Transmit Waveguide Interface Kit							2	2	2
		l. Feed Deice							2	2	2
		m. Extreme Environment Radome/Raven Protection Kit							2	2	2

</TABLE>

Exhibit C - Software License

SOFTWARE LICENSE AGREEMENT

SCIENTIFIC-ATLANTA

END USER SOFTWARE LICENSE AGREEMENT FOR USE  
WITH DESIGNATED EQUIPMENT

Customer: GCI Communication Corporation  
Address: 2550 Denali St, Anchorage. AK. 99503-2781

Scientific-Atlanta, Inc. ("S-A") by its acceptance agrees to grant to Customer, and Customer accepts on the following terms and conditions a license to the identified Licensed Software for use only with the Designated Equipment set out below.

This Agreement covers all Software provided by S-A to GCI for the purpose of operating the S-A DAMA Network equipment, purchased by GCI from S-A pursuant the Equipment Purchase Agreement of even date.

1. LICENSE GRANT

- 1.1 "Licensed Software" means a computer program, including any modifications, updates or additions which may be supplied by S-A to Customer, in object code or executable form in any medium, such as magnetic tape, disks, or optical media; and related materials such as flow charts, logic diagrams, manuals, and other documentation which are provided to Customer by S-A with or for use in Designated Equipment. Licensed Software may reside within Designated Equipment at the time of delivery to Customer in which case identification of such equipment shall also constitute identification of the corresponding software; or it may be provided separately for installation on Designated Equipment.
- 1.2 Subject to these terms and conditions, S-A grants to Customer, subject to the limitations herein, a personal, nonexclusive, nontransferable license to use Licensed Software in and for the Designated Equipment and not otherwise. This license may be assigned to any bona fide successor in interest to Designated Equipment who first agrees in writing to be bound by the terms of this Agreement. Should the Licensed Software include a unique implementation of a security algorithm, Customer shall have the exclusive right to use such unique Customer security algorithm implementation in and for use with the Designated Equipment and not otherwise.
- 1.3 Customer may make one (1) copy of Licensed Software (but not including read-only memories or similar devices) for archival purposes only and shall reproduce and attach all copyright and proprietary notices. Customer shall not otherwise copy or allow to be copied Licensed Software except to install Licensed Software on the Designated Equipment. Customer agrees that S-A shall have the right to have an independent accounting firm conduct an audit at Customer's premises during normal business hours to verify the number of copies of Licensed Software in use by Customer.
- 1.4 Customer shall not make any modifications to Licensed Software or remove any proprietary notices of S-A or third parties found in or on the Licensed Software. Customer agrees not to reverse engineer, decompile, or reverse assemble Licensed Software except to the extent that such prohibition may be unenforceable under applicable law.
- 1.5 Licensed Software is and shall remain the exclusive property of S-A. No license other than that specifically stated herein is granted to Customer, and Customer shall have no right to sublicense Licensed Software nor any right under any patent, trademark, copyright, trade secret or other intellectual property of S-A other than that granted by this Agreement.

2. PROTECTION AND SECURITY

- 2.1 Customer agrees not to disclose, release, or make available in any form any portion of Licensed Software to any person other than Customer's own employees or contractors. Customer represents that its employees and contractors having access to Licensed Software are or shall be party to written agreements acknowledging a duty to protect Customer's confidential materials, including the Licensed Software.
- 2.2 Customer shall keep Licensed Software (including archival copies, if any), in a secure environment and shall take all steps reasonably necessary to protect Licensed Software or any part thereof from unauthorized disclosure or release. Customer may not export or reexport the Licensed Software in any form except in compliance with all

applicable laws and regulations.

- 2.3 Customer expressly agrees that a breach of this Agreement will cause irreparable harm to S-A and that S-A shall have the right to obtain injunctive relief against any unauthorized use, disclosure, copying or transfer of any part of Licensed Software. Licensed Software may contain software from third parties who are intended to be third party beneficiaries of this Agreement.

### 3. WARRANTY AND LIABILITY

- 3.1 S-A warrants that Licensed Software, as provided, shall conform to the Specifications as that term is defined in the Equipment Purchase Agreement of even date or if not covered by such Specification, the published specification of S-A. During the first one (1) year after the date of delivery of Licensed Software, S-A shall use reasonable commercial efforts to correct errors detected in Licensed Software after receiving notification of such errors from Customer. This paragraph sets forth the entire obligation of S-A with respect to Licensed Software and in no event shall S-A be liable to Customer for loss of profit, indirect, special, or consequential damages arising out of its provision of the Licensed Software to Customer under tort, contract, or any other legal theory. In no event shall S-A be liable to Customer for any damages, however based, in excess of ten thousand United States dollars (US\$10,000.00).

S-A MAKES NO OTHER WARRANTIES, WHETHER EXPRESS OR IMPLIED WITH RESPECT TO ANY PRODUCTS OR SERVICES PROVIDED UNDER THIS AGREEMENT INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OTHER THAN COMPLIANCE WITH THE SPECIFICATIONS S-A DOES NOT WARRANT THAT THE FUNCTIONS CONTAINED IN Licensed Software WILL MEET THE CUSTOMER'S REQUIREMENTS, OR THAT THE OPERATION OF Licensed Software WILL BE UNINTERRUPTED OR ERROR-FREE. S-A MAKES NO WARRANTY OF NONINFRINGEMENT, EXPRESS OR IMPLIED. ANY THIRD PARTY SOFTWARE SUPPLIED WITH OR INCORPORATED IN Licensed Software IS PROVIDED "AS-IS" WITHOUT WARRANTIES OF ANY KIND. IF ANY ADDITIONAL WARRANTIES ARE SUPPLIED BY A THIRD PARTY, SUCH WARRANTIES WILL BE OFFERED DIRECTLY BY SUCH THIRD PARTY TO Customer.

- 3.3 Customer acknowledges its responsibility to use all reasonable methods to prove out and thoroughly test the operation of and output from Licensed Software prior to its use in Customer's operations.
- 3.4 Unless otherwise provided in a separate writing, and subject only to the warranty of this Section, S-A is under no obligation to provide Customer with any modifications, updates, additions or revisions to Licensed Software, nor to maintain Licensed Software in any manner.
- 3.5 In the event that any modifications are made to Licensed Software, any and all warranty and other obligations of S-A shall immediately cease with respect to such software.

### 4. INDEMNIFICATION

- 4.1 S-A shall provide defense and indemnification to the Customer under terms set forth in Section 15 of the Equipment Purchase Agreement of even date herewith.

### 5. TERM AND TERMINATION

This Agreement shall continue indefinitely unless terminated by one of the parties. This Agreement may be terminated by Customer upon thirty (30) days' notice to S-A and by S-A upon breach of any term of this Agreement, which breach is not cured within thirty (30) days after notice by S-A, or should Customer be adjudged a bankrupt or become a party to a similar proceeding for the benefit of its creditors. Immediately after such termination, Customer will deliver to S-A Licensed Software and any and all copies and modifications thereof (except copies which reside within the Designated Equipment and which shall be erased) and will, if requested, provide S-A with its written certification that it has retained no copies.

### 6. TAXES

Except for taxes based on S-A's income, S-A shall not be responsible for any federal, state or local taxes based upon Customer's purchase, possession or use of Licensed Software or upon any charges payable or services performed hereunder.

### 7. APPLICABLE LAW, INTEGRATION AND MODIFICATION

- 7.1 This Agreement shall be construed and enforced in accordance with the laws of the State of Georgia, United States of America, not including any conflicts of laws provisions thereof. The UN Convention on Contracts for the Sale of Goods shall not apply.

- 7.2 This Agreement comprises the full and final understanding between S-A

and Customer, and merges and supersedes any and all other agreements, understandings or representations, written or oral, with respect to the subject matter hereof. It may not be modified except by a writing signed by authorized representatives of both S-A and Customer, and referring specifically to this Agreement.

7.3 Any attempt by Customer to assign this Agreement shall be void unless the assignment is incidental to the sale of the Designated Equipment.

7.4 Waiver by any party of the breach of a provision of this Agreement by the other party shall not be construed as a continuing waiver of such provision or waiver of any other breach of any other provision of this Agreement.

AGREED:	ACCEPTED AND APPROVED:
CUSTOMER	SCIENTIFIC-ATLANTA, INC.
/s/Ron Duncan	/s/Gregory Taylor
By	By
Ron Duncan	Greg Taylor
Printed Name	Printed Name
President	VP Operations,
Title	Systems Integ
	Title
December 20, 1995	December 28, 1995
Date	Date

Exhibit D - Feature Group B/ 1 800 950 XXX Specification

S-A DAMA Features for FGB  
and 800 950 1077  
Dec. 12, 1995, Rev. 4

FGB (Feature Group B)

FGB is a trunk class offered by a Local Exchange Carrier (LEC) to an Inter Exchange Carrier (IXC) before the advent of FGD equal access trunking was available. In such a non equal access LEC office FGC signaling also exists but historically is only grandfathered to AT&T as they were the original and only IXC. (There have been exceptions in Alaska where GCI has received FGC from a LEC for payphone access and 800 number lookup). FGB can coexist with FGD when that service is available. There are two types of FGB signaling; one with ANI and one without. FGB with ANI is a NECA offering without any additional charges over and above FGB without ANI. The following will be a description of how it functions and what S-A will have to incorporate into the DAMA product to provide this FGB requirement for GCI. Drawings are also included showing the signaling protocol exchanges for both types.

S-A shall design the DAMA product for the following two FGB trunking signaling protocol. GCI's FGB Carrier Identification Code (CIC) is 1077. FGB access NXX is 950 so the access number is 950 1077. There will be a new file to be downloaded to the CUs called the "Parameter File". The CIC will be placed in the new downloadable file. Format of the new file is TBD. FGB with ANI and FGB without ANI will be selectable from the same field in the parameter screen where FGC, FGD, IMT, and PBX are currently selected. The new entries will be FGBANI and FGBNOANI. FGB with ANI and FGB without ANI and IMT protocols will reside within the same state machine FGB###.BIN The first described is FGB with ANI.

FGB with ANI

Customer phone number is 907 265 5650  
Customer dials GCI FGB Access number 950 1077  
Customer wants to call 1+213+554+1212

LEC DAMA  
Seize -----

-----Wink

KP+950+1077+ST -----

-----Off hook seizure  
ANI Request

KP+0+265+5650+ST -----

-----400 Hz Dial tone

-----  
Customer then enters the called number as 1+213+554+1212 from their DTMF

phone. (No MF tones or rotary phones)

The customer with local LEC line will dial 950 1077. The LEC, at the LEC GCI FGB trunk, will then send an off hook seizure to the DAMA channel unit. The DAMA channel unit will then send an approximate 200 ms off hook wink to the LEC when the DAMA is ready to receive digits in MF. The LEC will spill KP9501077ST important digression -- In most all cases the LEC when asked will suppress all digits of the called number and just spill KP ST. This shortens post dial delay. The DAMA must be able to just recognize KP ST for this trunk type). The DAMA then returns an off hook seizure to the LEC. The LEC recognizes this as the request for ANI and then sends the ANI as KP 0 2655650 ST. This ends the LEC trunking signalling protocol, (with the exception of ultimate on hook disconnect). The DAMA then shall return a single frequency 400 Hz dial tone. (If it hasn't been observed already this signalling protocol is identical to FGC originating previously designed for DAMA). The similarity ends however at this point where the DAMA returns dial tone. The originator of the call who first dialed 950 1077 to access GCI DAMA (who will continue the signalling addressing) must now at the DAMA dial tone enter the 1+10 digit called number. This 10 digit destination number must replace the previous called number 9501077, if spilled, with the new 10 digit called number for the purpose of call routing and completion. The ANI will be used for billing. The DAMA channel unit must have the filed 907 NPA for purpose of completing the ANI with the prefacing of the 907 to the seven digit ANI spill. Presently the DAMA NMS has ANI validation to the extent that if an ANI is to be turned off for non payment it is entered into the system to be blocked. If an ANI is to route normal it is not entered. S-A shall provide the capability to reverse this based on a CU basis so that an ANI must be entered to be allowed to route and that if no ANI is present in the NMS database then it will block the call and go to recording.

Next will be described the second scenario of FGB without ANI.

FGB without ANI

Customer phone number is 907 265 5650 Customer dials GCI FGB Access number 950 1077 Customer wants to call 1+213+554+1212 Customer has GCI authorization code number 123456

LEC DAMA  
Seize -----  
-----Wink  
KP+950+1077+ST-----  
-----Off hook seizure  
400 Hz Dial tone

Customer then enters a 6 digit authorization code and the called number as 123456 +1+213+554+1212 from their DTMF phone. (No MF tones or rotary phones)

The customer with local LEC line will dial 950 1077. The LEC, at the LEC GCI FGB trunk, will then send an off hook seizure to the DAMA channel unit. The DAMA channel unit will then send an approximate 200 ms off hook wink to the LEC when the DAMA is ready to receive digits in MF. The LEC will spill KP9501077ST Important digression -- In most all cases the LEC when asked will suppress all digits of the called number and just spill KP ST. This shortens post dial delay. The DAMA must be able to just recognize KP ST for this trunk type). The DAMA then returns an off hook seizure to the LEC along with single frequency 400 Hz. dial tone. This ends the LEC trunking signalling protocol, (with the exception of ultimate on hook disconnect). The user, in continuing the addressing signalling, must enter at the tone a 6 digit authorization code and then the 1 + 10 digit called number from their DTMF phone. The authorization code will replace the ANI for billing purposes only but will not replace the ANI for any other purpose such as FGD repeat. Where FGB does not provide an actual ANI the NS will use the telephone number entered in the routing table of the originating CU as the ANI for FGC and FGD repeat. This scheme is the same as what FGC and FGD do for an IMT originating call which has no ANI. If no telephone number is used an ANI of KP+ST will be output by the FGC or FGD repeat terminating trunk. This 6 digit authcode (Called the Hometown authcode feature by GCI Mktg when going to non equal access areas) must be validated in the NMS in a database of 6 digit authcodes stored. S-A shall provide memory for up to 20 thousand 6 digit authorization codes.

Bellcore standards documents are available for FGB signalling and function.

Compatibility Information for Feature Group B Switched Access Service - TR-NPL-000175 Issue 1, July 1985 \$16.50.

Feature Group B FSD 20-24-0300 -- TR-TSY-000698 Issue 1, June 1989 \$30.00; Rev 1, July 1990

\$N/A.

This feature can be best described as 800 950 1077 "peel out". S-A shall provide the following set of feature requirements. In the case where an originating DAMA FGC or FGD channel unit receives the GCI 800 950 1077 number, regardless of whether the channel unit trunk group is an 800 query or route as is one, the DAMA NMS or channel unit will recognize this number and "peel it out" and keep it temporarily within the originating channel unit for the following additional call processing. All LEC trunking signalling to DAMA channel unit has already taken place once the 800 950 1077 and ANI have been received. Once the 800 950 1077 number is received and recognized S-A shall design the DAMA product so that the channel unit will return a single frequency 400Hz. dial tone. Then the user, from a DTMF phone, will dial a 0+10 digit destination number. Then the DAMA channel unit will return a "Bong tone" to the user followed by a recording that says "Enter your GCI calling card number now". Then the customer, from their DTMF phone, will enter a 14 digit GCI Big Dipper calling card number. The 14 digit GCI Big Dipper calling card number will replace the ANI sent to the NS for billing purposes. Then the return link will send all this information to the NMS. The NMS will validate the 14 digit number. If validated then the call will route and terminate to a destination channel unit based on the 0+10 digit called number. At the same time a recording to the originator will say "Thank you for using GCI". S-A shall provide memory for up to 100,000 14 digit calling card numbers. In the event where the customer originated the call from a rotary phone S-A shall provide for the following. At the point where the DAMA channel unit has returned the single frequency 400 Hz. dial tone and the customer cannot enter the DTMF 0+10 number as they are at a rotary phone there needs to be incorporated a default timer value where the call can be routed to the operator trunking should no DTMF digits be received before the expiration of the timer. This timer needs to be programmable within the range of 1 second to 15 seconds. If no DTMF digits are received within the programmed default range then the call will be routed as a 0- FGD repeat call to the terminating channel unit designated for 0- operator calls. That is the FGD repeat trunk group will repeat the originating ANI and insert 0- as the called number. This will allow an operator to handle the call verbally.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 30, 1995 AND THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 30, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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